

**FRANCHISE DISCLOSURE DOCUMENT
(UNIT FRANCHISE PROGRAM)**

Gong cha 

GONG CHA USA FRANCHISING, LLC
a Delaware limited liability company
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We offer unit franchises for the operation of a single store, operated under the “Gong cha®” trademark, that primarily offers and sells a variety of bubble tea blends, coffees and teas, smoothies, juices, and other related products using proprietary methods of operation.

The total investment necessary to begin operation of a Gong cha® franchise ranges from \$174,500 to \$619,500. This includes \$60,250 to \$100,350 that must be paid to the franchisor or its affiliates.

We also offer multi-unit franchises to qualified franchisees. Multi-unit franchisees will sign an Area Development Agreement (or ADA), which authorizes them to develop multiple Gong cha® stores under separate franchise agreements within a specified development area. Multi-unit franchisees pay an upfront development fee to franchisor typically equal to one half of its standard initial franchisee fee of \$34,500 multiplied by the number of stores to be developed. The development fee is in addition to the standard initial franchise fee due for each store, although franchisor will credit a portion of the development fee to reduce the initial franchise fee for each store established under the ADA if certain requirements are met.

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 governmental 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 Kassia Trumbull at 200 Clarendon Street, Suite #5600, Boston, Massachusetts 02116, (775) 799-0070.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer's Guide to Buying a Franchise*,” which can help you understand how to use this disclosure document, is available 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, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: March 29, 2024

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 and subfranchisees / sublicensees. You can find their names and contact information in Item 20 or Exhibits D and E.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit F 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 Gong cha® store 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 Gong cha® franchisee?	Item 20 or Exhibits D and E lists current and former franchisees and subfranchisees / sublicensees. 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 B](#).

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 Risk(s) to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution**. The Franchise requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Massachusetts. 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 Massachusetts 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 if your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.
3. **Short Operating History**. This Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise with a longer operating history.

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.

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EXHIBITS

Exhibit A.	State-Specific Addenda to Disclosure Document	
Exhibit B.	List of State Agencies and Agents for Service of Process	
Exhibit C.	Table of Contents of the Manuals	
Exhibit D.	Existing and Former Unit Franchisees of Franchisor	
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Exhibit F.	Financial Statements of Gong cha USA Franchising, LLC	
Exhibit G.	Franchise Agreement with exhibits: Data Sheet; List of Principals and Designated Principal; Guaranty, Indemnification, and Acknowledgment; Authorization Agreement for Prearranged Payments; Non-Disclosure and Non-Compete for Franchisee’s Employees; Lease Terms; State-Specific Addenda to Franchise Agreement; Data Protection; and Form of Profit and Loss Statement; Special Licensed Products Application Form	
Exhibit H.	Area Development Agreement with attachments: Development Area; Development Schedule; Guaranty, Indemnification, and Acknowledgment; Lease Terms; Selection Criteria; and State-Specific Addenda to Area Development Agreement	
Exhibit I.	Form of General Release	
Exhibit J.	Franchisee Questionnaire	

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

To simplify the language in this disclosure document, the “Company,” “we,” “us,” “our,” and the “Franchisor,” means Gong cha USA Franchising, LLC. “You,” “your,” and the “Franchisee,” means the person(s), corporation, limited liability company, partnership, or other entity that buys the franchise. If you are a corporation, limited liability company, partnership, or other entity, these terms also include any owners of a beneficial interest in you (each a “Principal”), each of whom must sign a personal guaranty agreeing to comply with all provisions of the Franchise Agreement or the Area Development Agreement, as applicable.

The Franchisor

We are a limited liability company incorporated in Delaware on January 10, 2023. Our principal business address is 200 Clarendon St., Suite #5600, Boston, Massachusetts 02116. We conduct business under our corporate name “Gong cha USA Franchising, LLC” and under the name “Gong cha.”

Our agents for service of process are disclosed on Exhibit B.

The Gong cha® Brand

As further described below, we, our predecessors and affiliates Gong Cha Global Limited (“GCG”) and Gong Cha International Co., Ltd. (f/k/a Royal Tea Taiwan Co. Ltd.) (“GCI”), and other of our affiliates have developed, and continue to develop, the Gong cha® brand and System (as defined below). Founded in 2006 in Kaohsiung in southern Taiwan, “Gong cha,” which translates to “tribute tea for the emperor,” is one of the most recognized Taiwanese tea brands in the world. The brand’s leading product is its famous Taiwanese-style bubble tea, which is sweet, milk tea infused with pearl-shaped tapioca. The Gong cha® brand expanded from Taiwan to Korea in 2012 and continued expansion throughout Asia beginning in 2013, with further expansion to the United States in April 2014. As of December 31, 2023, there were 2,065 Gong cha® stores in 22 countries, including Australia, Belgium, Brunei, Cambodia, Canada, France, Hong Kong, Indonesia, Japan, Macau, Malaysia, Myanmar, Mexico, New Zealand, the Philippines, Portugal, Singapore, South Korea, Taiwan, the United Kingdom, the United States and Vietnam.

The Business

Unit Franchises

We offer to select qualified candidates, that meet our then-current selection criteria and other standards, unit franchises for the establishment, development, and operation of a single store that primarily offers and sells a variety of bubble tea blends, coffees and teas, smoothies, juices, and other related products using a proprietary business format and system (the “System”). Stores operating under the System will use the mark “Gong cha” and other indicia of origin, emblems, trade names, service marks, logos, and trademarks we or GCG have designated or may designate in connection with the System (the “Proprietary Marks” or “Marks”). These stores also operate using and offering System proprietary recipes, ingredients, formula, techniques, and products we and our affiliates periodically designate (“Proprietary Products”), as well as other non-proprietary

food, beverage, and other compatible items we or our affiliates periodically designate (collectively with the Proprietary Products, “Products”). Gong cha® stores operating under the System are sometimes referred to in this disclosure documents as “Stores”.

Distinguishing characteristics of the System include the Marks and other intellectual property (including all related copyrights, patents, trademarks, service marks, domain names, design rights, database rights, trade or business names, rights protecting trade secrets and confidential information, rights protecting goodwill and reputation, and all other similar or corresponding proprietary rights and all applications for the same, whether presently existing or created in the future, and whether registered or not), distinctive exterior and interior design, decor, color schemes, fixtures, and furnishings; recipes, standards and specifications for products, including the Products, equipment, materials, and supplies; uniform standards, specifications, and procedures for operations; purchasing and sourcing procedures; procedures for inventory and management control; training and assistance; and marketing and promotional programs; all of which may be periodically changed, improved, and further developed by us or GCG.

The Store you operate may only provide the products and services we and or affiliates authorize and which you are licensed to offer and sell under applicable law. You must follow all our and our affiliates’ policies and procedures when operating your Store, including offering the products or services we specify. We can add to, modify, or delete any products, including the Products, or services that you must offer or sell at any time as we determine, and change and modify our policies.

Your Store must be directly supervised by a General Manager (as defined and further described in Item 15). The General Manager will be responsible for the operation of the Store and is responsible for establishing, implementing, and monitoring food safety and quality policies, establishing measurable food safety and quality objectives, and ensuring compliance with quality and food safety policies and procedures. Your Store will typically also require additional staff.

Although no prior experience in operating a business is needed, we are looking for franchisees that have some prior business experience or a strong interest in the restaurant, beverage, or food service industry. Before granting a franchise, you must meet our then-current selection criteria and other standards, including minimum liquid capital amounts, background checks, credit checks, and successful completion of our interview process.

If we grant you a Gong cha® unit franchise, you must sign our standard franchise agreement, which is attached to this disclosure document as Exhibit G (the “Franchise Agreement”). The Franchise Agreement grants you the right to operate a single Store from an approved location. You may not operate an additional Store unless you acquire additional franchise rights from us and sign another Franchise Agreement.

Multi-Unit Franchises

We also offer to select, qualified candidates that meet our then-current selection criteria and other standards, the opportunity to acquire the right to develop multiple Stores within a specific geographic area. If we grant you a Gong cha® multi-unit franchise, you must sign our standard area development agreement, which is attached to this disclosure document as Exhibit H (the

“ADA” or “Area Development Agreement”). The ADA grants you the right to open a certain number of Stores within a specified geographic area (the “Development Area”) over a defined period (the “Development Schedule”). We determine the Development Schedule based on the market potential and the size of the Development Area. A franchisee that signs an ADA is referred to in the ADA as the “Developer.” Therefore, in this disclosure document, we refer to a franchisee that signs an ADA as a “Developer franchisee,” or a “multi-unit franchisee.” Developer franchisees must sign our then-current form of Franchise Agreement for each Store they open under their ADAs.

Our Business Experience

As a result of the May 1, 2023 US Restructuring (described below), we became the franchisor of the Gong cha® system in the United States. In addition to the unit and multi-unit franchises described above, which we began offering in the United States as of the issuance date of this disclosure document, we also are in the business of offering new Gong cha® master franchises in the United States, which we have done since August 1, 2023, and supporting and arranging for the sale of Proprietary Products to our existing franchisees and, in some cases, our master franchisees’ subfranchisees, which we have done since May 1, 2023. Except as provided above, we do not offer, and have never offered, franchises in any other line of business. We have never operated a Gong cha® store or multi-unit franchise business similar to the ones being offered under this disclosure document, nor have we ever operated a Gong cha® master franchise business.

Our Parents and their Business Experience

We are a wholly owned subsidiary of Gong cha Americas, Inc. (“GCA”), which is a wholly owned subsidiary of GCG, which is a wholly owned subsidiary of GC Group Midco Limited (“GC Midco”), which is a wholly owned subsidiary of GC Group Holdco Limited (“GC Holdco”), which is a wholly owned subsidiary of Gong Cha Limited (originally called GC Group Topco Limited). GCA’s principal business address is the same as ours. The principal business address of GCG, GC Midco, GC Holdco and Gong Cha Limited is 2nd Floor 20 Midtown, 20 Procter Street, London, England, WC1V 6NX. On November 1, 2019, GCG purchased the existing Gong Cha group (consisting of GCI, GCK and GCJ, as defined below) to form the new Gong Cha group for which Gong Cha Limited is the top company.

GCA, GC Midco, GC Holdco and Gong Cha Limited does not offer, and has never offered, franchises in any line of business. In addition, GCA, GC Midco, GC Holdco and Gong Cha Limited have never operated a Gong cha® store or multi-unit franchise business similar to the ones being offered under this disclosure document, nor have they operated a Gong cha® master franchise business.

Our Predecessors and their Business Experience

Our direct predecessor and parent is GCG. Our indirect predecessor and affiliate, and GCG’s direct predecessor and affiliate is GCI. GCI was originally called Royal Tea Taiwan Co., Ltd, until it changed to its current name on July 1, 2020. GCI’s principal business address is No. 1685, Huaxia Rd., Zuoying Dist., Kaohsiung City 813031, Taiwan (R.O.C).

To facilitate its global expansion beyond the Asian markets, the new Gong Cha group elected to centralize certain management and strategic functions, along with key assets, in the United Kingdom. Accordingly, on July 1, 2020, GCI sold certain of its intellectual property (“IP”) to GCG, including GCI’s rights and obligations under its master franchise agreements and other franchise agreements, and GCI’s trademarks, service marks, logos, designs and identifying slogans, including the Marks, for an agreed upon price to be paid pursuant to a promissory note between the parties (the “Restructuring”). GCI also assigned to GCG the master franchise agreements, including the US master franchise agreements. Following the Restructuring, GCG has served as the global franchisor of the Gong cha® system outside the United States since July 2020. In addition, GCG offered and sold Gong cha® master franchises in the United States from July 2020 to April 2023, and Gong cha® unit franchises in the United States from September 2022 to April 2023.

Following the Restructuring, GCI remained GCG’s affiliate and continued to sell products (including raw materials) to GCG. GCI also continued to provide certain management/operational services to GCG. In addition, as part of the Restructuring, GCG entered into a master franchising agreement with GCI to allow it to serve as the Gong cha® master franchisee in Taiwan, and to continue to directly operate its then existing Gong cha® stores in Taiwan and to support and sell products to the then existing Gong cha® stores owned and operated by its subfranchisees in Taiwan. GCI entered into a master franchise agreement on July 18, 2023 with a third-party master franchisee in Taiwan and assigned its rights under all existing subfranchise agreements to the third-party master franchisee. Thus, as of December 31, 2023, there were no Gong cha® stores operated by GCI directly or by GCI’s subfranchisees in Taiwan.

To further support the planned expansion in the United States, as of May 1, 2023, the Gong Cha group implemented a corporate US restructuring (the “US Restructuring”). As part of the US Restructuring, we were formed as a wholly owned subsidiary of GCA to act as the new US franchisor, and Gong cha USA Product Supplier, LLC (“GCPS”) was formed as a wholly owned subsidiary of GCA to act as the new US Product supplier. Additional information about GCPS is disclosed in the affiliate section below. Under an assignment agreement between GCG and us, effective May 1, 2023, as amended, GCG assigned all US master franchise agreements to us, as well as the unit franchise agreements GCG entered with its affiliates GCIL (as defined below). Following the US Restructuring, GCG continues to own the intellectual property and proprietary rights relating to the System, including the Proprietary Marks (collectively, the “IP Rights”). However, GCG has entered into an IP License Agreement with us, effective May 1, 2023, as amended (the “License Agreement”), under which GCG has granted to us, for an ongoing license and royalty fee, the exclusive right to use, and license the right to use, GCG’s IP Rights in the United States and to, among other things, offer and sell Gong cha® master, multi-unit and unit franchises, operate Gong cha® stores, and provide support and coordinate the distribution of Products and other items to US master franchisees and Gong cha® stores. In addition, GCG also has entered into a “Services Agreement” with us, effective May 1, 2023, under which we have agreed, for an ongoing service fee, to provide certain services relating to the growth and maintenance of the Gong cha® system in the United States.

Again, following the US Restructuring, we are the US franchisor of the Gong cha® system. As of December 31, 2023, there were 7 Gong cha® master franchise businesses in the United States operated by master franchisees (the “Existing Master Franchisees”). In addition, as of December

31, 2023, there were another ___ Gong cha® master franchise businesses operating in 21 other countries, including Australia, Belgium, Brunei, Cambodia, Canada, France, Hong Kong, Indonesia, Japan, Macau, Malaysia, Mexico, Myanmar, New Zealand, the Philippines, Portugal, Singapore, South Korea, Taiwan, the United Kingdom, and Vietnam. The Gong cha® master franchise businesses of the Existing Master Franchisees are operated under separate master franchise agreements (or MFAs) with us. As of December 31, 2023, there were a total of 225 Gong cha® stores operating in the United States, 36 of which were operated by master franchisees or their affiliates, 2 of which were operated by our US-based affiliates, and 187 of which were operated by third-party subfranchisees / sublicensees.

Except as described above, GCG and GCI do not offer, and have never offered, franchises in any line of business. In addition, except as described above, GCG and GCI have never operated a Gong cha® store or multi-unit franchise business similar to the ones being offered under this disclosure document, nor have GCG and GCI operated a Gong cha® master franchise business.

Our Affiliates and their Business Experience

Our affiliate GCPS distributes the certain Products, including Proprietary Products, to certain customers in the United States, including our US master franchisees and unit franchisees, pursuant to a non-exclusive distribution agreement with GCG and a services agreement with us. GCPS does not offer, and has never offered, franchises in any line of business. In addition, GCPS has never operated a Gong cha® store or multi-unit franchise business similar to the ones being offered under this disclosure document, nor has GCPS operated a Gong cha® master franchise business.

Our affiliate Gong Cha Korea Co. Ltd. (“GCK”) has served as the Gong cha® master franchisee in Korea since April 2012. GCK’s principal business address is 7F, 47, Jongno-ro, Jongno-gu, Seoul, South Korea. As master franchisee, GCK develops and operates, and subfranchises to third parties the right to operate, Gong cha® stores in Korea, and supports and sells product to these stores. As of December 31, 2023, there were 67 Gong cha® stores operated by GCK directly in Korea, and 834 Gong cha® stores operated by GCK’s subfranchisees in Korea. Except as described above, GCK does not offer, and has never offered, franchises in any other line of business. In addition, except as described above, GCK has never operated a Gong cha® store or multi-unit franchise business similar to the ones being offered under this disclosure document, nor has GCK operated a Gong cha® master franchise business.

Our affiliate Gong Cha Japan Co. (“G CJ”) has served as the Gong cha® master franchisee in Japan since March 2015. G CJ’s principal business address is 4-11-1 Shinbashi, Minato-ku, Tokyo, Japan. As master franchisee, G CJ develops and operates, and subfranchises to third parties the right to operate, Gong cha® stores in Japan, and supports and sells product to these stores. As of December 31, 2023, there were 25 Gong cha® stores operated by G CJ directly in Japan, and 125 Gong cha® stores operated by G CJ’s subfranchisees in Japan. Except as described above, G CJ does not offer, and has never offered, franchises in any other line of business. In addition, except as described above, G CJ has never operated a Gong cha® store or multi-unit franchise business similar to the ones being offered under this disclosure document, nor has G CJ operated a Gong cha® master franchise business.

Our affiliate Gong Cha USA, Inc. (“GCUSA”) was formed to act as GCG’s guarantor in certain situations. GCG included GCUSA’s audited financial statements and guarantee in several of its prior US FDDs, and certain US master franchisees have included and continue to include GCUSA’s audited financial statements and guarantee in their US FDDs. GCUSA’s principal business address is the same as ours. GCUSA does not offer, and has never offered, franchises in any line of business. In addition, GCUSA has never operated a Gong cha® store or multi-unit franchise business similar to the ones being offered under this disclosure document, nor has GCUSA operated a Gong cha® master franchise business.

Our affiliates GC Naperville, IL, LLC, GC State Street, LLC, GC West Sheridan, LLC and GC North Lincoln, LLC (collectively “GCIL”), were each formed by GCA to own and operate a single Gong cha® store in the Chicago, Illinois market. As of December 31, 2023, GC Naperville, IL, LLC was operating a Gong cha® store in Naperville, Illinois, and GC State Street, LLC was operating a Gong cha® store in Chicago, Illinois. Other affiliates also may open Gong cha® stores in the Chicago, Illinois market or in other markets outside of the territories granted to US Gong cha® master franchisees. None of our affiliates described in this paragraph have ever offered franchises in any line of business. In addition, except as described above, none of our affiliates described in this paragraph have operated a Gong cha® store or multi-unit franchise business similar to the ones being offered under this disclosure document, nor have these affiliates operated a Gong cha® master franchise business.

Except as described above, we have no parents, predecessors, or affiliates that are required to be disclosed in this Item 1.

Market and Competition

The general market for bubble tea and tea drinks is developing in the United States. The general market for food and beverages, however, is highly competitive and you will be competing with other businesses offering tea and coffee drinks and blended juice drinks, smoothies, snack and juice bars, and general food service establishments carrying similar products as an offering on their menus. National and local restaurants and coffee shops, both franchised and independent, also may offer tea, coffee, juice, and other drinks as additional menu items, and national and local supermarkets and other retailers may carry some of the same or similar product lines.

The market for bubble tea and tea drinks also may be affected by general economic conditions and may be more seasonal in some parts of the country.

Industry-Specific Regulations

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 and Store sanitation conditions. State and local agencies inspect stores to ensure that they comply with these laws and regulations. There are laws, rules, and regulations requiring point-of-sale disclosures of nutrition and dietary characteristics of the food and beverages served at your Store (e.g., calories, fat content, etc.). 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 particulate matters, including caps on emissions from commercial food preparation.

Some state and local governments have also adopted, or are considering proposals, that would regulate indoor air quality, including the limitation of smoking tobacco products in public places such as Stores.

You will need to obtain permits or licenses as required by applicable law, which may include zoning or land use approvals, Sunday sale permits, sales and use tax permits, special tax stamps, fire department permits, food establishment permits, health permits, food handler's permit, alarm permits, county occupational permits, retail sales licenses, and wastewater discharge permits.

In addition to the specific laws discussed above, your Store will be subject to national, state, and local laws and regulations that apply to all businesses, including for example health, sanitation, EEOC, OSHA, discrimination, employment, wage and hour, and sexual harassment laws, PCI laws and regulations, the Americans with Disability Act of 1990 that requires readily accessible accommodation for disabled persons, and all data and consumer privacy laws and regulations, including the Telephone Consumer Protection Act ("TCPA"), the National Automated Clearinghouse Association ("NACHA") operating rules, and all related and associated regulations, as well as any other applicable laws related to privacy, data security, data protection, direct marketing, consumer protection, and workplace privacy laws, along with the rules requirements, and regulations of any applicable jurisdiction, and all similar federal, provincial, state, local and other laws and all applicable industry standards concerning privacy, confidentiality, and data security. These laws and regulations may apply to your Store.

We are not obligated to provide you with guidance about these laws and regulations, and you are solely responsible for knowing about and complying with those that apply to your franchised business. We recommend that you consult with your attorney for an understanding of these laws and regulations.

ITEM 2 BUSINESS EXPERIENCE

Paul Reynish – Global Chief Executive Officer

Mr. Reynish has been our Global Chief Executive Officer since May 2023. Mr. Reynish also has been the Global Chief Executive Officer of GCG since July 2022, and the Global Chief Executive Officer of GCA, GCUSA and GCPS since May 2023. From May 2021 to July 2022, Mr. Reynish was President of Intertek Alchemy, located in Austin, Texas. From March 2017 to June 2020, Mr. Reynish was President and Chief Executive Officer of FGE International BV, located in Amsterdam, Netherlands, and from June 2020 to May 2021, Mr. Reynish was on garden leave from FGE International BV.

Geoffrey Henry – President

Mr. Henry has been our President since May 2023. Since May 2023, Mr. Henry has also been the President and a Director of GCA and GCUSA, and the President of GCPS and GCIL. Since March 2023, Mr. Henry also has been the President of the Americas of GCG. From January 2019 to February 2023, Mr. Henry was the President, Jamba for Focus Brands, LLC, located in Atlanta, Georgia.

Zachary Aggelis – Secretary and Manager

Mr. Aggelis has been our Secretary and Manager since May 2023. Since May 2023, Mr. Aggelis also has been the Secretary, Manager and a Director of GCA and GCUSA, and the Secretary and Manager of GCPS and GCIL. Since April 2022, Mr. Aggelis has also been the U.S. Finance Director of GCA. From June 2012 to March 2022, Mr. Aggelis was a Principal Consultant with ALEA Consulting Group, LLC, located in Arlington, Massachusetts.

Phillipa McKenzie – Global General Counsel, GCG

Ms. McKenzie has been the Global General Counsel of GCG since February 2023. From May 2020 to February 2023, Ms. McKenzie was the Head of Legal, Western Europe for Yum! Brands, Inc., located in London, England. From March 2015 to May 2020, Ms. McKenzie was the Legal Director, Europe Business Integrity, Litigation & Decentralised Businesses for Unilever PLC, located in London, England.

Kassia Trumbull – Senior Director of Franchise Development, GCG

Ms. Trumbull has been the Senior Director of Franchise Development of GCG since November 2023. From March 2022 to November 2023, Ms. Trumbull was a Franchising Manager for Inspire Brands, Inc., located in Manchester, Kentucky. From August 2021 to March 2022, Ms. Trumbull was a Franchise Sales Executive for Mayweather Boxing and Fitness, located in Los Angeles, California. From January 2020 to July 2021, Ms. Trumbull was the West Coast Sales Representative for Headrush Technologies, located in Reno, NV. From February 2018 to January 2020, Ms. Trumbull was the Director of Patient Education for Vitality Healthcare, located in Reno, NV.

Rebecca Kahn – Franchise Business Leader, US & Canada, GCA

Ms. Kahn has been the Franchise Business Leader, US & Canada of GCA since December 2022. From October 2016 to December 2022, Ms. Kahn was the Franchise Business Partner, US Mid-Atlantic Region of Burger King, located in Washington, District of Columbia.

Alan Davis – Senior Manager, Supply Chain, GCA

Mr. Davis has been the Senior Manager, Supply Chain of GCA since December 2023. From January 2021 to December 2023, Mr. Davis was a Supply Chain Manager for Smoothie King, located in Coppell, Texas. From January 2017 to December 2020, Mr. Davis was the Supply Chain Manager for Wingstop Restaurants, Inc., located in Dallas, Texas.

**ITEM 3
LITIGATION**

In re Commissioner of Business Oversight v. Royal Tea Taiwan Co., Ltd., Fil. Org. ID 352363. On May 26, 2020, the California Department of Business Oversight (now renamed the California Department of Financial Protection and Innovation) (“Department”) issued a citation concluding that GCI (f/k/a Royal Tea, Taiwan Co., Ltd.) had violated California franchise law by offering or selling a master franchise in California to Gong Cha CA Franchise LLC (“GCCA”) without

obtaining the required registration with the State of California and also had failed to provide a franchise disclosure document to GCCA at least 14 days prior to the sale. Under the citation, the Department issued a cease and desist notice, assessed an administrative penalty of \$2,500 for each of the 3 alleged violations, required specified remedial education in franchise law, sought to recover of \$10,000 in attorney's fees and investigative expenses of the Department, and also indicated that the Department would seek ancillary relief in a subsequent administrative proceeding requiring GCI to continue to perform under its 2015 Master Franchising Agreement with GCCA, absent good cause for termination. GCI timely filed a request for a hearing with the California Office of Administrative Hearings. Following the settlement between GCI and GCCA in the related matter described below, GCI has had discussions with the Department and anticipates entering a consent order with the Department to settle this matter. Under the anticipated consent order, GCI will agree, without admitting or denying the findings of the Department, to pay civil penalties of \$2,500 for each of 3 alleged violations, and to desist and refrain from offering and selling franchises without first complying with the registration and disclosure requirements under California franchise law.

Gong Cha CA Franchise LLC v. Royal Tea Taiwan Co., Ltd., Superior Court of the State of California, County of Alameda, Case No. RG20066026; Gong Cha International Co., Ltd. v. Gong Cha CA Franchise, LLC, Chinese Arbitration Association, Kaohsiung. GCI's master franchisee in California, GCCA, filed an action in Superior Court on June 24, 2020, asserting its right to renew the Master Franchising Agreement. The Complaint included 9 related causes of action and sought actual and punitive damages, declaratory relief, injunctive relief, specific performance, and an award of attorneys' fees. On July 9, 2020, GCI filed a demand for arbitration seeking a declaration that it was not required to renew the Master Franchising Agreement. On July 13, 2020, shortly after GCI filed the arbitration proceeding and GCCA filed a request for a temporary restraining order and preliminary injunction in the Superior Court case, the parties agreed to a stipulation that was signed by the Superior Court to maintain the status quo between them in various respects pending the determination of the dispute. On July 9, 2021, the parties settled their dispute and entered an amendment under which the Master Franchising Agreement was renewed for the first 6-year renewal term, effective as of July 1, 2021, and GCCA was granted the right to renew for one additional 6-year term following expiration of the first renewal term. No monetary consideration was exchanged, and the parties agreed to bear their own costs and attorneys' fees. In accordance with the terms of the settlement, the parties signed mutual releases, the litigation was dismissed with prejudice on July 16, 2021, and the arbitration proceeding was subsequently dismissed with prejudice.

Except as described above, no litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

Initial Franchise Fee

Under the Franchise Agreement, you must pay us an initial franchise fee of \$34,500 (the “Initial Franchise Fee”) for a single Store, due and payable to us in United States Dollars when you sign the Franchise Agreement. The Initial Franchise Fee is fully earned by us when you sign the Franchise Agreement. The Initial Franchise Fee is not refundable and is not credited against any other obligation you have to us, except under certain circumstances if you sign an ADA and meet specific development targets, as described below.

Lease Review Fee

Included as part of the Initial Franchise Fee, we or our designated supplier will conduct a single lease review of a proposed location for a Store. If you require more than one lease review for a proposed location (or a different proposed location), however, we or our designated supplier may charge you a “Lease Review Fee” of \$2,000 per additional lease review we or our designated supplier conduct. Any Lease Review Fee will be due and payable in United States Dollars as invoiced and is not refundable.

Initial Supplies and Inventory

You must purchase from us or our affiliates, including GCPS, certain initial supplies and inventory, which typically includes food and beverage ingredients (including the Proprietary Products), paper supplies, certain small wares, branded items, and certain equipment. We estimate that the total cost to purchase these items from us or our affiliates will be \$25,750 to \$61,800 but may vary depending on the size of your Store or if we permit you to purchase some or all these items from an approved supplier other than us or our affiliates. These amounts are due and payable in United States Dollars when we require you to order your initial supplies and inventory. Any of these amounts payable to us or our affiliates are not refundable and are not credited against any other obligation you have to us or our affiliates.

You will be required to purchase additional supplies and inventory as necessary to replenish or replace your stock (see Items 6 and 8).

Grand Opening Advertising Program

You must spend a minimum of \$2,050 on a Grand Opening Advertising Program for your Store (as defined and further described in Item 11). You must obtain our prior approval of the Grand Opening Advertising Program, and it must be executed and completed within 90 days after your Store commences operation. However, we may require you to deposit this sum with us before your Store commences operation to allow us to distribute it as necessary to conduct the Grand Opening Advertising Program. If deposited with us, this amount is not refundable.

Development Fee

If you sign an ADA, you must pay us a development fee (the “Development Fee”) that typically will be equal to one half of our current Initial Franchise Fee multiplied by the number of Stores you agree to develop. We reserve the right, however, to vary the formula we use to calculate the Development Fee, depending on such factors as the number of Stores being developed, the timing of the development and the location and size of the Development Area. The Development Fee is due and payable to us in United States Dollars when you sign the ADA. While the Development Fee is not refundable and is for the territorial rights being granted in the Development Area under the ADA, we will credit a portion of the Development Fee to reduce the Initial Franchise Fee you must pay to us for each Store you develop under the ADA to one half of our current Initial Franchise Fee, as further described in Attachment A of the ADA.

Initial Franchise Fees Payable for Stores Developed Under an ADA

If you sign an ADA, we will agree on a Development Schedule, which for each calendar year or partial calendar year during the term of the ADA (each a “development year”), will include a “Tier 1 Minimum Development Target”, a “Tier 2 Development Target”, and a “Tier 3 Overreaching Target”. At the beginning of each development year, you must pay to us an amount equal to one half of our current Initial Franchise Fee (due to the Development Fee credit described above) multiplied by the cumulative number of Gong cha® stores you still need to open and continuously operate in order to meet the cumulative Tier 1 Minimum Development Target for that development year. This Initial Franchise Fee amount is not refundable but will cover the Initial Franchise Fees due for any Stores you open in that development year. The Initial Franchise Fee amount paid in one development year will not carry over to the following development year. If you meet the Tier 1 Minimum Development Target and certain other development targets set forth in the Development Schedule for a development year (which may include the cumulative Tier 2 Development Target and/or the cumulative Tier 3 Overreaching Target), you will be eligible to have the Initial Franchise Fees waived on certain additional Stores developed during that development year, as further described in Attachment A of the ADA. In addition, as further described in Item 11 and Attachment A of the ADA, if you meet the Tier 1 Minimum Development Target and certain other development targets set forth in the Development Schedule for a development year (which may include the cumulative Tier 2 Development Target and/or the cumulative Tier 3 Overreaching Target), you will be eligible for Net Sales rebates for a set period on certain Stores opened during that development year. In certain circumstances we will offer incentives to development which may include fee incentives.

**ITEM 6
OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	6% of weekly Net Sales	3 rd Business Day of each Week	(Note 1)
Brand Marketing Fee	1% of weekly Net Sales. However, we can increase this amount to up to 2% of weekly Net Sales upon 90 days' prior written notice to the you	3 rd Business Day of each Week	We will deposit Brand Marketing Fees into the Brand Market Fund, as further described in Item 11. (Notes 1 and 2)
Regional Marketing Fee	If a Cooperative Ad Fund is established in the geographic area in which your Store is located, we can require you to contribute up to 2% of Net Sales to the Cooperative Advertising Fund, or more than 2% if the members of such Cooperative Ad Fund vote to exceed this maximum amount	If you are required to contribute Regional Marketing Fees to a Cooperative Ad Fund, you must pay these Regional Marketing Fees to us or the Cooperative Ad Fund as we direct, and at the times we direct, which most likely will be weekly or monthly.	We will contribute any Regional Marketing Fees we receive into the respective Cooperative Ad Fund, as further described in Item 11. (Note 2)
Additional Training Fees	(Note 3)	Upon demand	(Note 3)
Additional Opening or On-site Training	Our per diem charges and out of pocket expenses, which, as of the issuance date of this disclosure document, we estimate to be \$1,000 to \$3,000 per person	Upon demand	Payable only if you request and we agree to provide additional opening or other on-site training. (Note 4)
Supplies and Inventory Fees	Actual costs	Upon demand	You may or must purchase certain supplies and inventory used in the Store from us or our affiliates, including GCPS, that we may make available or require you to purchase, including the Proprietary Products.

Type of Fee	Amount	Due Date	Remarks
Technology System Fees	Actual costs	Upon demand	Consistent with Item 11, you may be required to pay to us certain fees relating to the required technology system, which we may remit to third-party suppliers.
Prohibited Product or Service Fee	\$250 per day for each day an unapproved product or service is offered or provided by you	Upon demand	Payable only if you offer products or services that are unauthorized or unapproved.
Relocation Fee	50% of the Initial Franchise Fee, as well as any costs and expenses we incur in connection with the relocation	Upon demand	Payable only if you relocate your Store.
Renewal Fee	50% of our then-current standard initial franchise fee, or 50% of the Initial Franchise Fee you paid if we are not offering franchises at the time of renewal	Before the term of your Franchise Agreement expires	Payable only if you want to renew your franchise.
Transfer Fee	50% of our then-current standard initial franchise fee; If you have entered an ADA, you must pay an additional transfer fee of \$5,000	Before you transfer your franchise	Payable only if you seek to sell or transfer your business or a majority interest in it.
Securities Offering Review Fee	Actual costs and expenses associated with Franchisor's review of proposed offering materials, including legal and accounting fees	Upon Demand	Payable only if you seek to offer security or partnership interest in you.
Bank Charges and Fees	Charges and fees assessed by banks and third parties for failed EFT payments	Upon demand	(Note 5)

Type of Fee	Amount	Due Date	Remarks
Late Payment Administrative Fee	5% of the overdue amount	As incurred	Payable on all overdue amounts, subject to applicable state law.
Interest	Lesser of 1.5% per month or highest rate of interest allowed by applicable law	As incurred	Payable on all overdue amounts, subject to applicable state law.
Audit	Cost of audit, including travel, lodging, wages, and reasonable accounting and legal costs	Upon demand	Payable only if we audit your records and the audit shows an understatement of at least 3% of Net Sales for any week.
Designated Accountant Fee	Cost of designated accountant	Monthly, as incurred	Payable only if we require you to pay us to coordinate these services.
Health and Safety Audit	If your Store fails any health and safety audit based on the standards we periodically establish or we separately request such audit based on credible evidence we have become aware of that your Store is likely not meeting our health and safety standards, we may require our authorized third-party service provider to perform additional health and safety audits, at your expense, until your Store passes a subsequent health and safety audit and meets our then-current standards. We estimate the cost of quarterly audits to be between \$200 to \$300.	As incurred	<p>We may require our authorized third-party service provider to perform up to 4 regular health and safety audits of your Store each year, at our expense.</p> <p>You must pay the costs of any subsequent health and safety audits of your Store following a failed audit or we separately request such audit based on credible evidence we have become aware of that your Store is likely not meeting our health and safety standards, to us or our authorized third-party service provider, as we direct.</p>

Type of Fee	Amount	Due Date	Remarks
Cost to Correct Post-Inspection Deficiencies	Our costs to correct any deficiencies uncovered by an inspection that you do not correct within a reasonable amount of time	As incurred	Payable only if you fail to correct a deficiency uncovered by an inspection within a reasonable amount of time after the inspection.
Insurance	Our cost to obtain insurance coverage if you fail to do so, plus a reasonable administrative fee for expenses we incur in procuring the insurance	Upon demand	Payable only if you fail to maintain required insurance coverage and we elect to obtain this insurance coverage for you.
Customer Satisfaction Costs	Our costs to resolve customer complaints on your behalf	Upon demand	You must reimburse us for our costs incurred if we resolve or respond to a customer complaint on your behalf.
Indemnification	Actual costs	As incurred	You must reimburse us if we are sued or held liable for claims arising from your Store.
Cost of Enforcement or Defense	All costs including accounting and attorneys' fees	As incurred	Payable only if we retain counsel following your breach of any obligation you have to us, or if we are successful in defending any claim you bring against us.
Taxes	Amount of tax or assessment	Upon demand	If any local, state, or federal governmental body charges a tax on any fee you owe to us or to our affiliates, then you are required to pay an additional amount equal to the amount of this tax. This does not apply to any federal or state income taxes we or our affiliates must pay.

All fees must be paid to us in United States Dollars and are not refundable (except as provided below). All fees are uniform for all new franchisees.

Note 1. “Net Sales” means all revenue from the sale of all products, and all other income of every kind and nature related to, derived from, or originating from the Store, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit;

provided, however, that “Net Sales” excludes any customer refunds, and/or sales tax collected from customers by you and actually transmitted to the appropriate taxing authorities. “Business Day” means a day, other than a Saturday or Sunday, or a national holiday in the United States. “Week” means the period starting with the commencement of business on Monday and concluding at the close of business on the following Sunday (or, if the Store is not open on a particular Sunday in accordance with the Franchise Agreement or the Manuals, the immediately preceding Business Day.)

Note 2. As further described in Item 11, we reserve the right to require you, during each Week (except for expenditures on local advertising and promotion, which shall be measured on a monthly basis or some other basis we designate), spend and/or contribute on advertising and promotion amounts, which, in the aggregate, are equal to an amount up to 4% of Net Sales during the preceding Week to advertise and to promote the Store (together, the “Advertising Obligation”); provided, however, that the Advertising Obligation may exceed such amount under the circumstances set forth below. Your Advertising Obligation will be in the form of the following, as we periodically designate: (i) Brand Marketing Fees to be contributed to the Brand Marketing Fund, (ii) Regional Marketing Fees to be contributed to a Cooperative Ad Fund if one is established in the geographic area in which your Store is located, and (iii) expenditures by you on local advertising and promotion, as further described in Item 11. Any Regional Marketing Fees you pay will be credited against your local advertising expenditure requirement.

As of the issuance date of this disclosure document, you must pay to us a Brand Marketing Fee of 1% of Net Sales. However, upon 90 days’ prior written notice to you, we have the right to increase the Brand Marketing Fee you must pay to us to up to 2% of Net Sales. This means that your aggregate Advertising Obligation could be up to 4% of Net Sales. In addition, your aggregate Advertising Obligation may exceed 3% or 4% of your Net Sales, whichever is applicable at the time, if the members of a Cooperative Ad Fund, of which you are a member, approve Regional Marketing Fees that, when aggregated with your other requirements described above, would cause your aggregate Advertising Obligation to exceed 3% or 4% of your Net Sales, as applicable. The Advertising Obligation, however, is a minimum requirement only, and you may, and are encouraged to, expend additional funds on marketing and promotion.

Note 3. As further described in Item 11, we will provide our initial franchise program to up to 3 of your initial required attendees and will not charge you a training fee for these attendees. For all additional training we provide to you, your Designated Principal, General Managers or other managerial personnel, we reserve the right to charge you our then-current training fee. As of the issuance date of this disclosure document, our training fee for the initial training program is \$2,000 per person and, although we have not yet established a training fee for any other training, we may offer, we anticipate the training fee for any such training likely will be similar to this amount. (Franchise Agreement – Sections 3.2 and 6.1.) In addition, you must pay all other expenses incurred in connection with training, including the costs of

transportation, lodging, meals, and benefits for your training attendees. (Franchise Agreement – Sections 6.5.)

Note 4. As further described in Item 11, if you request additional assistance from us in order to facilitate the opening of your Store and we deem it necessary and appropriate to comply with your request, or If you request that we provide additional on-site supervision or supplemental training or that any training programs offered or required by us be conducted for you at your Store and we agree to provide such training, you must pay our then-current per diem charges and out of pocket expenses in providing such additional assistance or training, as periodically set forth in the Manuals. (Franchise Agreement – Sections 3.3 and 6.7.)

Note 5. You must pay fees and other amounts due to us via electronic funds transfer (EFT) or other similar means. To implement this procedure, you must sign an agreement authorizing us to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to us and any interest that may be owing. You will make the funds available to us for withdrawal by electronic transfer no later than the payment due date. If you have not timely reported the Net Sales to us for any reporting period, we can, at our option, debit your account for our reasonable estimate of the fees due based upon your previous reports of the Net Sales which you provided us. A sample form of this authorization is attached to the Franchise Agreement as Exhibit D. If any EFT payment is not honored by your bank for any reason, you are responsible for the dishonored payment plus any bank or other charges incurred or assessed upon us.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT					
Type of Expenditure (Note 1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (Note 2)	\$34,500	\$34,500	Lump sum	Upon signing Franchise Agreement	Us
Training Expenses (Note 3)	\$3,600	\$7,200	As incurred	As incurred during training	Suppliers
Architect and Engineering Fees (Note 4)	\$5,150	\$13,000	As incurred	Before opening	Suppliers
Leasehold Improvements (Note 5)	\$51,500	\$270,500	As incurred	Before opening	Suppliers

YOUR ESTIMATED INITIAL INVESTMENT					
Type of Expenditure (Note 1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Furniture, Fixtures, and Equipment (Note 6)	\$18,500	\$49,000	As incurred	Before opening	Approved Suppliers and suppliers
Technology Systems (Note 7)	\$9,300	\$12,350	As incurred	Before opening	Designated or Approved Suppliers
Exterior Signage	\$2,050	\$5,400	As incurred	Before opening	Approved Suppliers and suppliers
Security and Utility Deposits and Rent (Note 8)	\$5,150	\$32,500	As incurred	Before opening	Suppliers
Professional Fees and Business Permits/Licenses	\$1,250	\$29,000	Lump Sum	As incurred	Suppliers
Initial Supplies and Inventory (Note 9)	\$25,750	\$61,800	As incurred	As incurred	Affiliates and us
Grand Opening Advertising (Note 10)	\$2,050	\$5,400	As incurred	As incurred	Suppliers or us
Insurance (Note 11)	\$5,400	\$12,350	As incurred	As incurred	Suppliers
Additional Funds – 3 Months (Note 12)	\$10,300	\$86,500	As incurred	As incurred	Suppliers and government agencies
Total (Note 13)	\$174,500	\$619,500			

Notes

Note 1. This table is an estimate of your initial investment to start a single Store from a leased space that is 500 to 1,500 square feet under a unit Franchise Agreement. We assume your Store will be an “in-line” store, typically in a strip mall or other retail area, or located within a shopping mall. Free-standing locations will be considered if they are in areas of high traffic in urban and suburban areas, and preferably near large residential communities, office buildings, and other commercial areas. None of these payments are refundable (except as provided below).

- Note 2. The \$34,500 Initial Franchise Fee is fully earned by us when you sign the Franchise Agreement, and not refundable or credited against any other obligation you have to us. Notwithstanding the preceding sentence, if you sign an ADA and meet the Tier 1 Minimum Development Target and certain other development targets set forth in the Development Schedule for a development year (which may include the Tier 2 Development Target and/or the Tier 3 Overreaching Target), you will be eligible to have the Initial Franchise Fees waived on certain additional Stores developed during that development year, as further described in Items 5 and 11 and Attachment A of the ADA.
- Note 3. We will provide our initial training program for up to 3 of your personnel attending together as part of the Initial Franchise Fee. Beyond these first 3 trainees, we may charge you our then-current, per person training fee for each additional person to whom we provide training, either initially or in the future. Our current training fee is \$2,000 per person. You are responsible, however, for each of your trainees' transportation, lodging, meals, wages, and benefits during our initial training program. The low estimate assumes you have only 2 of your personnel attend the initial training program, and that you incur budget travel and accommodation expenses. The high estimate assumes you have 3 of your personnel attend the initial training program, and your travel and accommodation expenses are higher. Your actual costs will vary depending on the distance to be traveled, your method of travel, and your personal circumstances. Your costs will also be higher if you have additional people attend the initial training program, or if you have people attend a different training session than the one you attend.
- Note 4. You will be required to retain the services of a qualified architect and engineer to adapt our standard plans and specifications for Gong cha® stores to the requirements of the location of your Store.
- Note 5. You will be required to retain the services of a qualified licensed general contractor to construct the improvements to, or "build out," the premises. These estimates assume that the location is a free-standing building approximately 500 to 1,500 square feet, and includes, at a minimum, a level concrete floor suitable for floor covering, air-conditioning, electricity, gas, sewers, bathroom facilities, and water and plumbing suitable for a retail business. You will have additional build-out costs if you receive the premises in any other condition than what we have assumed. Among other things, you will probably need to arrange for the following items to meet the standard plans and specifications: proper wiring and plumbing, floor covering, wall covering, partitions, lighting and fixtures, storefront modifications, painting, cabinetry, and the like. The range of estimated costs will depend on whether the location is a first-generation store site or a second-generation store/conversion site, the geographic location; the size of the premises; the availability and cost of labor and materials; and the condition of the premises and the work that the landlord will do as a result of lease negotiations. Landlords may, instead of constructing or installing some of the improvements itself, provide you with credits towards your future rent payments or a tenant improvement allowance.

These estimates do not account for any rental credits or tenant improvement allowance.

Note 6. You must purchase all furniture, fixtures, and equipment (other than the technology systems, which are listed separately below), furnishings, interior signage, and supplies specified for new Gong cha® stores, including: coolers and refrigeration equipment, preparation tables, serving counters, customer tables, coffee equipment, tea equipment, seating, various trade dress and décor items, small wares, and other furniture, fixtures, and equipment. This estimate also includes the cost of office furniture, filing cabinet, and miscellaneous office supplies, and equipment.

Note 7. You must purchase or lease a technology system necessary to operate your Store, including personal computer, a point-of-sale system, and related hardware and software, including, at least a Wi-Fi system, a security system (security cameras, store alarms and fire alarms), label and receipt printers, 2 ordering kiosks, an electronic menu board, a phone system, and a music and sound system. The technology system selected must use certain inventory, ordering, and accounting platforms and otherwise meet our standards and specifications. Our estimate includes other general fees (including acquisition, shipping and installation fees, and ongoing subscription fees) that you are responsible for in connection with the technology system you select.

Note 8. If you do not own a location for your Store that we have approved, you must purchase or lease a space. We have assumed you will lease space for your Store. This estimate includes your first month's rent payment, security deposits, and utility deposits (for example, telephone, electricity, gas, and water). We have assumed the security deposit to your landlord will equal 1 month's rent. While this estimate assumes that rent commences upon the Store's opening, you will need to lease a space in advance to build-out your Store. However, you may be able to negotiate an abatement from your landlord for this period, as we have assumed. Rent varies considerably market-to-market, and from location-to-location within each market. Rents may vary beyond the range that we have provided, based on factors such as market conditions in the relevant area, the type and nature of improvements needed to the premises, the size of the site for the Store, the terms of the lease, the desirability of the location, and your ability to negotiate with your landlord.

If you choose to purchase, rather than rent, real estate on which a building suitable for your Store already is constructed or could be constructed, your real estate costs will be higher and vary significantly depending on the local real estate market.

Note 9. You must purchase from us or our affiliate certain initial supplies and inventory, which typically includes food and beverage ingredients, paper supplies, certain small wares, branded items, uniforms, and certain equipment. Our estimates include the total cost to purchase these items from us or our affiliate for a 3-month period but may vary depending on the size of your Store or if we permit you to purchase certain items from an approved supplier instead. These amounts are due

and payable when we require you to order your initial supplies and inventory. You will be required to purchase additional supplies and inventory as necessary to replenish or replace your stock.

Note 10. You must spend a minimum of \$2,050 on a Grand Opening Advertising Program you conduct for your Store within 90 days after it commences operation, as further described in Item 11. You are encouraged to spend more than this minimum amount on approved grand opening advertising and promotional programs, however, and the higher end of the estimated range assumes that you do spend more than the minimum.

Note 11. You must carry the types and minimum amounts of insurance we specify. We currently require you to obtain and maintain, at a minimum: builder's risk insurance during any periods of construction or renovation of the Store; data privacy and cyber insurance; comprehensive general liability insurance, including contractual liability, public liability, products liability, property damage, assault and battery, and personal injury coverage; automobile liability insurance; workers' compensation and employer's liability (amounts required by law); all-risks insurance for the full cost of replacement of all of the furniture, fixtures, and equipment, and supplies and inventory used in your Store and all leasehold or premise improvements; excess liability coverage over general liability, automobile liability, and employer's liability; business interruption insurance for actual losses sustained; any additional insurance coverage required by your lease or sublease; and umbrella policies. This estimate is for an initial deposit of 3 months for these insurance coverages with the minimum insurance coverage limits we require.

Note 12. This amount includes estimated operating expenses you should expect to incur during the first 3 months of operation of your Store, including additional rent, telephone and Internet access, subscription fees, and miscellaneous supplies, but excluding any salary/distributions you may take, permits and licensure, and insurance premiums.

Note 13. To compile these estimates, we have relied on the experiences of our master franchisees in opening Gong cha® stores or franchising Gong cha® stores in the United States, our affiliates' experience in developing and opening Gong cha® stores in other countries, and our and our affiliates' knowledge of business practices and conditions in the United States. We do not offer financing for any part of the initial investment. The availability and terms of financing will depend on factors like the availability of financing generally, your credit worthiness, your relationship with local banks, your business experience, and any additional collateral you may offer to a lender to secure the loan. Our estimates do not include any finance charges, interest, or debt service obligations.

Multi-Unit Franchise

We have not included a separate table for the initial investment if you sign an ADA. As further described in Item 5, as of the issuance date of this disclosure document, if you sign an ADA and

therefore become a multi-unit franchisee, you will pay a Development Fee equal to one half of our current Initial Franchise Fee multiplied by the number of Stores you agree to develop. Again, while the Development Fee is not refundable and is for the territorial rights being granted in the Development Area under the ADA, we will credit a portion of the Development Fee to reduce the Initial Franchise Fee you must pay to us for each Store you develop under the ADA. In addition, at the beginning of each development year under an ADA, you must pay to us an amount equal to one half of our current Initial Franchise Fee (due to the Development Fee credit described above) multiplied by the Tier 1 Minimum Development Target for that development year. This Initial Franchise Fee amount is not refundable but will cover the Initial Franchise Fees due for any Stores you open in that development year (See Item 5 and Attachment A to the ADA).

As of the issuance date of this disclosure document, we anticipate that we will typically enter ADAs for the development of 10 to 20 or more Stores. For example, if you sign an ADA with a Development Schedule of 10 Stores over 5 years with a Tier 1 Minimum Development Target of 2 Stores for the first development year, you would pay us a Development Fee of \$172,500, plus \$34,500 for one half of the Initial Franchise Fees for the first 2 Stores in Year 1. Similarly, if you sign an ADA with a Development Schedule of 20 Stores over 5 years with a Tier 1 Minimum Development Target of 4 Stores for the first development year, you would pay us a Development Fee of \$345,000, plus \$69,000 for one half of the Initial Franchise Fees for the first 4 Stores in Year 1.

Other than as stated above regarding the Development Fee and the Initial Franchise Fee amount payable at the beginning of each development year, start-up costs for the individual Stores opened under an ADA are the same as the estimated costs to open a single Store (which is described in the table above in this Item 7), subject to potential increases over time due to inflation and other economic factors.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure a uniform image and uniform quality of products and services throughout the Gong cha® system in the United States and in conjunction with the System, you must maintain and comply with our quality standards.

Purchases from Us or Designated or Approved Suppliers; Products and Supplies

You must only purchase all supplies for the preparation and sale of the Products (including the Proprietary Products), uniforms, and all equipment, including machines and a technology system (including point-of-sale system and computers, related hardware and software, a Store phone system, music sound system, Wi-Fi system and security system, and other components), and other materials required for or as part of the establishment or operation of Gong cha® stores, as we may periodically specify or prescribe (collectively, the “Supplies”), from us, GCPS or other suppliers we periodically designate (“Designated Suppliers”) or approve (“Approved Suppliers”) (collectively, the “Suppliers”).

You may not distribute, sell, resell, supply, license, sublicense, lease, rent, loan, market, provide access to, make available or transfer any Supplies to any third party. If we issue specifications and

standards for goods and services, including the Supplies, we will do so through the Manuals or other written communication.

You must purchase all Proprietary Products from our Designated Supplier GCPS, or from such other Supplier we designate. We have the right to periodically introduce additional, substitute new, or discontinue Proprietary Products. For all other Products and Supplies, we have the right to designate the specific brand and/or manufacturer of those Supplies, and to designate an exclusive source, or sources, from whom you must purchase those Supplies, which may be us, GCPS or another affiliate. In the event we establish ourselves, or an affiliate, as a Designated Supplier (or exclusive supplier) of any piece of equipment, supply, service, or product (including any Product), you shall use the transportation or distribution supplier designated by us for the delivery of such Product, which transportation or distribution supplier may be us or an affiliate. We also have the right to periodically change or revoke these designations upon written notice to you.

We may require you to use a certified public accountant service for bookkeeping and financial records management we approve or designate, and you will be required to pay either us or the service provider a reasonable monthly fee for such services, as determined by either us or the service provider.

You must adhere to all ordering, delivery and payment policies we, and our affiliates, set forth in the Manuals or in writing with respect to all Products, including the Proprietary Products. You are required to pay us, GCPS, or our affiliates, for purchases (including all logistics related costs) five business days in advance of the clean bill of lading. We, GCPS, and our affiliates, can refuse to ship any supplies prior to receipt of payment in full. You may change an order for Supplies from us, GCPS, or our affiliates, without additional cost within 5 business days of the order, however, after 5 business days such change will be subject to a \$200 administrative fee in addition to any reasonable change fee to cover any costs, we, GCPS or our other Suppliers may incur.

Approved Suppliers

If you desire to purchase any Supplies (except the Proprietary Products or Supplies for which we have already designated one or more Designated Suppliers) from suppliers other than those previously approved by us, you must submit a written request for authorization to purchase such Supplies. You shall not purchase from any Supplier until, and unless, such Supplier has been approved in writing by us. We may deny such a request for any reason, including our determination to limit the number of Approved Suppliers. You must submit such information and samples as we may reasonably require. We will generally notify you of our approval or rejection within 30 days of our receipt of all the information and samples we request (any supplier not approved within 30 days is deemed rejected).

Although we do not make available the criteria we review when approving suppliers, we consider various factors including whether the Supplier: (i) can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; (ii) possess adequate quality controls and capacity to supply our needs promptly and reliably; (iii) would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and (iv) has been approved in writing by us prior to any purchases by you from such supplier, and have

not thereafter been disapproved. There is no requirement that we approve any supplier, nor any requirement that we make available to prospective suppliers any standards for approval and/or specifications for formulas, which we shall have the right to deem confidential.

The proposed supplier must consent to periodic inspections of the Supplies (through samples delivered to us, or an independent testing facility we designate) and/or the proposed supplier's facilities as a condition of approval. You are required to pay a charge not exceeding the reasonable cost of evaluation and testing. The proposed supplier must further comply with any other requirements we deem appropriate, which may include payment of reasonable continuing inspection fees and administrative costs, or other payment to us on account of the proposed supplier's dealings with you and other franchisees. We reserve the right, at our option, to re-inspect from time to time the facilities and products of any Approved Supplier, and to revoke our approval of such Approved Supplier at any time if such supplier fails to meet any of our then-current criteria. Upon receipt of written notice of such revocation, you shall cease to sell or use any disapproved item, Products and/or cease to purchase from any disapproved supplier.

We may, at our sole option, establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally known Suppliers who are willing to supply all or some Stores with some or all the products and/or services that we require for use and/or sale in the development and/or operation of Stores. In such event, we may limit the number of Approved Suppliers with whom you and other franchisees may deal, designate sources that you and other franchisees must use for some or all Products and other products and services, and/or refuse any of your requests for approval if we believe that this action is in the best interest of the System or the franchised network of Stores. We shall have unlimited discretion to approve or disapprove of the Suppliers that may be permitted to sell Products to you and other franchisees.

Except as described above, you may not request alternatives to the Products or Supplies, nor alternative suppliers of the Products or Supplies other than us or the Suppliers.

Substitute Materials

Without our prior written approval, you are prohibited from independently acquiring and using similar or substitute materials to the Supplies for the production of any Products (including any Proprietary Products) or the daily operation of the Store.

Special Licensed Products and Services

You must not sell any unauthorized products or services in your Store without our prior written approval. However, if you wish to offer or sell any products or services that have not previously been authorized by us or our affiliates, you must first make a written request to us, requesting authorization to offer and sell such special products or services, and in the case of products, submitting the Special Licensed Products Application Form attached as Exhibit J to the Franchise Agreement. We anticipate that our review of such request will take up to 30 days or more. We, in its sole and absolute discretion, may deny such request for approval or once given, subsequently withdraw such approval at any time, for any reason. Any products we approve in accordance with our approval process are sometimes referred to as "special licensed products." You will be solely responsible for the safety, sanitation, and quality of any special licensed products or services we

approve. In addition, any liability related to or arising from any special licensed products or services we approve will be your responsibility.

Location Analysis; Construction

You are not required to purchase or lease real estate from us or our affiliates. In connection with approval of a location for your Store you must submit to us a site market research analysis prepared by a company that we approve. You must employ a qualified, licensed architect or engineer who we approve or designate to prepare preliminary plans and specifications for site improvement and/or construction of your Store. You must employ a qualified general contractor we approve of or designate to construct your Store and to complete all improvements. Such general contractor may be us or our affiliate.

Insurance

Your insurance must meet our specifications, including type, amount, minimum deductibles, insurance carrier rating, additional insured designations, and subrogation waivers. Your insurance policies must name us as an additional named insured, and you must provide us a certificate of insurance before you open your Store. We currently require you to obtain and maintain, at a minimum: builder's risk insurance during any periods of construction or renovation; all-risks insurance for the full cost of replacement of all of the furniture, fixtures, and equipment, and supplies and inventory used in your Store and all leasehold or premise improvements; business interruption insurance for actual losses sustained of no less coverage than \$1,000,000 per occurrence; data privacy and cyber insurance (\$5,000,000 per claim); workers' compensation and employer's liability (amounts required by law); comprehensive general liability insurance (\$1,000,000 per claim, \$2,000,000 general aggregate) and products liability (\$5,000,000 general aggregate), including personal injury, products/completed operation, assault and battery, terrorism, and tenant's legal liability; automobile liability insurance (\$1,000,000 combined single limit, \$3,000,000 general aggregate limit); excess liability coverage over general liability, automobile liability, and employer's liability (\$4,000,000 per occurrence); any additional insurance coverage required by your lease or sublease; and umbrella policies.

You must provide us with a copy of a proper certificate of insurance, endorsement or such other proof in the form we require evidencing the existence of all insurance coverage you are required to maintain at least 30 days before opening your Store. In addition, you must provide us annually, upon renewal or extension, and at our request a proper certificate, endorsement or such other proof in the form we require evidencing the existence of such required insurance coverage. Upon our request, you also must provide us copies of all policies at any time.

If at any time you fail to obtain and maintain the required insurance coverage, we may elect to obtain this insurance coverage for you and charge you for our costs in obtaining this insurance coverage, plus a reasonable administrative fee for the expenses we incur in connection with procuring insurance for you.

Miscellaneous

We may initiate new marketing campaigns, introduce new products, or adjust the menus of the Gong cha® stores. Upon the initiation of such events, you must take all action necessary to

accommodate such initiatives within 30 days' notice from us. Any costs incurred by you to comply with these initiatives will be your sole responsibility.

Except as described above in this Item 8, you are not required to purchase or lease any other products or services for the operation of your Store from us or our affiliates, or any other Approved Suppliers or Designated Suppliers.

We and our affiliates have the right to receive fees, payments, rebates, commissions or other consideration from third-party manufacturers, suppliers and/or distributors based on purchases or leases of products or services by franchisees, which may or may not be reasonably related to services we or our affiliates provide to these third parties. We and our affiliates will retain and use any fees, payments, rebates, commissions or other considerations as we deem appropriate or as required by a particular manufacturer, supplier or distributor.

We and our affiliates will derive revenue as a result of our system-wide supply chain program, or as a result of purchases or leases of products and services described in this Item 8 by franchisees, including unit and multi-unit franchisees. During the fiscal year ending December 31, 2023, we received no revenue from required purchases and leases of products and services by Gong cha® master franchisees in the United States. Our affiliate, GCPS, had revenues of approximately \$6.4 million from required purchases and leases of products and services to master franchisees in the United States in 2023. Further, as our predecessor GCG was the franchisor and a product supplier for part of 2023, GCG had revenues of approximately \$1.8 million from required purchases and leases of products and services to master franchisees in the United States in 2023.

As of December 31, 2023, we had no Unit franchisees, and thus, neither we, nor our affiliates, received revenue from Unit franchisee purchases of products, services or other items in the United States in 2023.

There is no purchasing or distribution cooperative. We do not provide material benefits to you because of your use of designated or approved suppliers. We may negotiate prices for products or services for the benefit of the Gong cha® system generally, but not on behalf of individual franchisees in the United States. We and our affiliates shall continue to review supply chain sourcing strategies to mitigate risk, optimize efficiency and maintain competitive pricing. We do not provide material benefits to you because of your use of particular products, services, or suppliers.

You can expect items purchased from designated or approved suppliers will represent approximately 80% to 90% of total purchases you will make to begin operation of your Store, and approximately 60% to 70% of the ongoing costs to operate your Store. As we source raw materials for our Products from around the world, we and our affiliates shall endeavor to manage our supply chain to control and maintain prices when there is short term price volatility, and only introduce raw material price increases upon 90 days' prior written notice to you.

There are no suppliers in which one or more of our officers owns an interest.

**ITEM 9
FRANCHISEE’S OBLIGATIONS**

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

Obligation	Section in Franchise Agreement (FA) or Area Development Agreement (ADA)	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 1.2, 1.3, 5.1, and 5.2, Exhibit A and Exhibit F of FA Sections 2, 3.1 and 3.2 of ADA	Items 7 and 11
b. Pre-opening purchases/leases	Sections 5.4, 7.1, 8.6 and 8.7 of FA Not Applicable in ADA	Items 7, 8, and 11
c. Site development and other pre-opening requirements	Sections 5.4 and 5.6 of FA Sections 3.1 and 3.2 of ADA	Items 7 and 11
d. Initial and ongoing training	Sections 3.2, 3.3 and 6 of FA Not Applicable in ADA	Items 5, 6, and 11
e. Opening	Sections 5.5 and 5.6 of FA Section 2.4 of ADA	Items 7 and 11
f. Fees	Sections 2.2, 4, 5.2.2, 5.5, 6.5, 6.7, 8.6, 8.7, 8.16, 8.25, 9.4.7, 11.3, 12.3, 13, 14.2, 14.4, 15.3, 15.11, 17.7, 18.8, 18.9, 21, 27.11 and Exhibit A of FA Sections 4 and 6.2 of ADA	Items 5, 6, and 7

Obligation	Section in Franchise Agreement (FA) or Area Development Agreement (ADA)	Disclosure Document Item
g. Compliance with standards and policies/operating manual	Sections 8, 10 and 13.6 of FA Sections 2.3 and 3.4 of ADA	Items 8, 11, 15, and 16
h. Trademarks and proprietary information	Sections 7.7, 8.11, 9 and 17.6 of FA Section 5 of ADA	Items 13 and 14
i. Restrictions on products/services offered	Sections 8.6 and 8.7 of FA Sections 2.6 and 3.4 of ADA	Items 8, 11, and 16
j. Warranty and customer service requirements	Sections 8.9 and 8.30 of FA Not Applicable in ADA	Items 6 and 16
k. Territorial development and sales quotas	Not Applicable to FA Section 2 and Attachment B of ADA	Not Applicable
l. Ongoing product/service purchases	Sections 7.9 and 8 of FA Not Applicable in ADA	Items 5, 6, and 8
m. Maintenance, appearance, and remodeling requirements	Section 8 and Exhibit F of FA Not Applicable in ADA	Items 5, 6, and 17
n. Insurance	Section 14 of FA Not Applicable in ADA	Items 6, 7, and 8
o. Advertising	Section 13 of FA Section 5.1 of ADA	Items 5, 6, 7, and 11

Obligation	Section in Franchise Agreement (FA) or Area Development Agreement (ADA)	Disclosure Document Item
p. Indemnification	Sections 19.2, 21.4 and Exhibit C of FA Sections 11.3 to 11.4 of ADA	Item 6
q. Owner's participation/management/staffing	Section 8.3, 8.4, 23 and Exhibit B of FA Not Applicable in ADA	Items 1 and 15
r. Records and reports	Sections 4.3, 4.5, 4.6, 4.8, 7.1, 7.2, 12, 13.3 and 13.4 of FA Section 3.6 of ADA	Not Applicable
s. Inspections and audits	Sections 3.8, 5.4.6, 8.6, 8.10, 12.2, 12.3 and Exhibit H and I of FA Not Applicable in ADA	Not Applicable
t. Transfer	Section 15 of FA Section 6 of ADA	Item 17
u. Renewal	Section 2.2 of FA Not Applicable in ADA	Item 17
v. Post-termination obligations	Sections 8.29, 9.3.1, 9.4.16, 17, 18.3 and 18.10 of FA Section 11 of ADA	Item 17
w. Non-competition covenants	Sections, 17.10, 18 and Exhibit E of FA Sections 7.2, 7.3, 7.4 and 7.5 of ADA	Items 15 and 17

Obligation	Section in Franchise Agreement (FA) or Area Development Agreement (ADA)	Disclosure Document Item
x. Dispute resolution	Sections 28.2 and 28.3 of FA Section 7.5 and 14 of ADA	Item 17
y. Other: Guaranty of franchise obligations (Note 1)	Exhibit C of FA Attachment C of ADA	Item 15

Note 1. Each Principal must sign a personal guarantee of all the obligations of the franchisee under the FA or ADA. This guarantee also includes an agreement to be bound by the confidentiality and noncompete provisions of the FA or ADA.

**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 Store, we will:

1. Provide you with a “search area” in which you must locate your Store (Franchise Agreement – Section 1.2 and Exhibit A), assuming you do not have a site for your Store that we have approved at the time you sign the Franchise Agreement.
2. Provide general guidelines to you for the selection of a site for your Store and review any proposed sites you select (Franchise Agreement – Section 5.1).
3. Review your lease for the Site for the Store for compliance with the requirements of the Franchise Agreement (Franchise Agreement – Section 5.2).
4. Provide you with a sample layout for the interior of a typical Gong cha® store, including décor specifications (Franchise Agreement – Section 3.1).

5. At our option, provide you with a website listing on our or our affiliate's website for your Store (Franchise Agreement – Section 7.6).
6. Provide the Initial Training Program (Franchise Agreement – Sections 3.2 and 6.1).
7. For your first Gong cha® store, make available one or more representatives to provide on-site opening support for the Store, as we deem is required. (Franchise Agreement – Section 3.3).
8. Provide you with assistance in developing and conducting the Grand Opening Advertising Program (Franchise Agreement – Sections 3.6 and 13.5).
9. Loan you a copy of our confidential operations manuals and other manuals, instructional materials, and written policies and correspondence (collectively, and as may be periodically updated by us or our affiliates, the “Manuals”) (Franchise Agreement – Sections 3.4 and 10.4). As of the issuance date of this disclosure document, our Manuals contain 151 pages. A copy of the table of contents of our Manuals is attached to this disclosure document as Exhibit C.
10. Provide you with a list of the approved suppliers for certain equipment, supplies, inventory, and services for your Store (Franchise Agreement – Section 3.9).
11. Sell to you, either directly or through an affiliate, certain initial supplies and inventory (Franchise Agreement – Sections 8.7 and 8.8).
12. Grant you the right to establish a specific number of Gong cha® stores within the Development Area if you sign an ADA (Area Development Agreement – Section 2).

Post-Opening Assistance

During the term of the Franchise Agreement, we will:

1. Provide periodic advice or offer guidance in marketing, management and operation of the Store in the manner determined by us (Franchise Agreement – Section 3.7).
2. Provide additional optional training at your request and expense and additional required training at your expense as we may require (Franchise Agreement – Sections 6.4 and 6.7).
3. Maintain and administer the Brand Marketing Fund and any Cooperative Ad Funds (if established) (Franchise Agreement – Sections 13.2 and 13.3) and review and approve or disapprove any local marketing that you engage in for your Store (Franchise Agreement – Sections 3.5 and 13.6).
4. At our option, maintain a web page of our website for your Store (Franchise Agreement – Section 7.6).
5. Provide you with a list of the approved suppliers for certain equipment, supplies, inventory, and services for your Store (Franchise Agreement – Section 3.9).

6. Sell to you, either directly or through an affiliate, equipment, supplies and ingredients, products, inventory, and other services required for your Store, as we may make available (Franchise Agreement – Sections 8.7 and 8.8).
7. Establish at our discretion pricing, gift card, gift certificate, rewards and loyalty, coupon, or other promotional programs that you may or must participate in as we require (Franchise Agreement – Section 8.17).
8. Pay incentives to you if you meet certain development targets in a development year, if you sign an ADA (Area Development Agreement – Section 4.3 and Attachment A).

Training

Initial Training Program

We will provide an initial training program to you (or, if you are other than an individual, your Designated Principal and, if applicable, your General Manager (as these terms are defined in Item 15), and up to one additional person as we may require (not to exceed a total of 3 persons), in our sole discretion, subject to certain limitations described below if you sign an ADA. (Franchise Agreement – Section 6.1.) Each of these initial required attendees must attend and successfully complete, to our satisfaction, the initial training program. You will not be required to pay to us a separate training fee for your initial required attendees who attend the initial training program. If any of these initial required attendees do not successfully compete, to our satisfaction, such training, however, we may require that you send a replacement person to attend and successfully complete, to our satisfaction, the initial training program, and pay to us our then-current training fee for that attendee.

Except as otherwise described in this Item 11, we may require you to pay to us our then-current training fee for any addition training, including the initial training program, we provide to your attendees. As of the issuance date of this disclosure document, our training fee for the initial training program is \$2,000 per person and, although we have not yet established a training fee for any other training, we may offer, we anticipate the training fee for any such training likely will be similar to this amount. In addition, you must pay all other expenses incurred in connection with training, including the costs of transportation, lodging, meals, and benefits of your training attendees.

Notwithstanding the above, if you sign an ADA, for the fourth and each subsequent Gong cha® store you develop under the ADA, you will be responsible for conducting the initial training of your Designated Principal, your General Manager (if applicable), and any other managerial personnel, in accordance with the requirements and conditions as we periodically establish for such training. Our requirements for initial training by you will be set forth in the Manuals or other written materials and shall include the requirement that all such training activities be conducted: (a) by the Designated Principal(s) or personnel of you (or your affiliate) who have completed our initial training program to our satisfaction, and who remain acceptable to us to provide initial training; and (b) following the procedures and conditions established by us. If we determine that the training provided by you does not satisfy our standards and requirements, or that any newly trained individual is not trained to our standards, then we may require that such newly trained individual(s)

attend and successfully complete, to our satisfaction, an initial training program provided by us prior to the opening of the respective Store, for which we may require you to pay to us our then-current training fee. (Franchise Agreement – Section 6.1.3.)

We will determine, in our sole discretion, how often we will offer the initial training program and other training and will periodically publish a schedule of upcoming training sessions.

You must satisfy all pre-opening training requirements by no later than 30 days prior to the scheduled opening of your Store. If you fail to satisfy any of these pre-opening training requirements, we may terminate the Franchise Agreement and will not reimburse the Initial Franchise Fee or any training fees you have paid to us.

Our initial training program as of the issuance date of this disclosure document consists of 10 days of training. A breakdown of the initial training program is as follows:

INITIAL TRAINING PROGRAM

Schedule	Subject (1)(2)	Hours of Classroom Training	Hours of On-the-Job Training	Location
Day 1	<ul style="list-style-type: none"> *Introduction of Gong Cha *Get uniform, cap, apron, and nametag etc. *Get training brochure and training file *Training guidebook explanation *Training schedule explanation *Gong cha product knowledge *Warehouse / Raw material acceptance regulation *E-learning platform orientation *E-learning platform practice 	9	0	“Certified” training store and/or other locations (3)
Day 2	<ul style="list-style-type: none"> *Introduction of the Materials, Equipment, Bar tools. *Kitchen: Brewing Tea process and storage *Kitchen: Cooking Pearl *Kitchen: Making House Special Milk Foam *Bar: Basic SHAKE process 	3	6	“Certified” training store and/or other locations (3)
Day 3	<ul style="list-style-type: none"> *Preparation for Opening *Kitchen: Brewing Tea/ Cook pearl *Bar: Basic Tea Drink, Milk Foam Series *Bar: Basic Tea Drink, Milk Foam Series Practice 	3	6	“Certified” training store and/or other locations (3)

Schedule	Subject (1)(2)	Hours of Classroom Training	Hours of On-the-Job Training	Location
Day 4	*Preparation for Opening *Kitchen: Making Ai-Yi, Grass Jelly, and Pudding *Bar: Milk Tea Series / How to make Milk Tea *Bar: Milk Tea Series Practice *Kitchen: Cooking Earl Grey Tea	3	6	“Certified” training store and/or other locations (3)
Day 5	*Preparation for Opening *Bar: Milk Tea Practice *Bar: Creative Mix *Equipment setting & cleaning (Syrup dispenser, sealing machine, smoothie maker, tea extractor) *Store Marketing expectations	3	6	“Certified” training store and/or other locations (3)
Day 6	*Preparation for tea & semi-finished products two hours before closing. *Preclosing procedures *If the trainee requires more hands-on training, the trainer will arrange a half-day training.	3	6	“Certified” training store and/or other locations (3)
Day 7	*Preparation for tea & semi-finished products two hours before closing *Pre closing procedures *Go over closing procedures and process	3	6	“Certified” training store and/or other locations (3)
Day 8	* Management Day – Open and work in position *Coffee Series, Smoothie series practice *POS training, Steritech, C.U.P.S Surveys, third party technology suppliers sales and reporting. *Review all Materials	3	6	“Certified” training store and/or other locations (3)
Day 9	*Kitchen & Bar Practice *Open and Work in Position *Bar and Kitchen SOP overall review *Final Review	3	6	“Certified” training store and/or other locations (3)
Day 10	*Final Exam (Academic test & Skill test. Must score 80% to pass course). *Discuss Menu Boards/Marketing *Store opening/Closing Procedures *Order process explanation & Inspection Process. *Transfer of all documents needed for all store operational procedures.	3	7	“Certified” training store and/or other locations (3)
Totals		36	55	

- (1) The instructional materials for all training programs include the Manuals, handouts and visual aids, and will include lectures, classroom discussion, hands-on demonstration and/or practice training at a training store.
- (2) The initial training program will be led or overseen by Gabriela Parck, the Manager of Training and Ops Services for the Americas of GCA. She has more than 2 years of experience working with us or our affiliates, and over 20 years of experience working in the restaurant industry. Any other individuals involved in the initial training program will have at least one year of experience in the subject that they teach.
- (3) The initial training program will take place at “certified” Gong cha® training stores owned by one of our affiliates or franchisees, and/or other locations we designate. The on-the-job training typically will be held at the “certified” training store, while the classroom training will be held in a conference room or office setting.

Other training will take place at our headquarters, “certified” Gong cha® training stores owned by our affiliates or franchisees, and/or other locations we designate, including online remotely, in our sole discretion, and at the times we specify.

If your Designated Principal or General Manager ceases active employment in your Store, you must enroll a qualified replacement who is reasonably acceptable to us in our initial training program reasonably promptly following cessation of employment of said individual. We reserve the right to require you to pay us our then-current training fee for any such training. In the alternative, with respect to training a replacement General Manager, you may train such replacement(s), as described below. Your replacement Designated Principal and/or any required managers shall complete the initial training program as soon as is practicable and in no event later than any time periods as we periodically specify in the Manuals and otherwise in writing. We reserve the right to review any personnel you train and require that such persons attend and successfully complete, to our satisfaction, the initial training program we offer at a location we designate. (Franchise Agreement – Section 6.2.)

You will have the option of training any General Manager (following the training of the first General Manager by us) at your Store or other Gong cha® stores operated by you or your affiliates, provided that you are in compliance with all agreements between you and your affiliates and us, and further provided that the training is conducted: (a) by your Designated Principal or other personnel who has successfully completed, to our satisfaction, the initial training program (and who remains acceptable to us to provide such training); and (b) in accordance with any requirements or standards as we periodically establish in writing for such training. In the event we conduct such training, we reserve the right to require you to pay us our then-current training fee for such training. (Franchise Agreement – Section 6.3.)

We also may require that you or your Designated Principal and General Manager attend such refresher courses, seminars, and other training programs as we may reasonably require from time to time, provided that such training shall not exceed 4 days per person each year, and attendance for up to 3 days per person each year at conventions, if any, conducted for our franchisees. We may moreover require that you or your Designated Principal and General Manager attend re-

training programs held by us. We reserve the right to require you to pay to us our then-current training fee for any such training. (Franchise Agreement – Section 6.4.)

You must train your staff as to our standards and requirements. (Franchise Agreement – Section 8.4.)

Additional Opening or On-site Training

We will make available to you at our expense and at your Store premises, any assistance in pre-opening, opening and initial business operation of your Store including providing you with the services of one or more of our representatives for supervisory assistance and guidance in connection with the opening and initial operations of the Store, as we deem appropriate, in our sole discretion. As of the issuance date of this disclosure document, this assistance will consist of 5 days of support by one of our representatives (2 days before the opening, opening day, and 2 days after the opening). Should you request additional assistance from us in order to facilitate the opening of your Store, and should we deem it necessary and appropriate to comply with the request, you shall pay our per diem charges and our out-of-pocket expenses in providing such additional assistance as periodically set forth in the Manuals or otherwise in writing. We will have the right to determine the time or times at which such representatives shall be made available to you. Notwithstanding the above, if you sign an ADA, for the second and each subsequent Gong cha® store you develop under the ADA, you will be responsible for conducting opening training, and we will not be responsible for aiding you with respect to pre-opening, opening and initial business operation at your Store premises. (Franchise Agreement – Section 3.3.)

In addition, if you request that we provide additional on-site supervision or supplemental training or that any training programs offered or required by us be conducted for you at your Store, and we agree, in our sole discretion, to provide such requested supervision or training, you agree to pay to us our then-current per diem charges and out-of-pocket expenses as periodically set forth in the Manuals or otherwise in writing.

Site Selection and Opening

When you sign a Franchise Agreement, you will receive the right to operate a single Store, which will be located and operated from a retail location you select that is approved by us. You are not required to purchase or lease any real estate from us or our affiliates.

If you do not have a location that we have approved for your Store at the time you sign the Franchise Agreement, we will assign you a non-exclusive “search area” in which you must locate your Store (Franchise Agreement – Section 1.2). Before you open your Store, we will provide general guidelines to you for the selection of sites for your Store and review any proposed sites you select. It will, however, be your obligation to select the site for your Store and to obtain our approval (Franchise Agreement – Section 5.1). You must submit to us information and materials we require and obtain our approval of the site, including market research analysis prepared by a company we approve. The factors we take into consideration when reviewing a site include the location and proximity of the site to residential neighborhoods, the demographics of the surrounding area, whether the site is on a main thoroughfare, size and type of the proposed premises, available parking, the surrounding businesses, and lease terms. If you are leasing a place

for your Store, you must also provide us with a copy of your lease or sublease so that we can confirm that it meets the requirements of the Franchise Agreement. We will typically approve or reject a proposed site within 20 business days of your complete submission of the site information we require. If you and we are not able to agree on an approved premise for your Store within 2 months of your signing of the Franchise Agreement, we can terminate your Franchise Agreement and retain all amounts you have paid to us (Franchise Agreement – Sections 5.1 and 16.2).

You must obtain property control for the approved premises of your Store within 60 business days of approval of the site for the Store (Franchise Agreement – Section 5.1). We do not conform the premises to local ordinances and building codes or obtain any required permits for you, and we do not construct, remodel, or decorate the premises. Generally, neither we nor our affiliates own the premises of your Store and lease them to you, but we and our affiliates reserve the right to do so.

Before commencing any construction on your Store, you must employ a qualified licensed architect or engineer who we approve or designate to prepare preliminary plans and specifications for site improvement or construction (Franchise Agreement – Section 5.4). These preliminary plans and specifications must be based upon prototype plans and/or specifications that we provide you. You must comply with all applicable laws, codes and regulations regarding the construction, design and operation of your Store, obtain all zoning classifications and clearances as may be required, and obtain all permits and certifications required for construction and operation of your Store. Once you have obtained all approvals and clearances, you must submit final plans for construction to us for our approval. Our review of such plans is limited to compliance with our design standards. Once approved, the final plans cannot be modified or changed without our express written approval.

Construction on your Store must be completed by a qualified licensed general contractor who we designate or approve (Franchise Agreement – Section 5.4). You must only use those brands, types or models of construction and decorating materials, fixtures, equipment, furniture and signs that we have approved.

You may not open your Store until: (1) you request (at least 30 days before your intended opening date) our approval to open your Store as of a specific date, and receive our approval to open your Store on that date (Franchise Agreement – Section 5.5); (2) any of your personnel that we require has completed our Initial Training Program to our satisfaction and you certify that you have provided all of your employees with the training we require (Franchise Agreement – Section 6.1); (3) you have furnished us with copies of all insurance policies and certificates required by the Franchise Agreement, or other documentation of insurance coverage and payment of premiums we request (Franchise Agreement – Section 14); (4) you notify us that all approvals and conditions in the Franchise Agreement have been met; and (5) you have obtained all required licenses, permits, and certifications. You must open your Store within either 6 months of the date you signed your Franchise Agreement or 4 months after securing the approved site for the Store (Franchise Agreement – Section 5.5). If you fail to obtain property control for the approved premises of your Store or fail to open your Store by the deadlines we require, we can terminate your Franchise Agreement and retain all amounts you have paid to us (Franchise Agreement – Section 16.2).

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of your Store will be between 60 and 180 days. Some factors that may affect this timing include how long it takes you to select a suitable site for your Store and obtaining a lease or sublease, how long it takes you to complete our Initial Training Program, any shortages or delays in obtaining any supplies and inventory, whether, and to what extent, you need to remodel your site, and your ability to secure any necessary licenses, permits, insurance coverage, and financing.

If you enter into a Development Agreement, we and you will agree on a Development Area and the Development Schedule which identifies the number of Gong cha® stores you will develop, and the time frame in which the Gong cha® stores will be developed. You may not develop any Gong cha® store until there is a separately signed Franchise Agreement between you and us, and we have evaluated and accepted the site as described in this disclosure document.

Advertising/Marketing

As further described in Item 6 and below in this Item, your minimum Advertising Obligation will be in the form of the following, as we periodically designate: (i) Brand Marketing Fees to be contributed to the Brand Marketing Fund, (ii) Regional Marketing Fees to be contributed to a Cooperative Ad Fund if one is established in the geographic area in which your Store is located, and (iii) expenditures by you on local advertising. Your minimum Advertising Obligation in the aggregate will not exceed the amounts described in Item 6. (Franchise Agreement – Section 13.1.)

Brand Marketing Fund

As of the issuance date of this disclosure document, we have established a fund for system-wide advertising and promotion of the System in the United States (the “Brand Marketing Fund”). As further described in Item 6, during the existence of the Brand Marketing Fund, you must pay us a weekly Brand Marketing Fee of 1% of Net Sales, which we may increase to up to 2% of Net Sales upon 90 days’ prior written notice to you. We will contribute the Brand Marketing Fees you pay to us to the Brand Marketing Fund. Other of our unit franchisees in the United States also will pay brand marketing fees to us that we will contribute to the Brand Marketing Fund. In addition, some of our master franchisees in the United States may pay brand marketing fees to us that we will contribute to the Brand Marketing Fund. While we and our affiliates are not obligated to contribute to the Brand Marketing Fund, some Gong cha® stores operated by our affiliates may still do so. (Franchise Agreement – Section 13.2.)

We maintain and administer the Brand Marketing Fund. The Brand Marketing Fund is not a trust or escrow account, we have no fiduciary obligation to you or any other unit, multi-unit or master franchisee with respect to the Brand Marketing Fund, and we are not required to segregate the Brand Marketing Fees and other funds we receive into a separate restricted account.

We have the right to determine the expenditures of the amounts collected and the methods of marketing, advertising, media employed and contents, terms and conditions of marketing campaigns and promotional programs. We may create marketing materials in-house or use national, regional, and local agencies. Advertising may be placed in local, regional, or national media of our choice, including print, direct mail, electronic and online advertising, radio, or

television. We are not required to spend a prorated amount on any advertising market, including your market. We have the right to make disbursements from the Brand Marketing Fund for expenses incurred in connection with the cost of formulating, developing and implementing marketing, advertising and promotional campaigns and materials, and any other activities we, in our sole and absolute discretion, believe are appropriate to enhance, promote and protect the Gong cha® brand and System. These disbursements may include payments to us for the expense of administering the Brand Marketing Fund, including accounting expenses and salaries and benefits paid to us and our affiliates' employees engaged in advertising functions, payments to us or designated website programmers for expenses relating to the maintenance of websites, and payments to us or our affiliates or designees for market research, surveys and testing and for quality control and evaluation program. We will not spend any portion of the Brand Marketing Funds on advertising principally designed to solicit the sale of unit, multi-unit or master franchises.

We have the right to spend in any fiscal year an amount greater or less than the aggregate contributions to the Brand Marketing Fund in that year and we or our affiliates have the right to make loans to the Brand Marketing Fund bearing interest to cover any deficits of the Brand Marketing Fund and cause the Brand Marketing Fund to invest any surplus for future use by the Brand Marketing Fund. If we or our affiliates make a loan to the Brand Marketing Fund, we may use any subsequent contributions to the Brand Marketing Fund to pay back the loan and any interest. We reserve the right at any time, in our sole discretion, to modify or discontinue the Brand Marketing Fund upon written notice to you, however, we will not discontinue it until all the monies in the Brand Marketing Fund have been expended.

Upon request, we will provide you with an annual unaudited statement of the Brand Marketing Fund for the most recent fiscal year.

During the fiscal year ended December 31, 2023, expenditures from the Brand Marketing Fund were made in the following categories: 38% on digital media, 22% on agency fees, 21% on management salaries and 19% on store community.

Cooperative Ad Fund

We reserve the right to form, change, dissolve, or merge any regional or local advertising cooperatives, and to establish a marketing and advertising fund for each of those cooperatives (each a "Cooperative Ad Fund"). If a Cooperative Ad Fund is established for the geographic area in which your Store is located, you shall become a member of such Cooperative Ad Fund within 30 days after the date on which the Cooperative Ad Fund commences operation, or at the time you commence operations. In no event will you be required to be a member of more than one Cooperative Ad Fund. As further described in Item 6, if you become a member of a Cooperative Ad Fund, you must pay to us or to the Cooperative Ad Fund, as we direct, a weekly Regional Marketing Fee of up to 2% of Net Sales, as we periodically designate. However, if the members of your Cooperative Ad Fund, by a majority vote conducted in accordance with the rules, bylaws, or other governing documents of the Cooperative Ad Fund, agree to increase the Cooperative Ad Fund contribution to a rate in excess of the amount required by us as a Regional Marketing Fee, you must pay the higher Cooperative Ad Fund contribution (Regional Marketing Fee), which could be more than 2% of Net Sales. (Franchise Agreement – Section 13.3.)

Each Cooperative Ad Fund will be organized and governed in a form and manner, and will commence operations on a date approved in advance by us in writing. Unless otherwise specified by us, the activities carried out by each Cooperative Ad Fund will be decided by a majority vote of its members. Any Store that we or one of our affiliates operates in the region shall have the same voting rights as those owned by our franchisees. Each unit franchisee shall be entitled to cast one vote for each Store it operates that belongs to the Cooperative Ad Fund. Any disputes arising among any members of the Cooperative Ad Fund shall be resolved in accordance with the rules and procedures set forth in the Cooperative Ad Fund's governing documents.

Each Cooperative Ad Fund will be organized for the exclusive purpose of administering regional or local advertising programs and developing, subject to our approval, standardized promotional materials for use by the members in local advertising and promotion. We will maintain the right to terminate any Cooperative Ad Fund. A Cooperative Ad Fund will not be terminated, however, until either: (a) all monies in that Cooperative Ad Fund have been expended for advertising and/or promotional purposes; or (b) we have transferred the unexpended monies to the Brand Marketing Fund in the event there are no longer any Stores operating within the geographic area covered by such Cooperative Ad Fund.

Local Marketing

Subject to Advertising Obligation described in Item 6 and above in this Item 11, you must spend on a monthly basis (or some other basis we designate) such amounts as we may specify on local advertising and promotion (as defined below), which may not exceed 2% of Net Sales. Any Regional Marketing Fees you pay will be credited against this local advertising expenditure requirement. You must account for such expenditures on a routine basis and shall prepare, in accordance with the schedule and procedures periodically specified by us, detailed reports describing the amount of money expended on local advertising and promotion during such previous period. You must maintain all such statements, reports and records, and shall submit the same to us as we may specify in the Manuals or otherwise request of you. Additionally, at our request, you must submit bills, statements, invoices, or other documentation satisfactory to us to evidence your advertising or marketing activities. (Franchise Agreement – Section 13.4.)

The term “local advertising and promotion” shall refer to advertising and promotion related directly to your Store, and will, unless otherwise specified, consist only of the direct costs of purchasing advertising materials (including camera-ready advertising and point of sale materials), media (space or time), promotion, direct out-of-pocket expenses related to costs of advertising and sales promotion (including advertising agency fees and expenses, cash and “in-kind” promotional payments to landlords, postage, shipping, telephone, and photocopying), and such other activities and expenses as we, in our sole discretion, may specify. We may provide to you, in the Manuals or otherwise in writing, information specifying the types of advertising and promotional activities and costs which shall not qualify as local advertising and promotion, including the value of advertising coupons, and the costs of products provided for free or at a reduced charge for charities or other donations.

Our Standards, Approval and Ownership

All advertising, marketing and promotion to be used by you, the Brand Marketing Fund or any Cooperative Ad Fund must be in such media and of such type and format as we may approve, must be conducted in a dignified manner, and shall conform to such standards and requirements as we may specify. You must not use any marketing or promotional plans or materials that are not provided by us unless you have submitted the materials to us. You must not make any advertisements or representations, whether oral or written, which may (i) confuse, mislead, or deceive the public, (ii) be detrimental to the good name, trademarks, goodwill, image, prestige or reputation of us or our affiliates, the System, the Proprietary Marks or Products, or (iii) contravene any applicable federal, state or local laws and/or regulations. If you desire to use marketing and promotional plans and materials that have not been provided or previously approved by us, you must submit samples of all such marketing and promotional plans and materials to us for prior approval (including prices to be charged). If you do not receive written notice of approval from us within 5 Business Days of the date of receipt by us of such samples or materials, we shall be deemed to have not approved them. All copyrights in and to advertising and promotional materials developed by or on behalf of you which bear the Proprietary Marks shall be the sole property of Franchisor and its affiliates, including GCG. Any advertising, marketing, promotional, public relations, or sales concepts, plans, programs, activities, or materials proposed or developed by you for your Store or the System and approved by us may be used by us and our affiliates and other operators under the System without any compensation to you. (Franchise Agreement – Sections 13.6, 13.7 and 13.9.) You are ultimately responsible for ensuring that your advertising and marketing complies with all applicable laws before implementing it.

Websites and Online Use of the Proprietary Marks

We have the right, but not the obligation, to establish and maintain a website, which may promote the Proprietary Marks, any or all the Products, Gong cha® stores, the franchising of Gong cha® stores, and/or the System. We will have the sole right to control all aspects of the Website, including its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage, as well as its discontinuation. We also have the right, but not the obligation, to designate one or more web page(s) to describe you and/or your Store, with such web page(s) to be located within our website. You must comply with our policies with respect to the creation, maintenance, and content of any such web pages; and we will have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page. You must not establish a separate website without our prior written approval (which we will not be obligated to provide). If approved to establish a website, you must comply with our and our affiliates' policies, standards and specifications with respect to the creation, maintenance and content of any such website. (Franchise Agreement – Sections 7.6.)

We and our affiliates will control all social media channels and consumer-facing communications relating to the System, Proprietary Marks, or Products. You must not operate or make any statement on any such social media channels or make any such consumer-facing communications without our prior written consent, and must not make any such statement or communications that would bring into disrepute or otherwise be prejudicial to the goodwill, reputation, image or prestige of us, the System, the Proprietary Marks, or the demand for the Products provided under the Proprietary Marks.

Similarly, you must not, without our prior written approval, use the Proprietary Marks or any abbreviation or other name associated with us and/or the System as part of any email address, domain name, and/or other identification of you in any electronic medium. You also must agree not to transmit or cause any other party to transmit advertisements, solicitations, marketing information, promotional information or any other information whatsoever using the Proprietary Marks or regarding Gong cha® stores, the System or the Products by email or any other Electronic Media (as defined below) without our prior written consent and in accordance with such specific programs, policies, terms and conditions as we periodically establish. “Electronic Media” includes blogs, microblogs, social networking sites (such as Facebook, LinkedIn and MySpace), video-sharing and photo-sharing sites (such as YouTube and Flickr), review sites (such as Yelp and Urbanspoon), marketplace sites (such as eBay and Craigslist), Wikis, chat rooms and virtual worlds. (Franchise Agreement – Sections 7.7.)

Our Initiated Campaigns and Promotions

We may, in our sole discretion, initiate new marketing campaigns in relation to Gong cha® stores and the System. You shall take all action necessary to accommodate such initiatives, including by participation in such initiatives as require participation within 30 days of notice from us. (Franchise Agreement – Sections 13.10.) Also, upon written notice to you, we may require you to participate in mandatory promotions we may periodically develop. (Franchise Agreement – Sections 13.4.3.)

Grand Opening Advertising Program

In addition to the Advertising Obligation described in Item 6 and above in this Item 11, you must spend a minimum of \$2,050 for grand opening advertising and promotional programs in conjunction with your Store’s initial grand opening, pursuant to a grand opening marketing plan either developed by us or developed by you and approved in writing by us (the “Grand Opening Advertising Program”). The Grand Opening Advertising Program shall be executed and completed within 90 days after your Store commences operation. You must submit to us, for our prior written approval, a marketing plan and samples of all advertising and promotional material that was not prepared or previously approved by us. The Grand Opening Advertising Program will be considered local advertising and promotion, as described above. We require you to deposit this sum with us before your Store commences operation to allow us to distribute it as necessary to conduct the Grand Opening Advertising Program (Franchise Agreement – Section 13.5.).

Advertising Council

As of the issuance date of this disclosure document, we do not have an advertising council of unit and multi-unit franchisees that advises us on advertising policies. We have the power, however, to form, change, merge or dissolve any advertising council. If we form one for these franchisees, we anticipate it will only be advisory, as we will make all final decisions as to the use of Brand Marketing Funds. As of the issuance date of this disclosure document, we have formed an advertising council (which we refer to as an “advertising committee”) for the Gong cha® master franchise system in the United States. Currently, all US master franchisees are members of the advertising committee, and it serves in an advisory capacity. We do not anticipate that unit and/or

multi-unit franchisees will participate in this advertising committee. (Franchise Agreement – Section 8.26.)

Gift Cards and Other Promotional Programs

You must participate in all promotional programs we develop for the System; in the manner we direct in the Manuals or otherwise in writing. Without limiting the preceding sentence, you must participate in all programs and services we develop for frequent customers, senior citizens, children, and other categories, which may include providing discount or complimentary Products. In addition, you must sell or otherwise issue gift cards or certificates (together “Gift Cards”) that have been prepared utilizing the standard form of Gift Card provided or designated by us, and only in the manner specified by us in the Manuals or otherwise in writing. You must fully honor all Gift Cards that are in the form provided or approved by us regardless of whether a Gift Card was issued by you or another Gong cha® store. You must sell, issue, and redeem (without any offset against any Royalty Fee or other contribution) Gift Cards in accordance with procedures and policies specified by us in the Manuals or otherwise in writing, including those relating to procedures by which you must request reimbursement for Gift Cards issued by other Gong cha® stores and for making timely payment to us, other operators of Gong cha® stores, or a third-party service provider for Gift Cards issued from your Store that are honored by us or other Gong cha® store operators. You may not create or issue your own Gift Cards, rewards or loyalty programs, or coupons. We may modify, change, or discontinue any of the promotional programs we develop at any time. (Franchise Agreement – Section 8.17.)

Technology System

We have the right to designate a required technology system (or any components thereof), you must purchase, license, or lease, use, and maintain for your Store. At a minimum, we anticipate the technology system will include the following: a point of sale system (which includes a payment terminal and card reader); a label and receipt printer; 2 ordering kiosks or monitors; applications supporting online first party ordering as well as loyalty platform management; an electronic video menu board; a personal computer for administrative functions; a Store phone system; music sound system; Wi-Fi system (including modems and routers); and security system (including security cameras, store alarms and fire alarms). All these items must meet our specifications, including those related to model, brand, and functionality. As further described in Item 8, the point-of-sale system for your technology system must be purchased from our designated third-party technology supplier(s), but the other items may be purchased from any supplier. However, we reserve the right upon written notice to you to designate a new or alternative technology system (including a new or alternative point-of-sale system) you must purchase, license or lease, use, and maintain, for the operation of your Store. You will use the technology system for various functions including to record customer information, including customer order information like menu preferences, to process customer transactions, perform accounting functions, inventory control, order fulfillment, to process payroll, maintain financial information, produce daily reports, email correspondence with us and others, and access any computer software we require for the Store. These minimums are based on a 500 to 1,500 square feet Gong cha® store; you may require additional technology if your Store is larger. (See Section 7.1 of the Franchise Agreement, which generally defines the technology system as including a “Point-of-Sales System” and “Required Software.”)

We estimate the total cost to purchase, license, or lease the items above, including the point-of-sale system, ordering kiosks, application supporting online first party ordering as well as loyalty platform management from third-party technology suppliers, will range from \$3,000 to \$4,000. You also will incur annual costs of \$2,000 to \$4,000 in service fees to support in store and online first party ordering, as well as loyalty platform management. In addition, as further described in Item 6, we may require you to pay such fees to us, which we may remit to third-party suppliers. Although most new computers come with a limited warranty, we are not aware of any third parties with an obligation to upgrade or maintain these items.

The phone, computer, and payment processing systems discussed above must contain the computer software we require. The software is not proprietary to us. You must use the point-of-sale, payment processing, inventory, and ordering software we require. You must also have a license to Microsoft Office. Some computers may have preinstalled software that meets our specifications or requirements. For programs that are not preinstalled, you will need to purchase them and install them on your computers. You must also obtain the software needed for your Store's Wi-Fi system and security system. After opening, the ongoing cost for the computer software, warranties and annual subscriptions is approximately \$1,000 to \$3,000 per year. You must renew your software licenses as required.

We are not obligated to provide you with ongoing maintenance, repairs, upgrades, or updates to the technology system we require. You must protect yourself from viruses, computer hackers, and other communication and computer-related problems. We anticipate that you will be required to upgrade or update your technology during the term of the franchise, and there are no contractual limitations on the frequency and cost of the obligation. We do not have any contractual obligation to upgrade or update any of your hardware or software during the term of this franchise.

You must have access to the Internet and maintain an email account that allows us to communicate with you on a regular basis. We can independently access your technology system and your electronic information and data and collect and use this electronic information and data in any manner we choose without any compensation to you. There is no contractual limitation on our right to receive or use information we obtain from you, except as prohibited by applicable law or as we otherwise agree in writing with you.

ITEM 12 TERRITORY

You will receive a "Territory" as identified in Exhibit A to the Franchise Agreement. The size of your Territory will vary depending on a number of factors, including market demographics, the market penetration of Gong cha® stores and similar businesses, the availability of appropriate sites, traffic patterns, growth trends in the market, and population density, although a typical Territory will consist of a radius of up to 2 miles surrounding the Store. During the terms of the Franchise Agreement, if you are in compliance, we will not directly establish, operate or franchise another to establish or operate any other Gong cha® store within the Territory.

You will not have the right to open any other Gong cha® store in the Territory unless we permit you to do so under a separate Franchise Agreement. You will not have the right to subfranchise or sublicense any of your rights under the Franchise Agreement. The following categories of

locations are specifically excluded from the Franchise Agreement: outlets that serve primarily the customers located within a facility, such as captive audience facilities (such as parks charging admission, sports arenas, stadiums, theme and amusement parks and centers, casinos, theaters and art centers), limited purpose facilities (such as airports, transportation terminals, department stores, in-door shopping centers, office buildings, business and industrial complexes – including corporate cafeterias, hotels, museums, health clubs, educational facilities – including schools, college and university campuses, hospitals, art centers, and recreational parks), limited access facilities (such as military complexes, buyer club businesses, convention centers, and business and industrial complexes), and other types of institutional accounts (collectively, “Non-Traditional Sites”).

You will not receive 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.

The location of the Store and the Territory will be identified in Exhibit A to the Franchise Agreement. If you do not have a retail location selected for your Store that we have approved at the time you sign your Franchise Agreement, we will list a “Site Selection Area” as identified in Exhibit A of your Franchise Agreement. You do not acquire any exclusive rights in this search area. If another franchisee has been granted rights to operate a Gong cha® Store within the Site Selection Area, your approved location must not encroach under such franchisee’s specified territory. You will have two months after the date of the Franchise Agreement to find and secure a retail location for the Store (acceptable to us) within the Site Selection Area. Once you identify a retail location for your Store, and we approve that site, we will then update Exhibit A of your Franchise Agreement to identify this location.

We will allow you to relocate the site of your Store, if it is not within the protected territory of another Gong cha® store or master franchisee, and the new site meets our other then-current requirements for a site. You must construct, build-out, and equip your relocated Store based on our then-current standards and specifications. You must pay us our Relocation Fee before we grant our approval.

We (for ourselves and our affiliates) reserve the right to: (1) own, acquire, establish, and/or operate and license others to establish and operate (without regard to proximity to the Territory or Approved Location, or the actual or threatened impact on the sales of your Store): (i) Gong cha® stores under the System at any location outside the Territory; (ii) businesses under marks other than the Marks, whether such businesses are similar to or different from your Store, at any location within or outside the Territory; (iii) Gong cha® stores under the Marks at Non-Traditional Sites at any location within or outside the Territory; and (2) sell and distribute, directly or indirectly, or to license to others to sell and to distribute, directly or indirectly, any products (including the Products and any products bearing the Marks): (i) through grocery or convenience stores or through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet, provided that distribution within the Territory shall not be from a Gong cha® store established under the System that is operated from within the Territory; and (ii) to any customer, business or enterprise located within or outside the Territory through any delivery or catering process determined in our sole discretion, notwithstanding the actual or threatened impact on sales of your Store.

We can also acquire one or more retail businesses that are the same as, or similar to, Gong cha® stores then operating under the System (each an “Acquired Business”), which may be at any

location within or outside the Territory, notwithstanding their proximity to the Territory of the Approved Location or their actual or threatened impact on sales of your Store; and operate and/or license to others to operate any Acquired Business under its existing name of as a Gong cha® store under the System. If such Acquired Business is part of a system of retail business that we acquire (an “Acquired System”), you will not receive any options, rights of first refusal, or similar rights to acquire the Acquired Business, and we may license such unit to be operated under any trade name or trademarks, including the Marks, and may also license to the licensee or franchisee of such unit additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Territory. If such Acquired Business is not a part of an Acquired System, you will receive the option to purchase and operate the Acquired Business as a Gong cha® store, subject to the then-current terms and conditions offered by us relating to compliance with your agreements with us, the purchase price, and signing a then-current Franchise Agreement for the unit. If you do not elect to purchase, or otherwise fail to complete the purchase of, an Acquired Business, we shall have the right to operate ourselves, or through our affiliates or a third-party licensee or franchisee, the Acquired Business under any trade name, service mark, or trademark, including the Marks.

Other than the rights stated above, you will not receive any options, rights of first refusal, or similar rights to acquire additional franchises. You may not operate an additional Store unless you acquire additional franchise rights from us and sign another Franchise Agreement. Neither we, nor our affiliates, will pay you any compensation for soliciting or accepting orders, regardless of where or how the orders are accepted in relation to your Store location.

We do not restrict the customers you may serve. Other franchisees or Gong cha® stores we or our affiliates own may solicit customers in your market area and may sell them menu products for delivery to a location in your market area or otherwise sell menu products to customers from your market area. However, you cannot solicit customers via the Internet, telemarketing, or other direct marketing efforts unless we approve of those efforts. In any event, all your advertising and marketing must be approved by us, and you must obtain our written approval before you establish any website, web page, or social networking or social media site, profile, account or hashtag, relating to or making reference to us, your Store, the Marks, or the System.

You may only sell the products and services we specify to retail customers at or from your Store. This means that all sales must be face-to-face to retail customers, for customer consumption at your Store or for carry-out or take-away consumption. You must obtain our prior written approval if you wish to engage in off-premises catering or delivery activities, including through any third-party food ordering and delivery services or aggregators that we have not pre-approved. If we provide our approval, you may engage in these off-premises activities provided that you agree to comply with the programs, policies, and other terms and conditions that we may establish. We may require you to participate in one or more third-party food ordering and delivery services or aggregators with one or more suppliers that we have approved for the System. You may not offer for sale any products or services through any other channels of distribution, including grocery and convenience stores and other retail outlets, catalog or mailings, the Internet (or any other existing or future form of electronic commerce), and other types of resale (except directly to customers at your Store), wholesale, or distribution arrangements, without our prior written consent. We do not pay any compensation for soliciting or accepting orders from your customers.

If you sign an ADA with us, you will receive a Development Area in which to develop multiple Gong cha® stores. The Development Area is described in Attachment A to the ADA. Non-Traditional Sites are specifically excluded from the Development Area even if they are physically located within the area described in Attachment A to the ADA, and we have the right to operate or to franchise or license others the right to operate Gong cha® stores or other businesses identified by the Marks at all Non-Traditional Sites. You will not receive an exclusive territory in connection with an ADA. You may face competition from other franchises, from outlets that we own or from other channels of distribution or competitive brands that we control.

The size of the Development Area will vary, depending on a range of factors, including the number of Gong cha® stores to be developed, population, demographics within that population, the existing retail food and beverage presence and other such factors. We will not operate or grant a franchise to another party to operate a Gong cha® store in the Development Area so long as you meet the Development Schedule, meet our standards for franchisees who wish to open additional Gong cha® stores, comply with the terms of the ADA, and comply with each related Franchise Agreement. However, we have the right, without any compensation to you, to grant other franchises or to develop and operate company-owned or affiliate-owned Gong cha® stores anywhere outside of the Development Area. Furthermore, as described above with respect to the Franchise Agreement, we have certain rights under the ADA and each Franchise Agreement to sell products and services using the Proprietary Marks or other marks using similar or dissimilar channels of distribution in the Development Area without any compensation to you. If you do not comply with the Development Schedule and the ADA, we may terminate the ADA, and grant unit and multi-unit franchise rights within the Development Area to third parties.

As of the issuance date of this disclosure document, neither we nor our affiliates, offer nor have plans to offer, franchises in the United States under different trademarks that sell goods and services that are like those you will offer from your Store.

ITEM 13 TRADEMARKS

Our affiliate, GCG, is the owner of the Proprietary Marks, and has granted us a license to use and to sublicense others to use the IP Rights, including the Proprietary Marks, through the License Agreement dated May 1, 2023, as amended, as further described in Item 1. The License Agreement will expire on May 1, 2033, and automatically renews for up to 4 additional 5-year terms. Under the License Agreement we can use and sublicense the Proprietary Marks and other IP Rights licensed under the Franchise Agreement. If we commit any material breach of the License Agreement that is remediable, GCG must give us 90 days to remedy the issue before terminating the License Agreement. In addition, we and GCG may terminate the License Agreement upon mutual agreement, with the termination to be effective 180 days after agreement. If the License Agreement were terminated or expired without renewal or extension, you would have to stop using the Proprietary Marks and other IP Rights licensed to us under the License Agreement, unless GCG elects in its sole discretion to allow you to continue to operate under the terms of your Franchise Agreement or ADA, in which case your Franchise Agreement or ADA shall be assigned and novated to GCG or its designee effective as of the date of such termination or expiration.

The Franchise Agreement gives you the right to operate a Store using the Proprietary Marks that we or GCG periodically designate. GCG has registered, the following Proprietary Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”), which we consider the principal Proprietary Marks:

Trademark	Registration Date	Registration Number
	December 29, 2020	6231001
	December 14, 2021	6585699

GCG has or will timely file with the USPTO all required affidavits of use, affidavits of incontestability and renewals when due for the Proprietary Marks noted above. You agree to cooperate with us and our affiliates, including GCG, and our and their respective representatives, in the prosecution of any applications or registrations of any Proprietary Marks which have been filed with the appropriate authorities.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court involving the Proprietary Marks, and there is no pending infringement, opposition, or cancellation proceeding, or any pending material litigation, involving the Proprietary Marks. Except as disclosed above, there is no agreement in effect which significantly limits our rights to use or license the Proprietary Marks in any state in a manner material to the franchise, and we know of no superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state. We are unaware of any party with superior rights or infringing uses of the Proprietary Marks that could materially affect your use of the principal Proprietary Marks in the state or states where your Store will be located.

You may only use the Proprietary Marks we or our affiliate designate and may only use them in the manner authorized and permitted by us and our affiliates. You must affix the TM or ® symbol (as directly or as otherwise applicable) upon all advertising, publicity, signs, decorations, furnishings, equipment or other printed or graphic material employing the words “Gong cha” or any other of the Proprietary Marks, whether presently existing or developed in the future. You may not use the Proprietary Marks in any manner which would bring them into disrepute or otherwise prejudicial to the goodwill, reputation, image or prestige of us or our affiliates, the System, the Proprietary Marks and/or the demand for the Products provided under the Proprietary Marks.

You must operate and advertise your Store only under the name “Gong cha” and use the Proprietary Marks without prefix or suffix, unless otherwise authorized or required by us or our affiliates, must not use the Proprietary Marks or any part thereof in combination or conjunction with any other marks, names, logos, symbols or devices, or engage in any co-branding or collaboration activities without the prior written approval of us or our affiliates, and shall not attach any trade marks other than the Proprietary Marks to any Product or otherwise use any such trademarks in connection with the Store and associated business. In addition, you must not use the Proprietary Marks as part of your corporate or other legal name, or as part of any email address, domain name, or other identification of you in any electronic medium. However, you may, as necessary to conduct the business of the Store and to obtain governmental licenses and permits for the Store, indicate that you are operating the Store under the trade name “Gong cha,” provided that you also must clearly identify yourself as the owner and operator of the Store.

We and GCG shall have the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating thereunder at our sole discretion. If it becomes advisable at any time, in the discretion of us or GCG, to modify or discontinue use of any Proprietary Mark and/or to adopt or use one or more additional or substitute Proprietary Marks, you must comply with any such instruction by us or GCG. In such event and at our or GCG’s direction, you must adopt, use and display only such new or modified Proprietary Marks and must promptly, and in any event within 90 days, discontinue the use and display of outmoded or superseded Proprietary Marks, at your expense. You waive any other claim arising from or relating to any Proprietary Mark change, modification or substitution. Neither we nor GCG will be liable to you for any expenses, losses or damages sustained by you as a result of any Proprietary Mark addition, modification, substitution or discontinuation. In addition, you must agree not to commence or join in any litigation or other proceeding against us or GCG for any of these expenses, losses or damages. Further, if there is a claim of prior use of any of the Proprietary Marks in the area in which you are doing business or in another area or areas, you must agree to use any of the other Proprietary Marks in such a way and at our and GCG’s discretion to avoid a continuing conflict.

During the term of the Franchise Agreement, you must not directly or indirectly contest the validity of, or take any other action that may affect the validity and enforceability of, our or our affiliates’ rights to use and to license others to use, the Proprietary Marks, or which might or would diminish the distinctiveness or goodwill attached to the Proprietary Marks or reduce their commercial value.

You must immediately notify us of any apparent infringement of or challenge to your use of the Proprietary Marks, or any claim, demand, or suit brought or threatened based upon or arising from the unauthorized use of, or any attempt by any other person, firm, or corporation to use, without authorization, or any infringement of or challenge to, any of the Proprietary Marks. You also agree to immediately notify us of any other litigation instituted by any person, firm, corporation or governmental entity against us or our affiliates or you. Neither we nor our affiliates have an obligation to undertake the defense or prosecution of any litigation or administrative or registry proceeding concerning you that relates to any of the Proprietary Marks. We and GCG shall have sole and complete discretion in the conduct of any defense, prosecution or other action we and they choose to undertake with respect to any litigation or administrative or registry proceeding concerning you that relates to any of the Proprietary Marks. You shall fully cooperate with, and provide all assistance deemed necessary by, us or GCG in any action, claim or proceedings brought or threatened in respect of the Proprietary Marks and not, without our or GCG’s prior written

consent, make any admission in respect of or compromise or settle any such action claim or proceeding.

All goodwill arising from your use of the Proprietary Marks shall inure solely and exclusively to the benefit of us and our affiliates, including GCG, and, upon expiration or termination of the Franchise Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with your use of the System or the Proprietary Marks.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents or pending patent applications that are material to the purchase of a franchise. We and our affiliates claim copyright protection for the Manuals and to advertising and promotional materials, forms, menus, and related materials that we or our affiliates produce, but neither we nor our affiliates have registered any of these materials with the Copyright Office of the Library of Congress. These materials are proprietary and confidential and are our or our affiliates' property. You may use them only as long as you are a franchisee, and only as provided in your Franchise Agreement. Also, because copyrights fall within the definition of IP Rights, the copyrighted materials described above that are owned by GCG are licensed to us under the License Agreement.

There are currently no effective determinations of the United States Copyright Office, USPTO, or any court regarding any of our or our affiliates' copyrighted materials, nor are any proceedings pending that will or may significantly limit your use of these copyrighted materials. Except for the License Agreement, there are no currently effective agreements between us and third parties pertaining to our copyrighted materials that will or may significantly limit your use of our copyrighted materials. We are not aware of any infringing uses of these materials that could materially affect your use of these materials. Neither we nor our affiliates are required by any agreement to protect or defend our or their copyrights.

We will be disclosing to you certain information we believe to be confidential or proprietary information and trade secrets, including our products (including the Proprietary Products) and services, recipes and menus, pricing, methods, techniques, equipment, and sourcing lists of certain supplies, ingredients, and inventory used in or offered through your Store. This will be included in our training, Manuals, and in materials we may separately provide you. You may use these materials, in the manner we approve, in the operation of your Store during the duration of your Franchise Agreement. However, you may not use these materials in any other way for your own benefit, or communicate or disclose them to, or use them for the benefit of, any other person or entity. These materials include all trade secrets, knowledge or know-how, confidential information, advertising, marketing, designs, plans, or methods of operation. You may disclose this information to your Principals, General Manager and staff, but only to the extent necessary to operate the Store while your Franchise Agreement is in effect.

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

We prefer that you participate personally, on a full-time basis, in the operation of your Store. If you are not an individual, you shall designate (subject to our approval) a person with at least 10% beneficial interest in you who will be responsible for general oversight and management of the operations of the Store on your behalf (the “Designated Principal”). You must designate either the Designated Principal or an experienced manager to assume the full-time responsibility for the daily supervision and operation of the Store (the “General Manager”). Your General Manager must have successfully completed our Initial Training Program. Your General Manager does not need to have an ownership interest in you or your Store, but must sign non-competition and confidentiality agreements that restrict them to the same extent as you are restricted under the Franchise Agreement.

You must also always maintain a staff of trained employees sufficient to operate your Store in compliance with our required standards.

If you are a corporation, limited liability company, partnership, or other entity, or you transfer your Franchise Agreement or ADA to a corporation, limited liability company, partnership, or other entity, each Principal must sign a personal guaranty of all obligations under the Franchise Agreement or ADA, as applicable.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer the products and services we specify, and you may not sell other products or services through your Store or under the Gong cha® marks without our prior written approval. You must have valid licenses or permits to sell the products and services you offer through your Store. You must provide products and services that require specific supplies, products, and ingredients which you must purchase from us or our affiliate. Likewise, you must purchase and use any additional furniture, fixtures, and equipment necessary to offer any products or services that we may require you to offer and sell through your Store. All these items must meet our standards and specifications. You cannot operate other businesses from your Store or the premises on which your Store is located. We can also limit the type of products or services you may sell. We can change the products or services we allow you to offer at any time. You must follow our policies, procedures, methods, and techniques and comply with all our mandatory standards and specifications when providing products or services through your Store. You must keep your Store open for business during the days of the week and hours of service we specify, subject to applicable law.

On-Site Consumption

You may only sell the products and services we specify to retail customers at or from your Store. This means that all sales must be face-to-face to retail customers, for customer consumption at your Store or for carry-out or take-away consumption. You must obtain our prior written approval if you wish to engage in off-premises catering or delivery activities, including through food trucks

or any third-party food ordering and delivery services or aggregators that we have not pre-approved. If we provide our approval, you may engage in these off-premise activities provided that you agree to comply with the programs, policies, and other terms and conditions that we may establish. We may require you to participate in one or more third-party food ordering and delivery services or aggregators with one or more vendors that we have approved for the System.

Other Channels of Distribution

You may not offer for sale any products or services through any other channels of distribution, including grocery and convenience stores and other retail outlets, mail order, toll free numbers, the Internet (or any other existing or future form of electronic commerce), and other types of resale (except directly to customers at your Store), wholesale, or distribution arrangements, without our prior written consent. Without our prior approval you may not promote your Store, the System, or use our Marks on the Internet or any social media or networking website or use social media in your Store’s operation.

Gift Cards and Other Promotional Programs

As further described in Item 11, you must participate in all promotional programs we develop for the System, in the manner we direct in the Manuals or otherwise in writing, including all Gift Card programs, and programs and services we develop for frequent customers, senior citizens, children, and other categories, which may include providing discount or complimentary Products. We can also implement pricing policies, such as maximum price policies, and minimum advertised price policies, and you must abide by these policies. We may modify, change, or discontinue these programs at any time.

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

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

Provision	Section in Franchise Agreement (FA) or Area Development Agreement (ADA)	Summary
a. Length of the franchise term	FA: Section 2.1 ADA: Section 2.1	FA: 10 years. ADA: Until the end of the Development Schedule.

Provision	Section in Franchise Agreement (FA) or Area Development Agreement (ADA)	Summary
b. Renewal or extension of the term	FA: Section 2.2 ADA: None	FA: If you meet our renewal conditions, you can renew your franchise for an additional 10-year period. ADA: Not applicable.
c. Requirements for you to renew or extend	FA: Section 2.2 ADA: None	FA: Give written notice; be in good standing and not in default or breach of your Franchise Agreement; sign new franchise agreement (which may contain materially different terms and conditions than your original Franchise Agreement); comply with then-current qualification and training requirements; remodel your Store to our then-current standards; provide us with evidence of property control; sign general release; pay Renewal Fee. ADA: Not applicable.
d. Termination by you	FA: None ADA: None	FA: Not applicable. ADA: Not applicable.
e. Termination by us without cause	FA: None ADA: None	FA: Not applicable. ADA: Not applicable.
f. Termination by us with cause	FA: Section 16 ADA: Section 8	FA: We may terminate only if you default. ADA: We may terminate only if you default.

Provision	Section in Franchise Agreement (FA) or Area Development Agreement (ADA)	Summary
g. "Cause" defined – curable defaults	<p>FA: Sections 16.3 and 16.4</p> <p>ADA: Sections 8.1 and 8.2, and Attachment A</p>	<p>FA: Most defaults are curable and you will have 30 days to cure (7 days for monetary defaults, refuse inspection or audit, or not operating during days and hours required), subject to state law variations.</p> <p>ADA: Most defaults are curable and you will have 30 days to cure; except you will have 10 days to cure (i) failure to provide periodic business review information as required, or (ii) failure to pay amounts due to us, our affiliates or approved suppliers; subject to state law variations; and you will have 5 days to cure failure to comply with critical operating requirements in the Development Area; subject to state law variations.</p>

Provision	Section in Franchise Agreement (FA) or Area Development Agreement (ADA)	Summary
h. "Cause" defined – non-curable defaults	FA: Section 16.2	<p>FA: You fail to open the Store within the time limits in the Franchise Agreement; you or any of your owners engage in fraudulent conduct or are convicted of, or plead guilty or no contest to, certain crimes; a threat or danger to public health or safety results from the construction, maintenance or operation of the Store; you lose the right to occupy the premises for your Store or you lose any license or permit required to operate your Store; you improperly attempt to transfer any rights or obligations under the Franchise Agreement; you maintain false books or records or submit any false or misleading application, statement, or report to us; you improperly disclose the contents of the Manuals or any other confidential information; you breach the non-competition covenants or fail to acquire similar covenants from your owners or staff; you misuse the Marks or materially impair the value of, or the goodwill associated with the Marks or the System; after curing a curable default, you commit that default again; you commit a default 3 or more times within a 12-month period (whether or not cured); you abandon the business; or you become, take affirmative action towards, or are otherwise subjected to some action in relation to insolvency. In addition, as further described in Item 13, the Franchise Agreement may terminate if the IP License Agreement between GCG and us is terminated or expires.</p>

Provision	Section in Franchise Agreement (FA) or Area Development Agreement (ADA)	Summary
h. "Cause" defined – non-curable defaults (continued)	ADA: Sections 8.1, 8.2 and 8.3, and Attachment A	<p>ADA: You fail to meet the requirements of the Development Schedule, including failing to meet the Tier 1 Minimum Development Target in any year, and failing to meet the Tier 2 Development Target by the time specified in the development schedule; your termination (or attempted termination) of any Franchise Agreement without cause; material misrepresentation or omission in regard to a franchise application; you or any of your directors, officers or Principals are convicted of or plead guilty to a felony or other crime which may injure the system; you are unable to pay debts when they become due; insolvency; receiver or equivalent is appointed for you; application or order for winding up the business; your involvement in any act which may injure the goodwill associated with the Marks or System; you or a Principal make an unauthorized transfer; operation or maintenance of the Store constitutes a threat to public health; violation of health codes; failure to cure prior breach within cure period; failure to comply with material requirements under the ADA on three separate occasions within a 12-month period; the nature of the breach is not curable; or any default by you resulting in the termination of any of your Franchise Agreements. In addition, as further described in Item 13, the Franchise Agreement may terminate if the IP License Agreement between GCG and us is terminated or expires.</p>

Provision	Section in Franchise Agreement (FA) or Area Development Agreement (ADA)	Summary
i. Your obligations on termination/non-renewal	<p>FA: Section 17</p> <p>ADA: Sections 9 and 10</p>	<p>FA: Stop operating the Store, stop using our names and the Marks, return information to us, assign to us or cancel certain registrations, listings, telephone numbers, websites, and domain names, pay all amounts you owe us, assign to us your lease or sublease for the Premises (at our option), and provide us an option to purchase your inventory, equipment, supplies, signs, and branded items.</p> <p>ADA: No further development rights, cease using Confidential Information, comply with non-compete covenants.</p>
j. Assignment of contract by us	<p>FA: Section 15.1</p> <p>ADA: Section 6.3</p>	<p>FA: No restriction on our right to assign.</p> <p>ADA: No restriction on our right to assign.</p>
k. “Transfer” by you – defined	<p>FA: Section 15.2</p> <p>ADA: Section 1.16</p>	<p>FA: Includes transfer of any rights or obligations of the Franchise Agreement or any material asset of the Franchisee or the Store, or transfer of any ownership interest or control of the Franchisee.</p> <p>ADA: Includes transfer of any rights or obligations of the ADA, or any franchise agreement, of any material asset of you or your Store, or transfer of any ownership interest or control of you.</p>
l. Our approval of transfer by franchisee	<p>FA: Section 15.2</p> <p>ADA: Section 6.1</p>	<p>FA: We must approve all transfers, but will not withhold our consent if all of the requirements for the transfer are met.</p> <p>ADA: We must approve all transfers, but will not withhold our consent if all of the requirements for the transfer are met.</p>

Provision	Section in Franchise Agreement (FA) or Area Development Agreement (ADA)	Summary
<p>m. Conditions for our approval of transfer</p>	<p>FA: Section 15.3</p> <p>ADA: Section 6.2</p>	<p>FA: Transferor must be current on all monetary obligations; not in default under the Franchise Agreement or any other agreement with us, our affiliates, or any approved supplier; pay a Transfer Fee; and sign a release (subject to state law). Transferee must meet our requirements, including: demonstrate its ability to meet financial and operational requirements; show absence of conflicting interests; sign a new franchise agreement on our then-current form (which may contain materially different terms and conditions than your Franchise Agreement, but we will not require the transferee to pay us a new initial franchise fee); upgrade the Store and equipment to conform to the then-current standards (if we request); and complete any required training programs.</p> <p>ADA: Transferor must assign all franchise agreements to the same transferee; be current on all monetary obligations; not in default under the ADA, any franchise agreement or any other agreement with us, our affiliates, or any approved supplier; pay a transfer fee; and sign a release (subject to state law). Transferee must meet our requirements, including: demonstrate its ability to meet financial and operational requirements; show absence of conflicting interests; sign a new development agreement on our then-current form (which may contain materially different terms and conditions than your ADA; upgrade all Gong cha® stores (and equipment) developed under the ADA to conform with the then-current standards (if we request); and complete any required training programs. Transferee (and its principals) shall agree to be bound by and guarantee Transferees obligations under the ADA.</p>

Provision	Section in Franchise Agreement (FA) or Area Development Agreement (ADA)	Summary
n. Our right of first refusal to acquire your business	FA: Section 15.6 ADA: Section 6.5	FA: We can match any offer for your Store or an interest in the Store, including a sale between owners or between an owner and you. ADA: We can match any offer for your business.
o. Our option to purchase your business	FA: Section 17.9 ADA: None	FA: We have the option to purchase any or all your approved inventory, supplies, furnishings, equipment, signs and fixtures. ADA: Not applicable.
p. Your death or disability	FA: Sections 15.7, 15.8 and 15.9 ADA: Section 6	FA: On death or disability, your rights must be assigned to a third party approved by us within 12 months after death, or within 6 months after notice of permanent disability. ADA: Treated as any other transfer.
q. Non-competition covenants during the term of the franchise	FA: Section 18.2 ADA: Section 7.2	FA: No involvement in a business that primarily offers or sells tea products, or any retail store or other business that is the same or similar to a Gong cha® store, and cannot divert or attempt to divert business or customers to a competitor. ADA: No involvement in a business that primarily offers or sells tea products, or any retail store or other business that is the same or similar to a Gong cha® store, and cannot divert or attempt to divert business or customers to a competitor.

Provision	Section in Franchise Agreement (FA) or Area Development Agreement (ADA)	Summary
r. Non-competition covenants after the franchise is terminated or expires	<p>FA: Section 18.3</p> <p>ADA: Section 7.3</p>	<p>FA: For 2 years, no involvement in any store, restaurant, business, or other venture that primarily offers or sells bubble tea blends, coffees or teas, smoothies, or juices, and that is located or operating within a radius of 5 miles from your Store or within 5 miles of any other Gong cha® store, or if we have not approved the location of your Store, then the search area.</p> <p>ADA: For 2 years, no involvement in any store, restaurant, business, or other venture that primarily offers or sells bubble tea blends, coffees or teas, smoothies, or juices, and that is located or operated within the Development Area or within a radius of 5 miles from any Gong cha® store.</p>
s. Modification of the agreement	<p>FA: Sections 10.4 and 25</p> <p>ADA: Section 13.6</p>	<p>FA: No modifications without consent by both you and us, but our Manuals are subject to change.</p> <p>ADA: No modifications without consent by both you and us, but our Manuals are subject to change.</p>

Provision	Section in Franchise Agreement (FA) or Area Development Agreement (ADA)	Summary
t. Integration/merger clause	<p>FA: Section 25</p> <p>ADA: Section 14</p>	<p>FA: Only the terms of the Franchise Agreement and other written agreements are binding (subject to applicable state law). Any representations or promises outside of this disclosure document and the Franchise Agreement may not be enforceable. However, nothing in any agreement is intended to disclaim the express representations made in this disclosure document, its exhibits, and amendments.</p> <p>ADA: Only the terms of the ADA and other written agreements are binding (subject to applicable state law). Any representations of promises outside of this disclosure document, the ADA and the franchise agreements may not be enforceable. However, nothing in any agreement is intended to disclaim the express representations made in this disclosure document, its exhibits, and amendments.</p>
u. Dispute resolution by arbitration or mediation	<p>FA: Sections 27.2 and 27.3</p> <p>ADA: Sections 12.1 and 12.2</p>	<p>FA: Except for certain disputes, all disputes must be first mediated, and if not settled by mediation, are then subject to arbitration.</p> <p>ADA: Except for certain disputes, all disputes must be first mediated, and if not settled by mediation, and then subject to arbitration.</p>
v. Choice of forum	<p>FA: Section 27.4</p> <p>ADA: Section 13.4</p>	<p>FA: Subject to state law, arbitration must be in Massachusetts.</p> <p>ADA: Subject to state law, arbitration must be in Massachusetts.</p>
w. Choice of law	<p>FA: Section 27.1</p> <p>ADA: Section 13.5</p>	<p>FA: Subject to state law, Massachusetts law generally applies.</p> <p>ADA: Subject to state law, Massachusetts law generally applies.</p>

ITEM 18 PUBLIC FIGURES

We currently do not use any public figure to promote the sale of 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.

This Item 19 is based on historic Net Sales information from: (a) the 140 Gong cha® stores owned and operated by the Existing Master Franchisees or their subfranchisees / sublicensees in the United States that were opened before or at the beginning of calendar year 2022 and reported Net Sales for all 12 months of 2022 (the “2022 Established Gong Cha Stores”); (b) the 99 Gong cha® stores owned and operated by Existing Master Franchisees or their subfranchisees / sublicensees in the United States that were opened before or at the beginning of calendar year 2021 and reported Net Sales for all 24 months of 2021 and 2022 (the “2022 2-Year Established Gong Cha Stores”); (c) the 225 Gong cha® stores owned and operated by the Existing Master Franchisees or their subfranchisees / sublicensees in the United States that were opened before or at the beginning of calendar year 2023 and reported Net Sales for all 12 months of 2023 (the “2023 Established Gong Cha Stores”); and (d) the 131 Gong cha® stores owned and operated by Existing Master Franchisees or their subfranchisees / sublicensees in the United States that were opened before or at the beginning of calendar year 2022 and reported Net Sales for all 24 months of 2022 and 2023 (the “2023 2-Year Established Gong Cha Stores”). The 2022 and 2023 Established and 2-Year Established Gong Cha Stores (collectively, the “Established Gong Cha Stores”) all offered substantially the same products and services to the public as you will offer from your Store.

For purposes of clarification, unless noted otherwise, references to the Existing Master Franchisees’ subfranchisees / sublicensees in this Item 19 include subfranchisees /sublicensees that are their affiliates, as well as third party subfranchisees / sublicensees.

As used in this Item 19 and the tables below, “Net Sales” means all revenue from the sale of all Products and all other income of every kind and nature related to, derived from, or originating from the Established Gong Cha Store, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit, less any customer refunds, and/or sales taxes collected from customers and actually transmitted to the appropriate taxing authorities.

We obtained the historic Net Sales information included in this Item 19 and the tables below from reports and other materials submitted by the Existing Master Franchisees and/or their subfranchisees / sublicensees to us or our affiliates. Neither we, any of our affiliates nor an independent certified public accountant has independently audited or verified the information.

A. 2022 NET SALES

Table 1 below includes Net Sales information for the period from January 1 to December 31, 2022 for all 140 2022 Established Gong Cha Stores.

The 2022 Established Gong Cha Stores were located in California, the District of Columbia, Florida, Georgia, Maryland, Massachusetts, New Jersey, New York, North Carolina, South Carolina, Texas, and Virginia. The length of time each of the 2022 Established Gong Cha Stores has been opened varies, with the oldest one having been open over 9 years as of the issuance date of this disclosure document. Of the 140 2022 Established Gong Cha Stores, 26 are owned and operated by Existing Master Franchisees or their affiliate subfranchisees / sublicensees, and 114 are owned and operated by subfranchisees / sublicensees that are independent third parties.

Table 1 below does not include Net Sales information for the 50 Gong cha® stores owned and operated by the Existing Master Franchisees or their subfranchisees / sublicensees in the United States that opened for the first time in 2022, but did not report Net Sales for all 12 months of 2022. As of December 31, 2022, there were a total of 190 Gong cha® stores owned and operated by the Existing Master Franchisees or their subfranchisees / sublicensees in the United States. In addition, during 2022, 3 Gong cha® stores owned and operated by the Existing Master Franchisees or their subfranchisees / sublicensees in the United States were terminated or closed, none of which had been open for less than 12 months before being terminated or closed. Further, during 2022, 3 Gong cha® stores owned and operated by Existing Master Franchisees were sold to their subfranchisees /sublicensees, but are still included in Table 1 below because the subfranchisees / sublicensees continued to report Net Sales.

Table 1

**Net Sales of 140
2022 Established Gong Cha Stores
From January 1, 2022 to December 31, 2022**

All Stores / Quartiles	Average	Median	Low	High	Number and % of Stores at or Above Average
All 140 Stores	\$529,345	\$504,780	\$82,530	\$1,445,572	62 / 43.7%
Top Quartile (35 Stores)	\$841,077	\$774,999	\$662,500	\$1,445,572	14 / 40.0%
2nd Quartile (35 Stores)	\$571,118	\$568,450	\$505,104	\$645,733	16 / 45.7%
3rd Quartile (35 Stores)	\$436,033	\$426,486	\$365,595	\$504,456	16 / 45.7%
Bottom Quartile (35 Stores)	\$269,154	\$284,155	\$82,530	\$363,474	21 / 60.0%

Table 2 below includes Net Sales information for the period from January 1, 2021 to December 31, 2022 for all 100 2022 2-Year Established Gong Cha Stores.

The 2022 2-Year Established Gong Cha Stores were located in California, the District of Columbia, Florida, Georgia, Maryland, Massachusetts, New Jersey, New York, North Carolina, South Carolina, Texas, and Virginia. As the 2022 2-Year Established Gong Cha Stores are a subset of the 2022 Established Gong Cha Stores, the length of time each has been opened in the same as disclosed above. Of the 100 2022 2-Year Established Gong Cha Stores, 21 are owned and operated by Existing Master Franchisees or their affiliate subfranchisees / sublicensees, and 78 are owned and operated by subfranchisees / sublicensees that are independent third parties.

Table 2 below does not include Net Sales information for the 40 2022 Established Gong Cha Stores that opened for the first time in 2021, but did not report Net Sales for all 12 months of 2021. As of December 21, 2022, there were 140 2022 Established Gong Cha Stores. During 2021, 3 Gong Cha® stores owned and operated by the Existing Master Franchisees or their subfranchisees / sublicensees in the United States were terminated or closed, none of which had been open for less than 12 months before being terminated or closed.

Table 2
Net Sales of 100
2022 2-Year Established Gong Cha Stores
From January 1, 2021 to December 31, 2022

All Stores / Quartiles	Average	Median	Low	High	Number and % of Stores at or Above Average
All 100 Stores	\$544,968	\$509,325	\$82,530	\$1,445,572	42 / 42.0%
Top Quartile (25 Stores)	\$875,500	\$836,002	\$677,318	\$1,445,572	9 / 36.0%
2nd Quartile (25 Stores)	\$576,382	\$573,032	\$513,256	\$662,500	12 / 48.0%
3rd Quartile (25 Stores)	\$451,498	\$438,700	\$400,250	\$505,394	11 / 44.0%
Bottom Quartile (25 Stores)	\$276,491	\$294,809	\$82,530	\$382,303	15 / 60.0%

B. 2023 NET SALES

Table 3 below includes Net Sales information for the period from January 1 to December 31, 2023 for all 181 2023 Established Gong Cha Stores.

The 2023 Established Gong Cha Stores were located in California, Colorado, Connecticut, the District of Columbia, Florida, Georgia, Illinois, Maryland, Massachusetts, New Jersey, New York, North Carolina, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Texas, and Virginia. The length of time each of the 2023 Established Gong Cha Stores has been opened varies, with the oldest one having been open over 10 years as of the issuance date of this disclosure document. Of the 181 2023 Established Gong Cha Stores, 30 are owned and operated by Existing Master

Franchisees or their affiliate subfranchisees / sublicensees, and 151 are owned and operated by subfranchisees / sublicensees that are independent third parties.

Table 3 below does not include Net Sales information for the 44 Gong cha® stores owned and operated by the Existing Master Franchisees or their subfranchisees / sublicensees in the United States that opened for the first time in 2023, but did not report Net Sales for all 12 months of 2023. As of December 31, 2023, there were a total of 225 Gong cha® stores owned and operated by the Existing Master Franchisees or their subfranchisees / sublicensees in the United States. In addition, during 2023, 9 Gong cha® stores owned and operated by the Existing Master Franchisees or their subfranchisees / sublicensees in the United States were terminated or closed, none of which had been open for less than 12 months before being terminated or closed.

Table 3

**Net Sales of 181
2023 Established Gong Cha Stores
From January 1, 2023 to December 31, 2023**

All Stores / Quartiles	Average	Median	Low	High	Number and % of Stores at or Above Average
All 181 Stores	\$468,836	\$428,760	\$155,582	\$1,194,685	79 / 43.7%
Top Quartile (46 Stores)	\$729,607	\$709,533	\$556,801	\$1,194,685	18 / 39.1%
2nd Quartile (45 Stores)	\$490,201	\$492,533	\$429,362	\$547,299	23 / 51.1%
3rd Quartile (45 Stores)	\$388,315	\$389,161	\$338,626	\$428,760	25 / 55.6%
Bottom Quartile (45 Stores)	\$261,427	\$265,204	\$155,582	\$334,181	24 / 53.3%

Table 4 below includes Net Sales information for the period from January 1, 2022 to December 31, 2023 for all 131 2023 2-Year Established Gong Cha Stores.

The 2023 2-Year Established Gong Cha Stores were located in California, the District of Columbia, Florida, Georgia, Maryland, Massachusetts, New Jersey, New York, North Carolina, South Carolina, Texas, and Virginia. As the 2023 2-Year Established Gong Cha Stores are a subset of the 2022 Established Gong Cha Stores, the length of time each has been opened in the same as disclosed above. Of the 131 2023 2-Year Established Gong Cha Stores, 23 are owned and operated by Existing Master Franchisees or their affiliate subfranchisees / sublicensees, and 108 are owned and operated by subfranchisees / sublicensees that are independent third parties.

Table 4 below does not include Net Sales information for the 50 2022 Established Gong Cha Stores that opened for the first time in 2022, but did not report Net Sales for all 12 months of 2022. As of December 21, 2023, there were 181 2023 Established Gong Cha Stores. During 2022, 3 Gong Cha® stores owned and operated by the Existing Master Franchisees or their subfranchisees / sublicensees in the United States were terminated or closed, none of which had been open for less than 12 months before being terminated or closed.

Table 4

**Net Sales of 131
2023 2-Year Established Gong Cha Stores
From January 1, 2022 to December 31, 2023**

All Stores / Quartiles	Average	Median	Low	High	Number and % of Stores at or Above Average
All 131 Stores	\$498,526	\$468,199	\$164,985	\$1,194,685	52 / 39.7%
Top Quartile (33 Stores)	\$777,724	\$729,913	\$627,438	\$1,194,685	13 / 39.4%
2nd Quartile (33 Stores)	\$515,506	\$506,504	\$468,199	\$610,020	13 / 39.4%
3rd Quartile (33 Stores)	\$413,793	\$414,715	\$365,350	\$464,820	18 / 54.6%
Bottom Quartile (32 Stores)	\$280,473	\$278,791	\$164,985	\$364,380	16 / 50.0%

You are responsible for developing your own business plan for your Store. In developing a business plan, you are cautioned to make necessary allowance for changes in financial results to income, expenses or both that may result from operation of a Gong cha® store during periods of, or in geographic areas suffering from, economic downturns, inflation, unemployment, or other negative economic influences.

Some outlets have earned this amount. Your individual results may differ. There is no assurance you'll earn as much.

We will, upon reasonable request, provide to you written substantiation for the information provided in this Item 19.

Other than the preceding financial performance representation, we do not make any financial performance representations. 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 Kassia Trumbull, 200 Clarendon Street, Suite #5600, Boston, Massachusetts 02116, (775) 799-0070, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1
Systemwide Outlet Summary
For Years 2021 to 2023 (1)**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Company-Owned	2021	0	0	0
	2022	0	3	3
	2023	3	2	-1
Total Outlets	2021	0	0	0
	2022	0	3	3
	2023	3	2	-1

(1) All numbers are as of December 31 of each year.

**Table No. 2
Transfers of Outlets from Franchisees to New Owners
For Years 2020 to 2022 (1)**

State	Year	Number of Transfers
All States	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

(1) All numbers are as of December 31 of each year.

Table No. 3
Status of Franchised Outlets
For Years 2021 to 2023 (1)

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Required by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
All States	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Total	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

(1) All numbers are as of December 31 of each year.

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Table No. 4
Status of Company-Owned Outlets
For Years 2021 to 2023 (1)

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Illinois	2021	0	0	0	0	0	0
	2022	0	3	0	0	0	3
	2023	3	1	0	2	0	2
Total	2021	0	0	0	0	0	0
	2022	0	3	0	0	0	3
	2023	3	1	0	2	0	2

(1) All numbers are as of December 31 of each year.

Table No. 5
Projected Openings
As of December 31, 2023 (1)

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Illinois	0	0	0
Nevada	1	1	0
Puerto Rico	2	2	0
Total	3	3	0

- (1) We are looking for prospective franchisees in the states listed above, and cannot know in advance where we might find prospects. Therefore, any projection of this nature is very speculative. We will add franchises wherever we find qualified prospects.

Exhibit D lists the names of our Gong cha® unit franchisees as of December 31, 2023, if any, along with address and telephone number of each of their Gong cha® stores, if any. We did not have any franchisees who have had a Franchise Agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily, ceased to do business under the Franchise Agreement during the fiscal year ended December 31, 2023, or who had not communicated with us within 10 weeks of the issuance date of this disclosure document.

If you buy a Gong cha® unit franchise, your contact information may be disclosed to other buyers when you leave the franchise system. In some instances, current and former master franchisees sign provisions restricting their ability to speak openly about their experience with the Gong cha® system. You may wish to speak with current and former master franchisees, but be aware that not all such master franchisees will be able to communicate with you. During the last 3 fiscal years, we have not signed any confidentiality clauses with current or former unit franchisees which would restrict them from speaking openly with you about their experience with us.

We have not created, sponsored, or endorsed any franchise organization and no independent franchisee organization has asked to be included in this disclosure document.

Master Franchisee Stores

As described in Item 1, we also offer Gong cha® master franchises. As of December 31, 2023, there were 7 Existing Master Franchisees in the United States. These Existing Master Franchisees have the right to open and operate Gong cha® stores (themselves or through their affiliates) and to offer and sell subfranchised / sublicensed Gong cha® stores to third-party subfranchisees / sublicensees in certain master territories in the United States. Generally, we do not offer Gong cha® unit franchises under this disclosure document in the master territories granted to our master franchisees. Neither our Gong cha® master franchisees, nor their subfranchisees, are affiliates of ours. Because the Gong cha® stores owned and operated by our Existing Master Franchisees and

their affiliates and third-party subfranchisees / sublicensees are substantially similar to the Gong cha® store franchises we offer under this disclosure document, we have included information about these other Gong cha® stores below in this Item 20.

Table No. 1(a)
Systemwide Store Summary
For years 2021 to 2023 (1)

Store Type	Year	Stores at the Start of the Year	Stores at the End of the Year	Net Change
Subfranchised / Sublicensed	2021	82	115	+33
	2022	115	157	+42
	2023	157	187	+30
Master Franchisee-owned or Affiliate-Owned	2021	27	31	+4
	2022	31	33	+2
	2023	33	38	+5
Total Stores	2021	109	146	+37
	2022	146	190	+44
	2023	190	225	+35

- (1) Except as noted in Table No. 5(a) below, the information included in this Item 20 Table No. 1(a), and Item 20 Tables No. 2(a) through 5(a) immediately below, is for unit-level Gong cha® stores operated by our Existing Master Franchisees, or their affiliates or third-party subfranchisees / sublicensees. As of December 31, 2023, we (or our predecessor) had entered into master franchise agreements with 7 Existing Master Franchisees granting development rights covering the following states and district: California, Colorado, Connecticut, District of Columbia, Florida, Georgia, Idaho, Louisiana, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Texas, Virginia and Washington. While subfranchised / sublicensed unit-level stores are operated under different forms of agreement with US master franchisees, all the unit-level Gong cha® stores included in Item 20 Tables No. 1(a) through 5(a) are substantially similar to each other. The numbers in Item 20 Tables No. 1(a) through 5(a) were reported to us by our Existing Master Franchisees or their attorneys, and then compiled into Item 20 Tables No. 1(a) through 5(a).

Table No. 2(a)
Transfers of Stores from Third-party
Subfranchisees / Sublicensees to New Owners
(other than the Master Franchisee)
For years 2021 to 2023 (1)

State	Year	Number of Transfers
California	2021	2
	2022	2
	2023	1
Florida	2021	0
	2022	0
	2023	1
New Jersey	2021	1
	2022	1
	2023	0
Texas	2021	0
	2022	4
	2023	1
Totals	2021	3
	2022	7
	2023	3

(1) All numbers are as of December 31 of each year. There were no transfers during the last 3 years in states not listed here.

Table No. 3(a)
Status of Franchised Stores
(Owned by Third-party Subfranchisees / Sublicensees)
For years 2021 to 2023 (1)

State	Year	Stores at Start of Year	Stores Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Stores at End of the Year
California	2021	21	1	2	0	0	0	20
	2022	20	4	0	0	0	0	24
	2023	24	4	1	1	0	0	26

State	Year	Stores at Start of Year	Stores Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Stores at End of the Year
Connecticut	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	1	0	0	0	0	3
District of Columbia	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Florida ⁽²⁾	2021	1	2	0	0	0	0	3
	2022	3	2	1	0	0	0	4
	2023	4	0	0	0	0	0	4
Georgia ⁽²⁾	2021	2	2	0	0	0	0	4
	2022	4	2	0	0	0	0	6
	2023	6	3	2	0	0	0	7
Maryland	2021	4	3	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
Massachusetts	2021	7	5	0	0	0	0	12
	2022	12	4	0	0	0	0	16
	2023	16	3	0	0	0	0	19
New Hampshire	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
New Jersey	2021	11	6	0	0	0	0	17
	2022	17	5	0	0	0	0	22
	2023	22	8	0	0	0	0	30
New York	2021	13	9	0	0	0	0	22
	2022	22	8	0	0	0	0	30
	2023	30	8	2	0	0	0	36

State	Year	Stores at Start of Year	Stores Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Stores at End of the Year
North Carolina ⁽²⁾	2021	1	2	0	0	0	0	3
	2022	3	1	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Oklahoma	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Pennsylvania	2021	0	0	0	0	0	0	0
	2022	0	3	0	0	0	0	3
	2023	3	4	0	0	0	0	7
Rhode Island	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2
South Carolina ⁽²⁾	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Texas	2021	16	3	0	0	0	0	19
	2022	19	8	0	0	0	0	27
	2023	27	4	0	0	0	0	31
Virginia	2021	4	1	0	0	0	0	5
	2022	5	1	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Totals	2021	82	35	2	0	0	0	115
	2022	115	43	1	0	0	0	157
	2023	157	36	5	1	0	0	187

(1) All numbers are as of December 31 of each year. There was no activity during the last 3 years in states not listed.

(2) In 2023, one Existing Master Franchisee acquired control of rights to these states, and the underlying subfranchise agreements, of a former U.S. master franchisee via an asset purchase agreement.

Table No. 4(a)
Status of Master Franchisee-owned or Affiliate-owned Stores
For years 2021 to 2023 (1)

State	Year	Stores at Start of the Year	Stores Opened	Stores Reacquired From Franchisee	Stores Closed	Stores Sold to Franchisee	Stores at End of the Year
California	2021	5	1	0	0	0	6
	2022	6	1	0	2	0	5
	2023	5	0	0	1	0	4
Colorado	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
	2023	1	2	0	0	0	3
District of Columbia	2021	1	1	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	1	0	0	0	3
Georgia	2021	6	0	0	0	0	6
	2022	6	0	0	0	3	3
	2023	3	0	0	0	0	3
Illinois	2021	0	0	0	0	0	0
	2022	0	3	0	0	0	3
	2023	3	1	0	2	0	2
Louisiana	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	1	0	0	0	1
Maryland	2021	4	2	0	1	0	5
	2022	5	1	0	0	0	6
	2023	6	1	0	0	0	7
New York	2021	6	0	0	0	0	6
	2022	6	1	0	0	0	7
	2023	7	2	0	0	0	9
Virginia	2021	5	1	0	0	0	6
	2022	6	0	0	0	0	6
	2023	6	0	0	0	0	6
Totals	2021	27	5	0	1	0	31
	2022	31	7	0	2	3	33
	2023	33	8	0	3	0	38

(1) All numbers are as of December 31 of each year. There was no activity during the last 3 years in states not listed.

Table No. 5(a)
Projected Openings as of December 31, 2023
(Systemwide Summary)

State	Subfranchise / Sublicense Agreements Signed but Stores Not Opened	Projected New Stores Owned by Third-Party Subfranchisees / Sublicensees in 2024	Projected New Stores Owned by Master Franchisee or Gong Cha US A Franchising, LLC, or Their Affiliates in 2024
California	6	7	0
Colorado	1	1	0
Connecticut	0	1	0
District of Columbia	0	0	1
Florida	1	2	0
Georgia	1	2	0
Massachusetts	8	8	0
Michigan	0	1	0
New Hampshire	0	1	0
New Jersey	3	4	1
New York	3	4	0
Nevada	1	1	0
Oklahoma	0	1	0
Pennsylvania	2	3	0
Puerto Rico	0	2	0
Rhode Island	1	0	0
Texas	2	4	0
Virginia	0	0	1
Totals	28	42	3

Exhibit E lists the names of the third-party subfranchisees / sublicensees of our Existing Master Franchisees as of December 31, 2023, along with address and telephone number of each of their Gong cha® stores. In addition, Exhibit E lists the third-party subfranchisees / sublicensees of our Existing Master Franchisees who have had a subfranchise / sublicense agreement terminated, canceled, or not renewed by their respective Existing Master Franchisee, or who otherwise voluntarily or involuntarily, ceased to do business under their subfranchise / sublicense agreement during the fiscal year ended December 31, 2023. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

**ITEM 21
FINANCIAL STATEMENTS**

Attached to this disclosure document as Exhibit F is a copy of our audited financial statements as of December 31, 2023, for the period from January 10, 2023 (inception) through December 31, 2023. As we were organized on January 10, 2023, we have not been in business for 3 years, and therefore cannot provide 3 years of financial statements. Our fiscal year end is December 31.

**ITEM 22
CONTRACTS**

The following agreements and other required exhibits are attached to this disclosure document:

Exhibit A Attached to this disclosure document as Exhibit A are required state-specific addenda to the disclosure document, if any.

Exhibit G Attached to this disclosure document as Exhibit G is a copy of the form Franchise Agreement with exhibits: Data Sheet; List of Principals and Designated Principal; Guaranty, Indemnification, and Acknowledgment; Authorization Agreement for Prearranged Payments; Non-Disclosure and Non-Compete for Franchisee's Employees; Lease Terms; state-specific addenda to the Franchise Agreement; Data Protection; and Form of Profit and Loss Statement; Special Licensed Products Application Form.

Exhibit H Attached to this disclosure document as Exhibit H is a copy of the form Area Development Agreement with attachments: Development Area; Development Schedule; Guaranty, Indemnification, and Acknowledgment; Lease Terms; Selection Criteria; and state-specific addenda to the Area Development Agreement.

Exhibit I Attached to this disclosure document as Exhibit I is a copy of a form General Release.

Exhibit J Attached to this disclosure document as Exhibit J is a Franchisee Questionnaire.

**ITEM 23
RECEIPTS**

The last 2 pages of this disclosure document are detachable documents acknowledging receipt of this disclosure document. Please sign both receipt pages and return one to us.

**EXHIBIT A
STATE SPECIFIC ADDENDA
TO DISCLOSURE DOCUMENT**

**ADDENDUM TO
GONG CHA®
FRANCHISE DISCLOSURE DOCUMENT
FOR THE
STATE OF CALIFORNIA**

Notwithstanding anything to the contrary in the Gong cha® Franchise Disclosure Document, the following provisions shall supersede and apply to all Gong cha® franchises offered and sold in the State of California or if the Store will be located in California:

1. **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.**
2. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
3. Our website (www.gongchafranchising.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.
4. Section 31125 of the California Corporations code requires us to give you a disclosure document approved by the Commissioner of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.
5. Item 3 of the Franchise Disclosure Document is supplemented by the additional paragraph:

Neither GONG CHA USA FRANCHISING, LLC nor any person described in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C. 78a et seq. suspending or expelling such persons from membership in such association or exchange.

6. Item 17 of the FDD is amended by the insertion of the following:

The California Franchise Relations Act (Business and Professions Code Section 20000 through 20043), provides franchisees with additional rights concerning transfer, termination and non-renewal of the Franchise Agreement and certain provisions of the Franchise Agreement relating to transfer, termination and non-renewal may be superseded by the Act. There may also be court decisions which may supersede the Franchise Agreement and your relationship with us, including the areas of transfer, termination and renewal of your franchise. If the Franchise Agreement is inconsistent with the law, the law will control.

The Franchise Agreement and Area Development Agreement require franchisee to execute a general release of claims upon renewal or transfer of the Franchise

Agreement or Area Development 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 thereunder is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

7. The Franchise Agreement and the Area Development Agreement require application of the laws of Massachusetts. This provision may not be enforceable under California law.
8. The Franchise Agreement and Area Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).
9. The Franchise Agreement and Area Development Agreement contain a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
10. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code section 1671, certain liquidated damages clauses are unenforceable.
11. The highest interest rate allowed by law in California is 10% annually.
12. 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.

Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law are met independently without reference to this addendum.

**ADDENDUM TO
GONG CHA®
FRANCHISE DISCLOSURE DOCUMENT
FOR THE
STATE OF HAWAII**

Notwithstanding anything to the contrary set forth in the Gong cha® Franchise Disclosure Document, the following provisions shall supersede and apply to all Gong cha® franchises offered and sold in the state of Hawaii:

The Hawaii Addendum is only applicable if you are a resident of Hawaii or if your business will be located in Hawaii.

1. Gong cha USA Franchising, LLC's Unit Franchise Disclosure Document is currently registered (or exempt from franchise registration) in the states of: Indiana and Wisconsin

2. The states in which Gong cha USA Franchising, LLC's Unit Franchise Disclosure Document is or will be shortly on file: Hawaii, Illinois, Indiana, Minnesota and Wisconsin.

3. No state has refused, by order or otherwise, to register the Gong cha USA Franchising LLC unit franchise.

4. No state has revoked or suspended the right to offer Gong cha USA Franchising LLC unit franchises.

5. Gong cha USA Franchising, LLC has not withdrawn the proposed registration of the Gong cha USA Franchising, LLC Unit Franchise Disclosure Document in any state.

6. The state cover page of the Gong cha USA Franchising, LLC Unit Franchise Disclosure Document is amended to include the following:

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR,

**TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS
RELATING TO THE SALE OF THE FRANCHISE.**

**THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF
CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT.
THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A
STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND
OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

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.

8. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this Addendum.

**ADDENDUM TO
GONG CHA®
FRANCHISE DISCLOSURE DOCUMENT
FOR THE
STATE OF MINNESOTA**

Notwithstanding anything to the contrary set forth in the Gong cha® Franchise Disclosure Document, the following provisions shall supersede and apply to all Gong cha® unit franchises offered and sold in the state of Minnesota:

The Minnesota Addendum is only applicable if you are a resident of Minnesota or if your business will be located in Minnesota.

State Cover Page and Item 17, Additional Disclosures:

Minnesota Statutes, Section 80C.21, and Minnesota Rules 2860.4400(J) prohibit the Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the Franchisee to consent to liquidated damages, termination penalties, or judgment notes. In addition, nothing in the Disclosure Document or agreement(s) can abrogate or reduce (a) any of the Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C; or (b) Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the Franchisor obtaining injunctive relief. The Franchisor may seek injunctive relief. A court will determine if a bond is required.

Item 13, Additional Disclosures:

To the extent required by Minnesota Statutes, Chapter 80C, the Franchisor will protect the Franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols related to the trademarks or indemnify the Franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the trademarks, provided the Franchisee is using the names in marks in accordance with the Franchise Agreement or Area Development Agreement.

Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subs. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to

cure), 180 days' notice for nonrenewal of the Franchise Agreement or Area Development Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rule 2860.4400D prohibits Franchisor from requiring Franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

With respect to franchises governed by Minnesota law, the Franchisor will comply with Minnesota Statutes, Section 80C.17, Subd. 5 with respect to limitation of claims.

General Additional Disclosure:

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.

Each provision of this Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the Minnesota Franchise Act are met independently without reference to this Addendum.

**ADDENDUM TO
GONG CHA®
FRANCHISE DISCLOSURE DOCUMENT
FOR THE
STATE OF NORTH DAKOTA**

Notwithstanding anything to the contrary set forth in the Gong cha® Franchise Disclosure Document, the following provisions shall supersede and apply to all Gong cha® unit franchises offered and sold in the state of North Dakota:

The North Dakota Addendum is only applicable if you are a resident of North Dakota or if your business will be located in North Dakota.

The Securities Commissioner has held certain provisions in franchise agreements to be unfair, unjust or inequitable to North Dakota franchises (Section 51-19-09, N.D.C.C.). If any of the following provisions are in these franchise documents, the provisions may not be enforceable:

1. The North Dakota Securities Commissioner has determined that it is unfair and inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to sign a general release upon renewal of the Franchise Agreement. Therefore, the requirement that the franchisee signs a release upon renewal of the Franchise Agreement is deleted from Item 17c. and from any other place it appears in the Disclosure Document or in the Franchise Agreement.

2. Item 17(r) is revised to provide that covenants not to compete, such as those mentioned in Item 17(r) of the Disclosure Document are generally considered unenforceable in the state of North Dakota.

3. Any references in the Disclosure Document and in the Franchise Agreement and to any requirement to consent to a waiver of exemplary and punitive damages are deleted.

4. Any references in the Disclosure Document and in the Franchise Agreement to any requirement to consent to a waiver of trial by jury are deleted.

6. Any claims arising under the North Dakota franchise law will be governed by the laws of the State of North Dakota.

7. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorneys' fees.

8. Any references in the Disclosure Document and in the Franchise Agreement requiring franchisee to consent to termination penalties or liquidated damages are deleted.

9. The North Dakota Securities Commissioner has determined that it is unfair, unjust, or inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to consent to the jurisdiction of courts located outside of North Dakota or to arbitration or mediation at a site that is remote from the site of the franchisee's business. Therefore, any references in Item 17(v) of the Disclosure Document and any requirement in the Franchise

Agreement that the franchisee consents to the jurisdiction of courts located outside of North Dakota or to arbitration or mediation at a site located outside of North Dakota are deleted.

General Additional Disclosure:

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.

Each provision of this Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to this Addendum.

**ADDENDUM TO
GONG CHA®
FRANCHISE DISCLOSURE DOCUMENT
FOR THE
STATE OF WISCONSIN**

To the extent the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

For all franchisees residing in the State of Wisconsin, we will provide you with at least 90 days' prior written notice of termination, cancellation or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

For Wisconsin franchisees, Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract which is inconsistent with the Law.

EXHIBIT B
LIST OF STATE AGENCIES AND
AGENTS FOR SERVICE OF PROCESS

State	State Administrator	Agent for Service of Process
California	Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles 90013-2344 Tel: 1-866-275-2677 (toll free) Ask.DFPI@dfpi.ca.gov (email)	Commissioner of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles 90013-2344 Tel: 1-866-275-2677 (toll free)
Connecticut	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 Tel: 860-240-8230	
Florida	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 Tel: 850-245-6000	
Georgia	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 Tel: 404-656-3790	
Hawaii	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 Tel: 808-586-2722	
Illinois	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 Tel: 217-782-4465	
Indiana	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 Tel: 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204

State	State Administrator	Agent for Service of Process
Iowa	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 Tel: 515-281-4441	
Kentucky	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 Tel: 502-696-5389	
Louisiana	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 Tel: 504-342-7013 (gen. info.) Tel: 504-342-7900	
Maine	Department of Business Regulations State House - Station 35 Augusta, ME 04333 Tel: 207-298-3671	
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 Tel: 410-576-6360	Maryland Securities Commissioner Same Address
Michigan	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit G. Mennen Williams Building, 1 st Floor 525 W. Ottawa Street Lansing, MI 48909 Tel: 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
Minnesota	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101 Tel: 651-539-1500	Minnesota Commissioner of Commerce Same Address
Nebraska	Department of Banking and Finance 1526 K Street, Suite 300 Lincoln, NE 68508 P.O. Box 95006 Lincoln, Nebraska 68509-5006 Tel: 402-471-2171	

State	State Administrator	Agent for Service of Process
New Hampshire	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 Tel: 603-271-3641	
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Fl New York, NY 10005 Tel: 212-416-8222	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 518-473-2492
North Carolina	Secretary of State's Office/Securities Division 2 South Salisbury Street Raleigh, NC 27601 Tel: 919-733-3924	
North Dakota	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, 14th Floor, Dept. 414 Bismarck, ND 58505-0510 Tel: 701-328-4712 Fax: 701-328-0140	
Ohio	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 Tel: 614-466-8831 Tel: 800-282-0515	
Oklahoma	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 Tel: 405-521-2451	
Oregon	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 Tel: 503-378-4387	
Rhode Island	Rhode Island Department of Business Regulation Securities Division John O. Pastore Center – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 Tel: 401-222-3048	

State	State Administrator	Agent for Service of Process
South Carolina	SC Secretary of State's Office 1205 Pendleton St., Suite 525 Columbia, SC 29201 Tel: 803-734-0367	
South Dakota	Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 Tel: 605-773-3563	
Texas	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 Tel: 512-475-1769	
Utah	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 Tel: 801-530-6601 Fax: 801-530-6001	
Virginia	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9th Floor 1300 E. Main Street Richmond, VA 23219 Tel: 804-371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 Tel: 360-902-8762
Wisconsin	Wisconsin Dept. of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 Tel: 608-266-8557	Wisconsin Commissioner of Securities Same Address

EXHIBIT C
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**EXHIBIT D
EXISTING AND FORMER UNIT
FRANCHISEES OF FRANCHISOR
(as of December 31, 2023)**

Existing Unit Franchisees

None.

Unit Franchise Agreements Signed but Gong cha® Stores Not Opened

Name	Store Address	City	State	Zip	Telephone Number
JB Investment LLC	4215 Spring Mountain Road	Las Vegas	NV	89102	jameshuh99@gmail.com

Former Unit Franchisees

None.

EXHIBIT E
EXISTING AND FORMER THIRD-PARTY
SUBFRANCHISEES / SUBLICENSEES OF
FRANCHISOR'S US MASTER FRANCHISEES
(as of December 31, 2023)

Existing Third-Party Subfranchisees / Sublicensees

Name	Store Address	City	State	Zip	Telephone Number
ANQL LLC	1501 Park St.	Alameda	CA	94501	510-735-4110
E&M BP, LLC	6924 Beach Blvd., K-336	Buena Park	CA	90621	562-215-3639
Bumblebee Donuts, Inc	11823 South St.	Cerritos	CA	90703	626-244-1183
BlueHat Bistro. LLC	4183 Chino Hills Pkwy, Ste B	Chino Hills	CA	91709	909-680-1260
Boba Ta LLC	17883 Colima Rd. Ste B	City of Industry	CA	91748	714-471-8130
fx(wuvi) Inc.	6851 Amador Plaza Rd, Ste 104A	Dublin	CA	94568	510-367-3950
Grove USA LLC	18203 Western Ave. Ste 103	Gardena	CA	90248	714-782-2591
District 11 Tea, LLC	20513 Hesperian Blvd.	Hayward	CA	94541	650-804-3876
E&M IR, LLC	14130 Culver Dr. Ste H-2	Irvine	CA	90230	562-215-3639
Livermore GC, Inc.	3046 W Jack London Blvd.	Livermore	CA	94551	408-666-7900
Gourmet Guru	318 E 2nd St.	Los Angeles	CA	90012	408-309-7266
NBU Concepts LLC	30141 Antelope Rd., Ste K	Menifee	CA	92584	714-461-1480
TVU LLC	372 Barber Ln. Ste 230	Milpitas	CA	95035	408-799-0690
Lucrative Ventures	6825 Stockton Blvd., Ste 230	Sacramento	CA	95823	916-538-6034
Tea N Tea	9176 Mira Mesa Blvd.	San Diego	CA	92126	760-715-3445
Boba King, LLC	272 O'Farrell St.	San Francisco	CA	94102	415-654-2055
Destiny Hong	1087 Meridian Ave. #10	San Jose	CA	95125	408-838-9138
GC San Jose, LLC	2200 Eastridge Loop, Ste 2000	San Jose	CA	95122	408-568-7243
GC San Jose, LLC	140 Paseo De San Antonio	San Jose	CA	95112	408-568-7243
GCHA 1180, LLC	1180 Blossom Hill Rd.	San Jose	CA	95118	408-533-2860
SerendipiTea LLC	3350 S Bristol St., Ste B	Santa Ana	CA	92704	760-715-3445
Golden Land Enterprises II, LLC	2712 Augustine Dr. Ste 110	Santa Clara	CA	95054	408-472-0972
SSM Professional Services, Inc	26871 Bouquet Canyon Rd.	Santa Clarita	CA	91350	818-235-3961

Name	Store Address	City	State	Zip	Telephone Number
Animo Partners Corporation	1642 Hollenbeck Ave.	Sunnyvale	CA	94087	408-309-7709
Athena Group, LLC	1661 Retherford St.	Tulare	CA	93274	559-799-8961
Athena Group, LLC.	3314 S Mooney Blvd.	Visalia	CA	93277	559-604-6377
Eun Seok Hwang (ES)	500 Westfarms Mall, #B125	Farmington	CT	06032	(682)559-3171
Venkata Sai Gowtham Kadiyala	194 BUCKLAND HILLS DRIVE,	Manchester	CT	06042	(860) 869-0802
Sonny Chen	932 Farmington Ave.	West Hartford	CT	06107	(860)986-0606
GONG CHA DC INC.	1901 Pennsylvania Ave NW, Suite	Washington DC	DC	20006	202.466.1950
Thuong Thanh (Nathan) Nguyen	9810 Baymeadows rd	Jacksonville	FL	32256	(904) 612-9745
Mandee Ngyuen	1686 S Congress Ave	Palm Springs	FL	33461	(561) 373-3816
Tai D Vo	106 S. Flamingo Road	Pembroke Pines	FL	33027	(954) 367-3831
Diane Nguyen	4025 W Waters Ave	Tampa	FL	33614	813-951-6638
Thi Nguyen	4400 Ashford Dunwoody Rd	Atlanta	GA	30346	(678) 862-6211
Anna Hoang	5592 Whitesville Rd	Columbus	GA	31909	(347) 654-1485
Ky Dang	5382 Buford Hwy NE C	Doraville	GA	30340	404-405-9983
Luc Tran	1630 Pleasant Hill Road	Duluth	GA	30096	678-330-4629
Angela Lynn Tran	3821 Washington Rd	Martinez	GA	30907	(706) 836-2850
Vinh D.B Nguyen	6233 Jonesboro Rd	Morrow	GA	30260	404-834-3906
Shinu Cui	1299 Old Peachtree Rd	Suwanee	GA	30024	(347) 654-1485
Ying Huang	154 Harvard Ave	Allston	MA	02134	617-208-8561
Jason Vuong	270 Newbury St	Boston	MA	02116	508-873-7112
Piseth Cheav	281 Huntington Ave	Boston	MA	02115	(857) 753-4264
Ying Huang	40-44 Harrison Ave	Boston	MA	02111	617-574-4870
Minyu Chen	75 Middlesex Tpke,	Burlington	MA	01803	781-272-1860
Minyu Chen	100 Cambridgeside Place, # F29	Cambridge	MA	02141	857-242-3637
Ting-Ho Tam	50 Church St	Cambridge	MA	02138	781-363-3194
Jack Tran	1460 Dorchester Ave, Space C	Dorchester	MA	02122	(617) 297-5126
Jack Tran	1290 Westford Street	Lowell	MA	01851	(978) 455-5646
Piseth Cheav	140 Centre Street	Malden	MA	02148	978-328-4257
Elizabeth Nguyen	237 Boston Post Rd West	Marlborough	MA	01752	508-963-9871
Van Le	90 Pleasant Valley St	Methuen	MA	01844	978-930-3925

Name	Store Address	City	State	Zip	Telephone Number
Tesia Sullivan	70 Worcester-Providence Turnpike, Unit 623	Millbury	MA	01527	(508) 865-2306
Piseth Cheav	1245 Worcester St,	Natick	MA	01760	(781) 350-8646
Minyu Chen	210 Andover St	Peabody	MA	01960	857-242-3637
Piseth Cheav	7 Beale St, Quincy	Quincy	MA	02170	(617) 481-5335
Steve Nguyen	412-414 Highland Ave	Somerville	MA	02144	(617) 863-2023
Minyu Chen	486 Main St	Woburn	MA	01801	(781) 281-0544
Jason Vuong	24 Southbridge Street	Worcester	MA	01608	508-873-7112
GONG CHA BELAIR LLC	620 Marketplace Drive	Bel Air	MD	21014	443.655.0462
THE HUB MARYLAND, INC	6510 Baltimore National Pike	Catonsville	MD	21228	667.802.5177
GONG CHA ELLICOTT CITY LLC	8450 Baltimore National Pike, STE 142	Ellicott City	MD	21043	410.345.9999
GONGCHA HOWARD COUNTY, LLC	8194 Westside Blvd	Fulton	MD	20759	301.490.1888
GONG CHA ARUNDEL MILLS LLC	7654 Arundel Mills Blvd Suite 110	Hanover	MD	21076	267.888.1068
KDC INC.	12058 Cherry Hill Rd	Silver Spring	MD	20904	301.755.4500
GONG CHA TOWSON LLC	417 York Road	Towson	MD	21204	410.560.8888
Chulho Chang	601 S Kings Dr	Charlotte	NC	28204	(704) 298-3396
Chulho Chang	7808 Rea Rd Suite E	Charlotte	NC	28277	(704) 298-3396
Chulho Chang	4927 West Market St	Greensboro	NC	27407	(704) 298-3396
Chulho Chang	344 Tate St	Greensboro	NC	27403	(704) 298-3396
Jenny Yang	300 Main St, #407	Nashua	NH	03060	(603) 864-8298
Eun Seok Hwang	400 Commons Way, (Space #3225)	Bridgewater	NJ	08807	682-559-3171
Betty Lee	1329 Prince Rodgers Ave,	Bridgewater,	NJ	08807	(609) 527-9498
Alex Hseih	Cherry Hill Mall 2000 NJ-38, UNIT 1500,	Cherry Hill	NJ	08002	(856) 662-2188
Vi Nguyen	245 Closter Dock Rd	Closter	NJ	07624	908-421-3162
Sonia Wong	867 US-1	Edison	NJ	08817	848-200-7129
Sonia Wong	1199 Amboy Avenue	Edison	NJ	08837	848-200-7129
Seihyuck Ahn	9 E Palisade Ave	Englewood	NJ	07631	347-401-0156

Name	Store Address	City	State	Zip	Telephone Number
Vi Nguyen	1630 Lemoine Ave	Fort Lee	NJ	07024	908-421-3162
Vi Nguyen	210 Main Street, Suite 1	Hackensack	NJ	07601	732-377-2630
William Wu	1700 Nottingham Way, Unit 9,	Hamilton	NJ	08619	(609) 982-1956
Priscila Pascual	130 Broadway	Hillsdale	NJ	07642	(201) 642-0001
William Evans	527 Washington Street	Hoboken	NJ	07030	(201) 710-5757
Kurt Xu	30 Mall Dr W	Jersey City	NJ	07310	732-515-8288
Dale Jagroop	183 Newark Ave	Jersey City,	NJ	07302	(201) 395-0400
Seth Seo	300 E. Greentree Road,	Marlton	NJ	08053	(856) 267-5457
Vi Nguyen	340 Millburn Ave	Millburn	NJ	07041	908-421-3162
Vi Nguyen	343 Bloomfield Ave	Montclair	NJ	07042	908-421-3162
Duoqia Xiao	396 George St	New Brunswick	NJ	08901	917-628-6860
Priscila Pascual	854 River Road	New Milford	NJ	07646	(732) 377-2630
Priscila Pascual	216 Old Tappan Rd	Old Tappan	NJ	07675	(201) 272-1805
Won Bae Park	256 Broad Ave	Palisades Park	NJ	07650	201-450-6123
Wenbo Shan	1 Garden State Plaza	Paramus	NJ	07652	201-845-4065
William Wu	10 Schalks Crossing Rd	Plainsboro	NJ	08536	917-398-0476
Xintong Li	321 Broad Avenue # 108	Ridgefield	NJ	07657	(551) 253-3541
Vi Nguyen	194 E Ridgewood Ave	Ridgewood	NJ	07451	(201) 272-2102
Eun Seok Hwang	301 Mount Hope Ave. Suite 1900	Rockaway	NJ	07866	(682) 559-3171
Ashrafee Khan	123W Clements Bridge Rd,	Runnemede	NJ	08078	(609) 828-9826
Vi Nguyen	1178 Morris Ave	Union	NJ	07083	(908) 989-3465
Daniel Camacho	1055 Hamburg Turnpike, #16	Wayne	NJ	07470	(973) 646-8569
Scott Jaitly	106 Quimby Street	Westfield	NJ	07090	908-839-3050
Eun Seok Hwang	1 CROSSGATES MALL ROAD,	ALBANY	NY	12203	(518) 806-1675
Jackson Zhu and Melody Gong	1232 Western Ave	Albany	NY	12203	917-531-3753
Wenbo Shan	625 E 187th St	Bronx	NY	10458	(347) 862-6031
Wenbo Shan	327 E Fordham Rd	Bronx	NY	10458	347-862-6031
Benny Mak	313 9th Street	Brooklyn	NY	11215	(347) 294-0496
Dai Wen Chen	156 Lawrence St	Brooklyn	NY	11201	917-909-1207
Dai Wen Chen	5723 8th Ave	Brooklyn	NY	11220	929-397-0004
Dai Wen Chen	1570 Flatbush Avenue	Brooklyn	NY	11210	917-909-1207
Julia Chou	1698 E 14th St	Brooklyn	NY	11229	(347) 587-4500

Name	Store Address	City	State	Zip	Telephone Number
Sandy Guan	108 Meserole Ave	Brooklyn	NY	11222	646-894-6966
Waqas Khan	1015 Foster Ave,	Brooklyn	NY	11230	(917) 974-7247
Zak Khan	7408 3rd AVE,	BROOKLYN	NY	11209	(347) 560-6048
Johnny Huang	1759 Middle Country Rd,	Centereach	NY	11720	212-244-4467
Kevin Chen	90-15 Queens Blvd	Elmhurst	NY	11373	646-662-6885
Kevin Chen	8801 Queens Blvd, A-3	Elmhurst	NY	11373	646-662-6885
Ashley Binyan Zhang	40-24 College Point Blvd	Flushing	NY	11354	718-353-3115
Michael Lee	159-17 Northern Blvd	Flushing	NY	11358	(929) 329-0100
Mark Ma	630 Old Country Rd	Garden City	NY	11530	516-589-8400
Zhe Liu	261 N Central Ave	Hartsdale	NY	10530	646-876-1020
Kevin Chen	313 Smith Haven Mall #K16	Lake Grove	NY	11755	(631) 903-9908
Joseph Char	252-01 Northern Blvd	Little Neck	NY	11362	(917) 444-1637
Wenbo Shan	25-08 Queens Plaza South	Long Island City	NY	11101	201-845-4065
Sandy Guan	196 2nd Street	Mineola	NY	11501	646-894-6966
Lizhi Liang	160 E. 44th Street	New York	NY	10017	646-707-3375
Xintong Li	200 Broadway, Unit 1000	New York	NY	10038	(212) 227-1024
Zhe Liu	925 Lexington Ave	New York	NY	10065	646-876-1020
Zhe Liu	1600 Broadway	New York	NY	10019	646-876-1020
Zhe Liu	2061 Broadway	New York	NY	10023	646-876-1020
Zhong Chen	2810 Broadway	New York	NY	10025	646-850-6566
Sunny Premani	2 Pennsylvania Plaza,	New York,	NY	10121	212-244-4467
Vi Nguyen	1-45 Orangeburg Road,	Orangeburg,	NY	10962	(845) 539-3707
Wenbo Shan	2655 Richmond Ave,	Staten Island	NY	10314	(929) 367-3289
Ellie Le	142-144 Walton St,	Syracuse	NY	13202	(315) 218-6499
Melody Gong	1521 6th ave Suite 112,	Troy,	NY	12180	(518) 326-2622
Jae Cho	1000 Palisades Center Dr	West Nyack	NY	11501	201-572-2141
Mark Ma	714 Racetrack Lane	Woodbury	NY	10917	(845) 868-6898
Tin Bui	2800 N Classen Blvd	Oklahoma City	OK	73106	(405) 673-7100
Junny Kim	4275 County Line Rd, Unit 17,	Chalfont	PA	18914	(267) 500-2925
Ashish Rai	1105 Market St,	Dresher	PA	19025	(215) 366-7080
Alex Hseih	917 Arch St.	Philadelphia	PA	19107	(856) 662-2188
Nang Chau	1122 Washington Ave, Unit J	Philadelphia	PA	19147	(215) 551-2055
Sang Hun Park	3925 Walnut St.	Philadelphia	PA	19104	(267) 292-2490

Name	Store Address	City	State	Zip	Telephone Number
Tanner Tran	130 Chestnut Street	Philadelphia	PA	19106	(215) 315-9130
Alex Hseih	2500 W Moreland Rd, Unit No. 1020	Willow Grove	PA	19090	(856) 662-2188
Kay Vuong	40 Sockanosset Cross Rd, #120	Cranston	RI	02902	508-414-3048
Kay Vuong	1 Providence PL	Providence	RI	02903	508-414-3048
Lam Thanh (David) Tran	701 Santee Ave	Columbia	SC	29205	(803) 415-0037
Dana Thuy (Mindy) Vo	7800 Rivers Ave	North Charleston	SC	29406	(843) 291-9115
Maria Hathaway	13201 Ranch Rd 620 N #206	Austin	TX	78705	512-520-9555
Maria Hathaway	2021 Guadalupe Street	Austin	TX	75035	512-518-3111
Maria Hathaway	3210 Esperanza Crossing, #e 126	Austin	TX	78758	512-243-8151
Shengying Pang	4220 W William Cannon Dr	Austin	TX	78749	(512) 284-8647
Trieu Mai	2701 Old Denton Rd	Carrollton	TX	75007	972-242-4135
Ann Nguyen	29110 U. S. Highway 290, # 250	Cypress	TX		636-439-9395
Lannie Sanders	11613 N Central Expy, #106A	Dallas	TX	75243	682-320-8080
Giang Ho	6650 N Beach St., # 100	Fort Worth	TX	76137	(817) 849-2107
Tina Vu	9633 North Fwy	Fort Worth	TX	76177	(817) 744-8028
Tài Minh Lê	19020 Gulf Fwy	Friendswood	TX	77546	713-857-9415
Hyun Hwang	9370 Warren Pkwy # 120	Frisco	TX	78758	(214) 494-2322
Tien The Nguyen	2625 W Pioneer Pkwy,	Grand Prairie	TX	75051	682-320-8080
Han Yin	957 N Shepherd Dr	Houston	TX	77008	(281) 846-6023
Long Zhou	9899 Bellaire Blvd Suite C318	Houston	TX	77036	713-591-5383
Staci Bull	9105 W. Sam Houston Pkwy, Suite 600	Houston	TX	77064	(832)604-6104
Tai Lam	510 Gray Street, Suite C	Houston	TX	77002	(281) 888-2690
Vu Luong	12647 Tomball Parkway #300	Houston	TX	77086	(713)510-3194
Johnny Lee	10625 Spring Green Blvd	Katy	TX	77494	(281)394-2249
Long Zhou	23119 Colonial Pkwy	Katy	TX	78717	832-913-8578
Sung Na	2405 S. Stemmons Fwy, # 132	Lewisville	TX	75067	469-455-4239
Faisal Shaikh	6002 Slide Rd Space#K200	Lubbock	TX	79414	(806)792-4653
Thi Ngo	405 Slide Road Ste 119	Lubbock	TX	79416	(806) 701-4747
Ray Sze	4899 Hwy 6 #107c	Missouri City	TX	77459	(832) 539-1887
Brian Nguyen	1930 Pearland Parkway, # 178	Pearland	TX	77581	(346)229-5052

Name	Store Address	City	State	Zip	Telephone Number
Chin Wai Chan	2205 N. Central Expressway	Plano	TX	75075	972-388-6885
Julien Jeantet	1425 E Belt Line Rd #102	Richardson	TX	75081	469-709-9380
Thanh Pham	6626 W Loop 1604 N Suite 301	San Antonio	TX	78254	(210) 701-8992
Thanh Pham	9410 TX-151 Suite 105	San Antonio	TX	78251	(210)701-8905
Thanh Pham	2903 N. Loop 1604 E. Suite 101	San Antonio	TX	78259	(210)592-1011
Tuyen Nguyen	11707 BANDERA ROAD, STE 105	San Antonio	TX	78250	(210) 549-4638
Diane Nguyen	24441 Tomball Parkway	Tomball	TX	77377	(832) 843-6996
DKK LLC	4230 Annandale Rd Suite 160	Annandale	VA	22003	703.333.3117
GONG CHA ARLINGTON INC.	1650 Wilson Blvd., Ste.100A	Arlington	VA	22209	571.257.7470
RAINING LLC	13945 Metrotech Dr.	Chantilly	VA	20151	703.505.4806
DTTEA LLC	6787B Wilson Blvd.	Falls Church	VA	22044	703.375.9851
KTRAC LLC	6310 Springfield Blvd.	Springfield	VA	22150	703.783.5883
GONG CHA 1 LLC	2029 South Lynnhaven Pkwy	Virginia Beach	VA	23456	757.937.5185

Subfranchise / Sublicense Agreements Signed but Gong cha® Stores Not Opened

Name	Store Address	City	State	Zip	Telephone / Email Address
Tuan Vu Food and Beverage LLC	TBD	Clovis	CA	TBD	559-575-2352
Tuan Vu Food and Beverage LLC	2147 W Cleveland Ave	Madera	CA	93637	559-575-2352
VVN Food and Services, LLC	TBD	Orange County	CA	TBD	+84 962 618 888
Antelope Valley Restaurant Group LLC	39340 10th St. West	Palmdale	CA	93551	661-220-0052
TB&G Holdings INC.	TBD	TBD	CA	TBD	818-621-9918
Diane G. McCaleb and Alexander J. McCaleb	TBD	Watsonville	CA	TBD	831-406-0866
Keon Shin	1472 S Pearl St.	Denver	CO	80210	303-378-6031
Khanh Nguyen	10720 W Flager St	Miami	FL	33174	khanh0361693@gmail.com
Patricia Sardon	Greater Boston North	Andover	MA	01852	psardon@gmail.com
Giang Nguyen	52 Highland Common E, Hudson, MA 01749	Berlin	MA	01749	hgvsiblingsllc@gmail.com
Altaf Isani	700 Atlantic Ave	Boston	MA	02110	917-945-5374
Ding Sun	175 Cambridge St	Boston	MA	02114	sunding822@gmail.com
Piseth Chev	912 Beacon st	Boston	MA	02215	seyhainc.usa@gmail.com
VIET NGUYEN	603 Market Pl Blvd	Locust Grove	MA	30248	baunguyen@gmail.com
Jimmy Wong	101 Falls Blvd	Quincy	MA	02169	wonginvestmentllc@gmail.com
Huyen Trang Tranova	Randolph Ma	Randolph	MA	02368	appletranova@gmail.com
Elizabeth Nguyen	100 Boston Turnpike Unit 16	Shrewsbury	MA	01545	nenailsupply@gmail.com
Waqas Khan	930 Nostrand Ave.	Brooklyn	NJ	11225	nostrandbubbletea@gmail.com
William Wu	275 Route 18	East Brunswick	NJ	08901	ww0909bubble@gmail.com
Priscila Pascual	13-36B River Road	Fair Lawn	NJ	07410	priscilapascual116@gmail.com
Tony Le	26 University Place Blvd	Jersey City	NJ	07305	tony@daikoncarrot.com
Xintong Li	625 8th Ave	New York	NY	10018	gongcha.fultoncenter@gmail.com
Xintong Li	48-18 Northern Blvd,	Queens	NY	11101	gongcha.fultoncenter@gmail.com
Nang Chau	7320 Old York Rd,	Elkins Park	PA	19027	nqc101@gmail.com
Sharan Murali	1303 E Carson St,	Pittsburgh	PA	15203	sharmurali9@gmail.com
Allis Ly	91 Point Judith Rd, Unit #190	Narragansett	RI	02882	aklyh4@gmail.com
Truong K Le	8822 N Hwy 146 Suite 170	Baytown	TX	77523	this.is.nhan@gmail.com
Dung Nguyen	601 South Expressway 83	Harlingen	TX	78552	dungnguyen2460@icloud.com

Former Third-Party Subfranchisees / Sublicensees

Name	City	State	Telephone / Email Address
TCH LLC	Alameda	CA	510-332-3725
Boba Tea House SD LLC	San Diego	CA	858-405-3089
MISS LIN LLC	San Diego	CA	858-610-5098
Sugar and Caffeine 8, Inc.	Santee	CA	858-925-9655

Luc Tran	Peachtree Corners	GA	sold@luc tran.com
Luc Tran	Suwanee	GA	sold@luc tran.com
Chao Wang	Queens	NY	gongcha.stmarks@gmail.com
Vincent Mak	Queens	NY	vincent2009m@hotmail.com

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT F
FINANCIAL STATEMENTS
OF GONG CHA USA FRANCHISING, LLC

GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)
FINANCIAL STATEMENTS
PERIOD FROM JANUARY 10, 2023 (INCEPTION) THROUGH
DECEMBER 31, 2023

GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)
FOR THE PERIOD FROM JANUARY 10, 2023 (INCEPTION) THROUGH
DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Member
Gong Cha USA Franchising, LLC

Opinion

We have audited the accompanying financial statements of Gong Cha USA Franchising, LLC (a limited liability company), which comprise the balance sheet as of December 31, 2023, and the related statements of income and changes in member's equity, and cash flows for the period from January 10, 2023 (inception) through December 31, 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gong Cha USA Franchising, LLC as of December 31, 2023, and the results of its operations and its cash flows for the period from January 10, 2023 (inception) through December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Gong Cha USA Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gong Cha USA Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

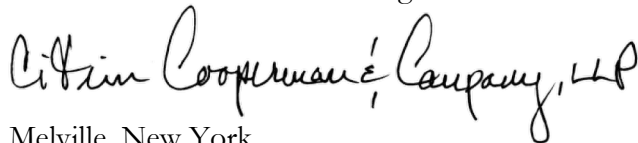
Auditor's Responsibilities for the Audit of the Financial Statements

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 Gong Cha USA Franchising, 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 Gong Cha USA Franchising, 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.



Melville, New York
March 28, 2024

GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)
BALANCE SHEET
DECEMBER 31, 2023

ASSETS

Current assets:	
Cash	\$ 60,611
Accounts receivable	<u>368,576</u>
Total current assets	429,187
Intangible assets, net	670,208
Due from related parties, net	<u>635,343</u>
TOTAL ASSETS	<u>\$ 1,734,738</u>

LIABILITIES AND MEMBER'S EQUITY

Current liabilities:	
Accounts payable and accrued expenses	\$ 131,286
Brand marketing fund payable	83,811
Deferred revenues - current	<u>174,565</u>
Total current liabilities	<u>389,662</u>
Long-term liabilities:	
Franchisee deposits	365,000
Deferred revenues, net of current portion	<u>325,893</u>
Total long-term liabilities	<u>690,893</u>
Total liabilities	1,080,555
Commitments and contingencies (Notes 5 and 7)	
Member's equity	<u>654,183</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 1,734,738</u>

See accompanying notes to financial statements.

GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)
STATEMENT OF INCOME AND CHANGES IN MEMBER'S EQUITY
FOR THE PERIOD FROM JANUARY 10, 2023 (INCEPTION) THROUGH
DECEMBER 31, 2023

Revenues:	
Franchise fees and royalties	\$ 858,977
Brand marketing fund	789,324
Fees from other services	<u>1,245,279</u>
Total revenues	2,893,580
Operating expenses	<u>2,754,456</u>
Income from operations	139,124
Other income:	
Interest income	<u>15,059</u>
Net income	154,183
Member's equity - beginning	-
Member contributions	<u>500,000</u>
MEMBER'S EQUITY - ENDING	<u><u>\$ 654,183</u></u>

See accompanying notes to financial statements.

GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JANUARY 10, 2023 (INCEPTION) THROUGH
DECEMBER 31, 2023

Cash flows from operating activities:	
Net income	\$ 154,183
Adjustments to reconcile net income to net cash used in operating activities:	
Amortization expense	67,900
Changes in assets and liabilities:	
Accounts receivable	(368,576)
Due from related parties, net	(635,343)
Accounts payable	131,285
Brand marketing fund payable	83,811
Deferred revenues	<u>(189,747)</u>
Net cash used in operating activities	(756,487)
Cash provided by investing activities:	
Proceeds from loan receivable (Note 5)	317,098
Cash provided by financing activities:	
Contribution from member	<u>500,000</u>
Net increase in cash	60,611
Cash - beginning	<u>-</u>
CASH - ENDING	<u>\$ 60,611</u>
Supplemental disclosure of non-cash investing activities:	
Common control transaction (Note 5)	<u>\$ 317,098</u>

See accompanying notes to financial statements.

GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 10, 2023 (INCEPTION) THROUGH
DECEMBER 31, 2023

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Gong Cha USA Franchising, LLC (the "Company") is a wholly-owned subsidiary of Gong Cha Americas, Inc. (the "Parent"). The Parent is a wholly-owned subsidiary of Gong Cha Global Limited (the "Licensor"). The Company was formed on January 10, 2023, as a Delaware limited liability company to sell franchises through master franchise and unit franchise agreements pursuant to a license agreement dated May 1, 2023, between the Company and the Licensor, as discussed in Note 5. Pursuant to the Company's standard franchise agreement, franchisees will operate retail shop businesses known as "Gong Cha," which offers a variety of bubble tea blends, coffees, juices, and other related products prepared to order, in the Gong Cha Shop.

The Company is a limited liability company and, therefore, the Parent is not liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, unless the member has signed a specific guarantee.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates may be adjusted due to changes in future economic, industry or other financial conditions. Estimates are used in accounting for, among other items, accounts receivable allowances, useful lives and recoverability of long-lived assets, revenue recognition, uncertain tax positions and contingencies. Actual results could ultimately differ from these estimates.

Accounts receivable

Accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts, and changes in the allowance are included in operating expenses on the statement of income and changes in member's equity. The Company assesses collectibility by reviewing accounts receivable and its contract assets on a collective basis where similar risk characteristics exist. In determining the amount of the allowance for doubtful accounts, management considers historical collectibility and makes judgments about the creditworthiness of the pool of customers based on credit evaluations. Current market conditions and reasonable and supportable forecasts of future economic conditions adjust the historical losses to determine the appropriate allowance for doubtful accounts. Uncollectible accounts are written off when all collection efforts have been exhausted.

The Company did not require an allowance for doubtful accounts as of December 31, 2023.

GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 10, 2023 (INCEPTION) THROUGH
DECEMBER 31, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangibles assets

Intangible assets consist of franchise relationships and master franchise agreements that were assigned to the Company from the Licensor in a common control transaction. Intangible assets were recorded at their carrying values on the date they were assigned, are being amortized over their original estimated useful lives, and are reviewed for impairment if indicators of impairment arise. The useful life of the intangible assets was deemed to be 10 years.

The evaluation of impairment is based upon a comparison of the carrying amount of the intangible assets to the estimated future undiscounted net cash flows expected to be generated by the asset. If the estimated future undiscounted net cash flows are less than the carrying amount of the asset, the asset is considered impaired. The impairment expense is determined by comparing the estimated fair value of the intangible asset to its carrying value, with any shortfall from fair value recognized as an expense in the current period. The Company did not recognize any impairment charges on its intangible assets during the period ended December 31, 2023.

Franchisee deposits

In accordance with the unit franchise agreements and master franchise agreement ("MFA")s, franchisees pay a deposit, as defined in the unit franchise agreements and MFAs, to the Company upon signing. The franchise deposit is returned to the franchisee or offset against any outstanding receivables at the end of the initial contract term.

Revenue and cost recognition

The Company derives substantially all its revenue from master franchise and unit franchise agreements related to franchise fee revenue, royalty revenue, transfer fees, technology fees, brand marketing fund revenue and store opening fees.

Franchise fees, royalties and other franchise related fees

Contract consideration from franchisees consists primarily of initial or renewal franchise fees, MFA fees, sales-based royalties, sales-based brand marketing fund fees, technology fees and transfer fees payable by a franchisee for the transfer of its franchise unit to another franchisee. The Company also may enter into MFAs which grant a franchisee the right to develop and sell franchises within a specific territory, as defined in the respective agreement. The Company collects an up-front fee for the grant of such rights. The initial franchise fees are nonrefundable and collectible when the underlying franchise agreement or MFA is signed by the franchisee. Sales-based royalties, sales-based brand marketing fund fees, store opening fees and technology fees are payable on a quarterly basis. Renewal and transfer fees are due from franchisees when an existing franchisee renews the franchise agreement for an additional term or when a transfer to a third party occurs, respectively.

GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 10, 2023 (INCEPTION) THROUGH
DECEMBER 31, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and cost recognition (continued)

Franchise fees, royalties and other franchise related fees (continued)

The Company's primary performance obligation under the master franchise and unit franchise agreements include granting certain rights to the Company's intellectual property in addition to a variety of activities relating to opening a franchise unit. Those services include training and other such activities commonly referred to collectively as "pre-opening activities." The Company has determined that certain of the training provided to the franchisee is not brand specific and provides the franchisee with relevant general business information that is separate and distinct from the operation of a company-branded franchise unit. The portion of training services provided that is not brand specific is deemed to be distinct, as it provides a benefit to the franchisee and is not highly interrelated or interdependent to the access of the Company's intellectual property and, therefore, is accounted for as a separate distinct performance obligation. All other pre-opening activities have been determined to be highly interrelated and interdependent to the access to the Company's intellectual property and, therefore, are accounted for as a single performance obligation, which is satisfied by granting certain rights to access the Company's intellectual property over the term of each franchise agreement.

The Company estimates the stand-alone selling price of training services that are not brand specific using an adjusted market assessment approach. The Company first allocates the initial franchise fees and the fixed consideration under the franchise agreement to the stand-alone selling price of the training services that are not brand specific and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to training services that are not brand specific are recognized ratably as the training services are rendered.

Initial and renewal franchise fees allocated to the right to use the Company's intellectual property are recognized as revenue on a straight-line basis over the term of the respective master franchise or unit franchise agreements.

Royalties are earned as a percentage of master franchise or unit franchisee gross sales over the term of the respective master franchise and unit franchise agreements, as defined in each respective franchise agreement. Franchise royalties which represent sales-based royalties that are related entirely to the use of the Company's intellectual property are recognized as franchisee sales occur and the royalty is deemed collectible.

GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 10, 2023 (INCEPTION) THROUGH
DECEMBER 31, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and cost recognition (continued)

Brand marketing fund

The Company maintains a brand marketing fund established to collect and administer funds contributed for use in advertising and promotional programs for the benefit of franchise units. Brand marketing fund fees are collected from franchisees based on a percentage of franchisee gross sales. The Company has determined that it acts as a principal in the collection and administration of the brand marketing fund and, therefore, recognizes the revenues and expenses related to the brand marketing fund on a gross basis. The Company has determined that the right to access its intellectual property and administration of the brand marketing fund are highly interrelated and, therefore, are accounted for as a single performance obligation. As a result, revenues from the brand marketing fund represent sales-based royalties related to the right to access the Company's intellectual property, which are recognized as franchisee sales occur. When brand marketing fund fees exceed the related advertising fund expenses in a reporting period, marketing costs are accrued up to the amount of brand marketing fund revenues recognized.

The Company collects a brand marketing fund fee from its franchisees up to 1% of its franchisees' gross revenues, with an option to increase the fee to up to 2% of gross revenues, in accordance with the Company's standard franchise agreement. The brand marketing fund is to be utilized for the benefit of the franchisees, with a portion designated to offset the Company's administrative costs for its administration. Pursuant to the standard franchise agreement, the Company is not required to segregate and restrict monies collected on behalf of the brand marketing fund. For the period from January 10, 2023 (inception) through December 31, 2023, the Company incurred expenses related to franchisee advertising in the amount of \$789,324, respectively, which is included in "Operating expenses" in the accompanying statement of income and changes in member's equity. As of December 31, 2023, the Company had collected, but not yet disbursed, \$83,811 of amounts collected on behalf of franchisees for advertising, which is included in "Brand marketing fund payable" in the accompanying balance sheet.

Other revenues

The Company will recognize revenue from fees and other services provided to the franchisees as a single performance obligation, when the services are rendered.

Income taxes

The Company is a single-member limited liability company and is, therefore, considered a disregarded entity for income tax purposes. Accordingly, no provision has been made for income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the member, who is responsible for any taxes thereon.

GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

The Company recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change. There were no uncertain tax positions at December 31, 2023.

Advertising

Advertising costs are expensed as incurred and amounted to \$140,027 for the period from January 10, 2023 (inception) through December 31, 2023.

Variable interest entities

In accordance with the provisions of FASB Accounting Standards Update (ASU) No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* ("ASU 2018-17"), FASB no longer requires nonpublic companies to apply variable interest entity guidance to certain common control arrangements, including leasing arrangements under common control. The Company has applied these provisions to the accompanying financial statements and has determined that the entities disclosed in Note 5, meet the conditions under ASU 2018-17, and accordingly, is not required to include the accounts of the related parties in the Company's financial statements.

Recently adopted accounting standards

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)* ("ASC 326"), which, along with subsequently issued related ASUs, requires financial assets (or groups of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected, among other provisions. ASC 326 eliminates the probable initial threshold for recognition of credit losses for financial assets recorded at amortized cost, which could result in earlier recognition of credit losses. It utilizes a lifetime expected credit loss measurement model for the recognition of credit losses at the time the financial asset is originated or acquired. The Company's financial instruments include cash and accounts receivable. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The Company adopted ASC 326 using the modified retrospective method at inception on January 10, 2023 and it did not have a material impact on the financial statements.

Subsequent events

The Company has evaluated subsequent events through March 28, 2024, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in this financial statement.

GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
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NOTE 3. REVENUES AND RELATED CONTRACT BALANCES

Franchised outlets

The following data reflects the status of the Company's franchises for the period from January 10, 2023 (inception) through December 31, 2023:

<u>Unit Franchises</u>	<u>2023</u>
Affiliate-owned outlets in operation	2
<u>Master Franchises</u>	
Master franchise outlets assigned to the Company by the Licensor	5
Franchised outlets in operation	222

Disaggregated revenues

The Company derives its revenues from franchisees located throughout the United States. The economic risks of the Company's revenues are dependent on the strength of the economy in the United States, and the Company's ability to collect on its contracts. The Company disaggregates revenue from contracts with customers by timing of revenue recognition by type of revenue, as it believes this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Revenues by timing of recognition were as follows for the period from January 10, 2023 (inception) through December 31, 2023:

	<u>2023</u>
<i>Point in time:</i>	
Royalties	\$ 671,978
Brand marketing fund	789,324
Fees from other services	1,245,279
Total	2,706,581
<i>Over time:</i>	
Franchise fees	186,999
Total revenues	\$ 2,893,580

Contract balances

Contract liabilities are comprised of unamortized initial and renewal franchise fees received from franchisees, which are presented as "Deferred revenues" on the accompanying balance sheet. A summary of significant changes in deferred revenues for the period from January 10, 2023 (inception) through December 31, 2023 is as follows:

	<u>2023</u>
Deferred franchise revenues - beginning of year	\$ -
Deferred franchise revenues assumed - Note 5	687,457
Revenue recognized during the year	(186,999)
Deferred franchise fees - end of year	\$ 500,458

GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
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NOTE 3. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)

Contract balances (continued)

Deferred franchise fee revenues are expected to be recognized as revenue over the remaining term of the associated franchise agreements as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2024	\$ 174,565
2025	58,018
2026	48,250
2027	45,125
2028	42,000
Thereafter	<u>132,500</u>
Total	<u>\$ 500,458</u>

Deferred franchise fees consisted of the following at December 31, 2023:

	<u>2023</u>
Franchise units not yet opened	\$ -
Opened franchise units	<u>500,458</u>
Total	<u>\$ 500,458</u>

NOTE 4. CONCENTRATION OF CREDIT RISK

The Company places its cash, which may, at times, be in excess of Federal Deposit Insurance Corporation with a major financial institution limits. Management believes that this policy will limit the Company's exposure to credit risk.

As of December 31, 2023, two franchisees accounted for approximately 95% of the Company's accounts receivable. For the period from January 10, 2023 (inception) through December 31, 2023, two franchisees accounted for approximately 40% of the Company's total revenues.

NOTE 5. RELATED-PARTY TRANSACTIONS

License agreement

On May 1, 2023, the Company entered into a 10-year exclusive license agreement with the Licensor for the use of the registered name "Gong Cha" (the "License Agreement"), which shall automatically renew for four additional five-year terms, unless agreed to otherwise by both parties. Pursuant to the License Agreement, the Company acquired the right to sell "Gong Cha" franchises, and the right to earn franchise fees, royalties and other fees from the franchisees. The Company shall pay a license fee based on a percentage of total franchise fees and royalties earned, as defined in the License Agreement. The license fee will be waived to the extent the Company has a net income below \$250,000. As of December 31, 2023, there was no license fee incurred.

GONG CHA USA FRANCHISING, LLC
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NOTES TO FINANCIAL STATEMENTS
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NOTE 5. RELATED-PARTY TRANSACTIONS (CONTINUED)

Service agreements

On May 1, 2023, the Company entered into a 10-year service agreement with the Licensor (the "Service Agreement") for the Company to grow the number of Gong Cha stores through a range of marketing and operations-focused initiatives aimed to increase the Gong Cha business in various territories. The Service Agreement shall automatically renew until both parties agree to terminate. The Company shall charge the Licensor a service fee, based on a percentage of sales, as defined in the Service Agreement, as services are performed. For the period from January 10, 2023 (inception) through December 31, 2023, the service fee charged amounted to \$1,245,279, which remains outstanding as of December 31, 2023, and is included in "Due from related parties, net" on the accompanying balance sheet. Management does not expect such balances to be settled within the next year.

Additionally, on May 1, 2023, the Company entered into a 10-year service agreement with Gong Cha USA Product Supplier, LLC ("GC Product Supplier") (the "GC Service Agreement"), a related party through common ownership, for GC Product Supplier to sell and supply products to the Company's master and unit franchisees. The GC Service Agreement shall automatically renew until both parties agree to terminate. GC Product Supplier shall charge the Company a service fee, as defined in the GC Service Agreement, as services are performed. For the period from January 10, 2023 (inception) through December 31, 2023, the service fee charged amounted to \$4,858, which remains outstanding as of December 31, 2023, and is included in "Due from related parties, net" on the accompanying balance sheet.

Common control transaction

On May 1, 2023, the Company entered into an assignment and assumption agreement with the Licensor, whereby the Licensor assigned its interests in certain master and unit franchise agreements (the "Agreements"), which included certain assets and liabilities being transferred to the Company. As the Licensor is the ultimate parent of the Company, the transaction was accounted for as a common control transaction which requires that a group of net assets or liabilities be transferred at their carrying amounts on a prospective basis.

The Company recognized the assets and liabilities transferred from the Licensor at their carrying amounts at May 1, 2023, which are summarized as follows:

Franchise relationships	\$ 691,511
Master franchise agreements	46,597
Franchisee deposits	(365,000)
Deferred revenues	<u>(690,206)</u>
Net liabilities transferred	<u><u>\$ (317,098)</u></u>

GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
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NOTE 5. RELATED-PARTY TRANSACTIONS (CONTINUED)

Common control transactions (continued)

A loan receivable was recorded at the transaction date for the net liabilities assumed by the Company. The Licensor repaid the balance during the period ended December 31, 2023. The deferred revenues transferred represent the value of the remaining performance obligations under the Agreements and will be amortized over the remaining life of the Agreements, in accordance to the revenue recognition policy described in Note 2.

Due to parent

In the ordinary course of business, the Company receives funds from the Parent. The amount due to the Parent at December 31, 2023 was \$655,437 and is included in "Due from related parties, net" in the accompanying balance sheet. No interest is charged on these advances. Advances from the Parent are unsecured and have no specific repayment terms. Management does not expect such balances to be settled within the next year.

Due from related parties, net

The Company receives royalties and brand marketing funds fees from stores owned by entities affiliated through common ownership. Receivables related to royalties and brand marketing fund fees owed from these affiliates amounted to \$45,501 as of December 31, 2023.

NOTE 6. INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31, 2023:

	<u>Carrying value</u>	<u>Accumulated amortization</u>	<u>Net value</u>
Franchise relationships	\$ 691,511	\$ 63,374	\$ 628,137
Master franchise agreements	46,597	4,526	42,071
	\$ 738,108	\$ 67,900	\$ 670,208

At December 31, 2023, amortization expense related to intangible assets is expected to be as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2024	\$ 101,849
2025	101,849
2026	101,849
2027	101,849
2028	101,849
Thereafter	160,963
	\$ 670,208

Amortization expense amounted to \$67,900 for the period from January 10, 2023 (inception) through December 31, 2023 and is included in "Operating expenses" in the accompanying statement of income and changes in member's equity.

GONG CHA USA FRANCHISING, LLC
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NOTES TO FINANCIAL STATEMENTS
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NOTE 7. CONTINGENCIES

Litigation

The Company, the Parent and its related parties may be, from time to time, involved in ordinary and routine litigation. Management presently believes that the ultimate outcome of these proceedings, individually or in the aggregate, will not have a material adverse effect on the Company's financial position. Nevertheless, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include money damages and, in such event, could result in a material adverse impact on the Company's financial position.

EXHIBIT G
FRANCHISE AGREEMENT WITH EXHIBITS:
DATA SHEET; LIST OF PRINCIPALS AND DESIGNATED PRINCIPAL;
GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGMENT; AUTHORIZATION
AGREEMENT FOR PREARRANGED PAYMENTS; NON-DISCLOSURE AND NON-
COMPETE FOR FRANCHISEE'S EMPLOYEES; LEASE TERMS; STATE-SPECIFIC
ADDENDA; DATA PROTECTION; AND FORM OF PROFIT AND LOSS STATEMENT

GONG CHA® FRANCHISE AGREEMENT

FRANCHISEE

EFFECTIVE DATE OF AGREEMENT

GONG CHA USA FRANCHISING, LLC
2024 Franchise Agreement

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EXHIBITS

A – DATA SHEET

B – LIST OF PRINCIPALS AND DESIGNATED PRINCIPAL

C – GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGEMENT

D – AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS

E – NON-DISCLOSURE AND NON-COMPETE FOR FRANCHISEE’S EMPLOYEES

F – LEASE TERMS

G – STATE-SPECIFIC ADDENDA

H – DATA PROTECTION

I – FORM OF PROFIT AND LOSS STATEMENT FOR A GONG CHA STORE

J – SPECIAL LICENSED PRODUCTS APPLICATION FORM

GONG CHA®
FRANCHISE AGREEMENT

This **FRANCHISE AGREEMENT** (this “**Agreement**”) is made and entered into on this _____ day of _____, 20____ (the “**Effective Date**”), by and between:

- ◆ GONG CHA USA FRANCHISING, LLC a limited liability company organized in Delaware, having offices at 200 Clarendon St., Suite 5600, Boston, Massachusetts 02116 (“**Franchisor**”); and
- ◆ _____ a [resident of] [corporation organized in] [limited liability company organized in] [*select one*], having offices at _____ (“**Franchisee**”).

BACKGROUND:

A. As further described below, Franchisor has the right to use, and license to franchisees the right to use, the Gong cha® business format and system (the “**System**”) relating to the establishment and operation of stores, which operate at retail locations that display the System interior and exterior trade dress and feature and operate under the Proprietary Marks (as defined below) (each a “**Gong Cha Store**”). Gong Cha Stores offer tea, coffee, and juice, along with related products and services, and operate using and offering System proprietary recipes, ingredients, formula, techniques and products designated from time to time (“**Proprietary Products**”), as well as other non-proprietary food, beverage, and other compatible items designated from time to time (collectively with the Proprietary Products, “**Products**”).

B. The distinguishing characteristics of the System include intellectual property (including all related copyrights, patents, trademarks, service marks, domain names, design rights, database rights, trade or business names, rights protecting trade secrets and confidential information, rights protecting goodwill and reputation, and all other similar or corresponding proprietary rights and all applications for the same, whether presently existing or created in the future, and whether registered or not), distinctive exterior and interior design, decor, color schemes, fixtures, and furnishings; recipes, standards and specifications for products, equipment, materials, and supplies; uniform standards, specifications, and procedures for operations; purchasing and sourcing procedures; procedures for inventory and management control; training and assistance; and marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor or GCG (as defined below) from time to time.

C. The System is identified by means of certain indicia of origin, emblems, trade names, service marks, logos, and trademarks, including applications and/or registrations therefor, as are now designated and may hereafter be designated by Franchisor or GCG in writing for use in connection with the System including the mark “Gong cha” and other marks (the “**Proprietary Marks**”).

D. The Proprietary Marks, as well as the intellectual property and proprietary rights relating to the System, are owned by Franchisor’s parent and predecessor Gong Cha Global Limited, a limited liability company formed in England and Wales, whose registered office is at 2nd Floor 20 Midtown, 20 Procter Street, Long, England, WC1V 6NX (“**GCG**”).

E. Pursuant to an “**IP License Agreement**,” GCG has granted to Franchisor for an ongoing license and royalty fee the exclusive right to use, and license the right to use, GCG’s intellectual property and proprietary rights relating to the System, including the Proprietary Marks, in the United States and, to among other things, offer and sell Gong cha® master, multi-unit and unit franchises, operate Gong cha® stores, and provide support and coordinate the distribution of Proprietary Products and other items to US master franchisees and Gong cha® stores.

F. Franchisee desires to enter into the business of operating a Gong Cha Store under the System and using the Proprietary Marks, and wishes to enter into this Agreement with Franchisor for that

purpose, and to receive the training and other assistance provided by Franchisor in connection therewith.

G. Franchisee acknowledges that it has read this Agreement and Franchisor's Franchise Disclosure Document (as defined in Section 28.2) and that it understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's high standards of quality and service and the uniformity of those standards at all Gong Cha Stores in order to protect and preserve the goodwill of the Proprietary Marks and the brand. Franchisee understands and accepts that the signing of a Franchise Agreement for a Gong cha® store is conditioned on Franchisee's receipt of Franchisor's Franchise Disclosure Document and compliance with applicable waiting periods, and the opening and any Gong cha® store is conditioned on the parties validly executing a Franchise Agreement in advance of such opening.

H. Franchisee has applied for a franchise to own and operate a Gong Cha Store at the location identified in Exhibit A, and such application has been approved by Franchisor in reliance upon all the representations, warranties, and covenants made herein.

NOW, THEREFORE, in consideration of the representation, warranties, and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **GRANT**

1.1 **Grant and Acceptance** Franchisor grants to Franchisee the right, and Franchisee hereby undertakes the obligation, upon the terms and conditions set forth in this Agreement to: (a) establish and operate a single Gong Cha Store (the "**Franchised Store**"); (b) use, only in connection therewith, the Proprietary Marks, the System and the Manuals (as defined in Section 10), as they may be changed, improved, or further developed from time to time by Franchisor; and (c) operate the Franchised Store only at the Approved Location (as defined in Section 1.3) in accordance with this Agreement.

1.2 **Site Selection Area** Franchisee shall locate and secure, through lease or purchase, subject to Franchisor's approval, the Approved Location (as defined below) for the Franchised Store within the area described in Exhibit A (the "**Site Selection Area**"). Franchisee shall be limited to locating and securing a site for the Franchised Store within the Site Selection Area. Franchisee agrees and acknowledges that the Site Selection Area is solely for the purpose of locating a site, and shall in no way be considered an exclusive or protected area for the Franchised Store. In the case that another franchisee of Franchisor has been granted franchise rights to operate a Gong Cha Store within the Site Selection Area, Franchisee's Approved Location must not encroach upon such franchisee's specified territory.

1.3 **Approved Location** Franchisee shall develop and operate the Franchised Store only at the site specified in Exhibit A to this Agreement as the "**Approved Location**". The Approved Location shall be described in Exhibit A subsequent to the execution of this Agreement, upon Franchisor's approval of the location and execution of the related lease or purchase agreement. Franchisee shall not relocate the Franchised Store without Franchisor's prior written consent or otherwise in writing by Franchisor, as provided in Section 8.25.

1.4 **Limit on Sales** Franchisee's rights hereunder shall be limited to offering and selling Products at the Franchised Store, and only to retail customers of the Franchised Store for (a) customer consumption on the Premises of the Franchised Store at the Approved Location (the "**Premises**"), (b) customer carry-out consumption of Products sold at the Franchised Store, and (c) off-Premises catering activities; provided that all such activities shall be conducted only in accordance with the requirements of this Agreement and the procedures set forth in the Manuals and all applicable laws. Franchisee expressly acknowledges that it may engage in off-Premises catering activities in accordance with such specific programs, policies, terms, and conditions as Franchisor may from time to time establish. Franchisee shall

not, without the prior written approval of Franchisor, engage in any other type of sale of, or offer to sell, or distribution of Products, including: selling, distributing or otherwise providing, any Products to third parties at wholesale, or for resale or distribution by any third party; and selling, distributing or otherwise providing any Products through catalogues, mail order, toll free numbers for delivery, or electronic means (e.g., the Internet).

1.5 **Territory and Reserved Rights** Except as otherwise provided in this Agreement, during the term of this Agreement, Franchisor shall not establish or operate, nor license any other person to establish or operate, a Gong Cha Store at any location within the territory specified in Exhibit A (the “**Territory**”). Franchisor retains the following rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights therein or paying any compensation to Franchisee:

1.5.1 To own, acquire, establish, and/or operate and license others to establish and operate, Gong Cha Stores under the System at any location outside the Territory, notwithstanding their proximity to the Territory or the Approved Location or their actual or threatened impact on sales of the Franchised Store;

1.5.2 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar to or different from the Franchised Store, at any location within or outside the Territory, notwithstanding their proximity to the Territory or the Approved Location or their actual or threatened impact on sales of the Franchised Store;

1.5.3 To own, acquire, establish, and/or operate and license others to establish and operate, Gong Cha Stores under the Proprietary Marks at Non-Traditional Sites (as defined below) at any location within or outside the Territory. As used in this Agreement, “**Non-Traditional Sites**” shall mean outlets that serve primarily the customers located within a facility, such as captive audience facilities (examples include parks charging admission, stadiums, amusement parks and centers, theaters and art centers), limited purpose facilities (examples include airports, transportation centers, department stores, in-door shopping centers, office buildings, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include military complexes, buyer club businesses, educational facilities, business and industrial complexes), and other types of institutional accounts;

1.5.4 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Products) through grocery or convenience stores or through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet, including those products bearing the Proprietary Marks, provided that distribution within the Territory shall not be from a Gong Cha Store established under the System that is operated from within the Territory;

1.5.5 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Products) to any customer, business or enterprise located within or outside the Territory through any delivery or catering process determined in Franchisor’s sole discretion, including those products bearing the Proprietary Marks, notwithstanding the actual or threatened impact on sales of the Franchised Store;

1.5.6 To (i) acquire one or more retail businesses that are the same as, or similar to, Gong Cha Stores then operating under the System (each an “**Acquired Business**”), which may be at any location within or outside the Territory, notwithstanding their proximity to the Territory or the Approved Location or their actual or threatened impact on sales of the Franchised Store, and to (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Gong Cha Store under the

System, subject to the following conditions that apply to each Acquired Business located within the Territory:

a) Except as provided in Section 1.5.6(b), and provided that Franchisee is in compliance with this Agreement and any other agreement with Franchisor, Franchisor shall offer to Franchisee the option to purchase and operate, as a Gong Cha Store, an Acquired Business that is purchased by Franchisor for operation by Franchisor or its affiliates. Franchisor shall provide Franchisee with written notice of Franchisor's purchase of the Acquired Business(es), the terms and conditions applicable to Franchisee's option to purchase such Acquired Business(es), and such other information that Franchisor deems necessary to include in the notice. The terms and conditions offered to Franchisee shall include the following: (a) the purchase price will be based on Franchisor's purchase price for such Acquired Business, and if the Acquired Business was part of an Acquired System (as defined below in Section 1.5.6(b)), then Franchisee's purchase price for such Acquired Business shall be determined using a ratio equal to the sales during the prior year of such Acquired Business as compared to the total sales in such prior year of all Acquired Businesses purchased by Franchisor in the same transaction or other industry valuation mechanism determined by Franchisor; and (b) the requirement that Franchisee enter into Franchisor's then-current form of System franchise agreement for the Acquired Business. If Franchisee does not elect to purchase, or fails to complete the purchase of, an Acquired Business, Franchisor shall have the right to operate itself, or through its affiliates or third-party licensees or franchisees, the Acquired Business under any trade name, service mark, or trademarks, including the Proprietary Marks. For the purposes of this Section 1.5.6(a), Franchisor shall assume that Franchisee does not wish to elect to purchase an Acquired Business if such purchase is not completed within 7 Business Days of the offer to purchase and operate the Acquired Business.

b) If an Acquired Business is part of a system of retail businesses that Franchisor acquires (an "**Acquired System**"), Franchisee shall have no right to purchase, and Franchisor shall not be obligated to offer Franchisee any option to purchase, any Acquired Business that is operated by a licensee or franchisee under the Acquired System. Franchisor may license such unit to be operated under any trade name or trademarks, including the Proprietary Marks, and may also license to the licensee or franchisee additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Territory.

1.6 **No Territory Established.** If there is no Territory established in Exhibit A, Franchisee expressly acknowledges and agrees that Franchisor may own, acquire, establish, and/or operate and license others to establish and operate, Gong Cha Stores under the System at any location, and exercise all of the rights reserved to it in Section 1.5 at any location, notwithstanding the proximity to or the actual or threatened impact on sales of the Franchised Store.

2. **TERM AND RENEWAL**

2.1 **Initial Term** This Agreement shall be in effect upon its acceptance and execution by Franchisor and, except as otherwise provided herein, this Agreement shall expire ten (10) years from the Effective Date.

2.2 **Renewal** Franchisee may apply to operate the Franchised Store for one (1) additional term of ten (10) years, if the following conditions are met prior to renewal:

2.2.1 For the renewal Franchisee shall give Franchisor written notice of Franchisee's

election to renew at least six (6) months, but not more than twelve (12) months, prior to the end of the term of this Agreement;

2.2.2 For each renewal Franchisee shall not have any past due monetary obligations or other outstanding obligations to Franchisor and its affiliates, the approved suppliers of the System, or the lessor of the Premises;

2.2.3 For each renewal Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor or its affiliates, the approved suppliers of the System, or the lessor of the Premises; and Franchisee shall have fully complied with all the terms and conditions of such agreements during the terms thereof;

2.2.4 For each renewal Franchisee and Franchisor shall execute a mutual general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, and their respective officers, directors, agents, and employees;

2.2.5 For each renewal Franchisee shall execute the then-current form of franchise agreement offered by Franchisor, which shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including requirements to pay additional and/or higher fees such as royalties and advertising contributions;

2.2.6 For each renewal Franchisee shall comply with the then-current qualification and training requirements of Franchisor;

2.2.7 For each renewal Franchisee shall make or provide for, in a manner satisfactory to Franchisor, such renovation and modernization of the Premises as Franchisor may reasonably require, including installation of new equipment and renovation of signs, furnishings, fixtures, and decor to reflect the then-current standards and image of the System;

2.2.8 For each renewal Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Premises (or such other location acceptable to Franchisor) for the duration of the renewal term;

2.2.9 Franchisee, at the time of each renewal, satisfies Franchisor's standards of financial responsibility and, if requested by Franchisor, Franchisee demonstrates to Franchisor that Franchisee has sufficient financial resources and means to continue to operate the Franchised Store during the renewal term.

2.2.10 For each renewal Franchisee shall remit to Franchisor a renewal fee in an amount of fifty percent (50%) of the then-current standard initial franchise fee required by Franchisor or any subsequent franchisor for a Gong cha® unit franchise, or, if Franchisor or any subsequent franchisor is not offering Gong cha® unit franchises at the time of renewal, then fifty percent (50%) of the Initial Franchise Fee paid by Franchisee hereunder.

3. **DUTIES OF FRANCHISOR**

3.1 **Franchisor's Plans** Franchisor shall make available to Franchisee, design plans and specifications for the construction of a Gong Cha Store and for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. Franchisee acknowledges that such standard design plans and specifications shall not contain the requirements of any applicable law, code, or regulation, nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Gong Cha Store, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee understands and acknowledges that Franchisor has the right to modify the prototype design plans and specifications, and develop additional prototype design plans and specifications, as Franchisor deems appropriate from time to time (however Franchisor will not modify the prototype plans and specifications for the Franchised Store developed pursuant to this Agreement once those prototype architectural plans and specifications have been given to Franchisee). Franchisee shall adapt the standard plans to the Franchised Store's location, as provided in Section 5.4 hereof, subject to Franchisor's approval.

3.2 **Initial Training** Franchisor shall provide its initial training for operators and managers ("**Initial Training**"), as described in Section 6.1 of this Agreement, for up to three (3) trainees, in Franchisor's sole discretion, unless this Agreement is for the fourth (4th) or subsequent Gong Cha Store being developed pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), in which event the terms set forth in Section 6.1.2 shall apply with respect to the pre-opening training of Franchisee, the Designated Principal and any General Manager. Franchisor shall also provide such ongoing training as it may, from time to time, deem appropriate.

3.3 **Opening Training**. Franchisor shall make available to Franchisee at Franchisor's expense and at Franchisee's Premises any assistance in pre-opening, opening and initial business operation of the Franchised Store including providing Franchisees with the services of one (1) or more representative of Franchisor for supervisory assistance and guidance in connection with the opening and initial operations of the Franchised Store, as Franchisor deems appropriate, in its sole discretion. Franchisee acknowledges that Franchisor shall not be responsible for offering guidance with respect to compliance with any laws, ordinances, or other legal matters. Prior to the arrival of Franchisor's representative(s), Franchisee shall have substantially completed all training of Franchisee's initial staff for the Franchised Store, as shall be necessary for Franchisee to comply with its staffing obligations under Section 8.4. Should Franchisee request additional assistance from Franchisor in order to facilitate the opening of the Franchised Store, and should Franchisor deem it necessary and appropriate to comply with the request, Franchisee shall pay Franchisor's per diem charges and Franchisor's out of pocket expenses in providing such additional assistance as set forth from time to time in the Manuals or otherwise in writing. For the purposes of this Section 3.3, Franchisor shall have the right to determine the time or times at which such representatives shall be made available to Franchisee. Notwithstanding the foregoing, if this Agreement is for the second (2nd) or subsequent Gong Cha Store being developed by Franchisee pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee) or otherwise, then Franchisee shall be responsible for conducting opening training, and Franchisor shall not be responsible for providing assistance to Franchisee with respect to pre-opening, opening and initial business operation at Franchisee's Premises.

3.4 **Loan of Manuals** Franchisor shall provide Franchisee, on loan, copies of Franchisor's confidential operations manuals and other manuals, instructional materials, and written policies and correspondence (collectively, and as may be updated by Franchisor or its affiliates from time to time, the "**Manuals**"), as more fully described in Section 10 hereof.

3.5 **Advertising Programs and Materials** Franchisor shall review and shall have the right to approve or disapprove all advertising and promotional materials that Franchisee proposes to use, pursuant to Section 13. Franchisor shall administer the System or Cooperative Ad Funds, if such funds exist or are created, in the manner set forth in Section 13.

3.6 **Grand Opening Advertising** Franchisor shall assist Franchisee in developing and conducting the Grand Opening Advertising Program (as described in Section 13.5), which program shall be conducted at Franchisee's expense.

3.7 **Guidance** Franchisor may provide periodic advice or offer guidance to Franchisee in the marketing, management, and operation of the Franchised Store as Franchisor determines at the time(s) and in the manner determined by Franchisor.

3.8 **Inspections** Franchisor shall conduct, as it deems advisable, inspections of the operation of the Franchised Store by Franchisee.

3.9 **List of Suppliers** Franchisor shall, in the Manuals (or otherwise in writing as determined by Franchisor), provide Franchisee with a list of suppliers designated and/or approved by Franchisor to supply Products, equipment, signage, materials and services to franchisees in the System.

3.10 **Delegation** Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by any distributor, designee, employee, supplier or agent of Franchisor, as Franchisor may direct.

4. **FEES**

4.1 **Initial Franchise Fee** In consideration of the execution of this Agreement and Franchisor's granting to Franchisee the franchise covered hereby, Franchisee agrees to pay to Franchisor an initial franchise fee of Thirty-Four Thousand Five Hundred Dollars (\$34,500) (the "**Initial Franchise Fee**") as reflected in Exhibit A, which sum shall be deemed fully earned by Franchisor upon receipt thereof and is non-refundable as set forth in Section 4.2.

4.2 **Refundability** Payment of the Initial Franchise Fee shall be non-refundable in consideration of administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to franchise others.

4.3 **Royalty Fee** In consideration of this franchise granted hereby, the services to be provided by Franchisor hereunder, the right to prepare and sell the Products to the general public, and for the use of the Proprietary Marks, Franchisee shall pay to Franchisor, each Week during the term of this Agreement, in addition to the Initial Franchise Fee set forth herein, a Royalty Fee equal to six percent (6%) of Net Sales generated by, from, or through the Franchised Store ("**Royalty Fee**") for such Week and report to Franchisor, in the manner specified by Franchisor, its Net Sales (a "**Sales Report**") for such Week. As used in this Agreement, the following terms shall apply:

4.3.1 The term "**Week**" means the period starting with the commencement of business on Monday and concluding at the close of business on the following Sunday (or, if the Franchised Store is not open on a particular Sunday in accordance with this Agreement or the Manuals, the immediately preceding Business Day (as defined in Section 5.1.1)); however, Franchisor shall have the right to designate in writing any other period of not less than seven days to constitute a "**Week**" under this Agreement.

4.3.2 The term "**Net Sales**" means all revenue from the sale of all Products and all other income of every kind and nature related to, derived from, or originating from the Franchised Store, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit; provided, however, that "**Net Sales**" excludes any customer refunds, and/or sales taxes collected from customers by Franchisee and actually transmitted to the appropriate taxing authorities.

4.3.3 In the event Franchisor miscalculates any Royalty Fee payment, or any other fee

or payment herein, resulting in an overpayment from Franchisee to Franchisor, such miscalculation shall not be considered a breach under this Agreement. Franchisor agrees that in such event it will promptly provide Franchisee with a credit of any overpaid amount resulting from any such miscalculation.

4.4 **Advertising Contributions** Franchisee shall make Weekly advertising contributions for marketing and promotion as Franchisor may direct pursuant to Section 13.1 based on the Net Sales of the Franchised Store payable in accordance with Section 4.5.

4.5 **When Payments Are Due**

4.5.1 All payments required by Sections 4.3 and 4.4 based on the Net Sales for the preceding Week, and the Sales Report required by Section 4.3 for the Net Sales for the preceding Week, shall be paid and submitted to be received by Franchisor by the third (3rd) Business Day after the close of each Week. Franchisee shall deliver to Franchisor any and all reports, statements and/or other information required under Section 12.2, at the time and in the format reasonably requested by Franchisor.

4.5.2 Franchisee shall establish an arrangement for electronic funds transfer or deposit of any and all payments required to be made by Franchisee to Franchisor (or an affiliate of Franchisor) in connection with the Franchised Store or under this Agreement or any related agreement.

4.5.3 Franchisee shall execute Franchisor's current form of "Authorization Agreement for Prearranged Payments," a copy of which is attached to this Agreement as Exhibit D, and Franchisee shall comply with the payment and reporting procedures specified by Franchisor in the Manuals.

4.5.4 Franchisee expressly acknowledges and agrees that Franchisee's obligations for the full and timely payment of (a) the Royalty Fee and advertising contributions shall be absolute, unconditional, fully earned, and due upon Franchisee's generation and receipt of Net Sales, and (b) all other amounts owed to Franchisor (or an affiliate of Franchisor) in connection with the Franchised Store or provided for in this Agreement or related agreement shall be absolute, unconditional, fully earned, and due immediately upon demand.

4.5.5 Franchisee shall not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow or set-off the same against any claims or alleged claims Franchisee may allege against Franchisor, the Brand Marketing Fund, the Cooperative Ad Fund or others. Franchisee shall not, on grounds of any alleged non-performance by Franchisor or others, withhold payment of any fee, including Royalty Fees or advertising contributions, nor withhold or delay submission of any reports due hereunder including Sales Reports.

4.5.6 Franchisee further agrees that it shall, at all times throughout the term of this Agreement, maintain a minimum balance of Two Thousand Five Hundred Dollars (\$2,500) in Franchisee's bank account against which such electronic funds transfers shall be drawn for the Franchised Store operated under this Agreement.

4.6 **Designated Accountants and Fees** If required by Franchisor, Franchisee shall use a certified public accountant service designated or approved by Franchisor for bookkeeping and financial records management of the Franchised Store. Franchisee shall pay such service provider or Franchisor, as directed by Franchisor, a fee for these services for each month in such reasonable amount as the service provider or Franchisor may periodically designate.

4.7 **Additional Payments** Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor, which is accompanied by reasonable substantiating material, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise

under this Agreement.

4.8 **Overdue Payments and Reports** Any payment, contribution, statement, or report due to Franchisor (or an affiliate of Franchisor) under this Agreement or in connection with the Franchised Store not actually received on or before such due date shall be overdue. If any contribution or payment is overdue, Franchisee shall pay Franchisor immediately upon demand, in addition to the overdue amount: (i) a late payment administration fee in an amount equal to five percent (5%) of the overdue amount, and (ii) interest on the overdue amount from the date it was due until paid, at the maximum rate permitted by law, not to exceed one and one-half percent (1 ½%) per month. Entitlement to such interest shall be in addition to any other remedies Franchisor may have.

4.9 **No Waiver** Acceptance by Franchisor of the payment of any Royalty Fee, or any and all other payments provided for in this Agreement, shall not be conclusive or binding on Franchisor with respect to the accuracy of such payment until two (2) years after the effective date of termination or non-renewal of this Agreement. Acceptance of any payment on account of the Royalty Fee or any and all other payments provided for in this Agreement does not constitute any waiver of Franchisor's rights hereunder.

4.10 **No Subordination** Franchisee shall not subordinate to any other obligation its obligation to pay Franchisor the royalties and/or any other fee or charge payable to Franchisor, whether under this Agreement or otherwise.

4.11 **U.S. Dollars** Unless otherwise noted, all amounts stated in this Agreement are in U.S. Dollars, including amounts payable by Franchisee to Franchisor and its affiliates.

5. **SITE SELECTION, CONSTRUCTION AND OPENING OF BUSINESS**

5.1 **Identifying and Securing Sites** Franchisee shall, within two (2) months of the Effective Date, be solely responsible for identifying, submitting for Franchisor's approval, and securing a site (through lease or purchase) for the Franchised Store. The following terms and conditions shall apply to the Franchised Store:

5.1.1 Franchisee shall submit to Franchisor, in a form specified by Franchisor, a completed site approval package, which shall include: (i) a site approval form prescribed by Franchisor; (ii) a trade area and site marketing research analysis (prepared by a company approved in advance by Franchisor); (iii) an option contract, letter of intent, or other evidence satisfactory to Franchisor which describes Franchisee's favorable prospects for obtaining such site; (iv) photographs of the site; (v) demographic statistics; and (vi) such other information or materials as Franchisor may reasonably require (collectively, the "SAP"). Franchisor shall have twenty (20) Business Days after receipt of the SAP from Franchisee to approve or disapprove, in its sole discretion, the proposed site for the Franchised Store. In the event Franchisor does not approve a proposed site by written notice to Franchisee within said twenty (20) Business Days, such site shall be deemed disapproved by Franchisor. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor. The term "**Business Day**" shall mean a day, other than a Saturday or Sunday, or a national holiday in the United States.

5.1.2 Following Franchisor's approval of a proposed site, Franchisee shall use its best efforts to secure such site, either through a lease/sublease that is acceptable to Franchisor, as provided in Section 5.2, or a binding purchase agreement, and shall do so within sixty (60) Business Days of approval of the site by Franchisor. Franchisee shall immediately notify Franchisor of the execution of the approved lease or binding purchase agreement.

5.1.3 Franchisee hereby acknowledges and agrees that approval by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Store or for any other purpose. Approval by Franchisor of the site

indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as at the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and Premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor, could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria.

5.2 **Lease Terms**

5.2.1 Franchisee shall acquire or lease the Approved Location at its own expense.

5.2.2 For the Franchised Store to be developed hereunder, if Franchisee will occupy the Premises from which the Franchised Store will be operated under a lease or sublease, Franchisee shall, prior to execution of such lease, submit the lease to Franchisor for its review and approval. Lease review fees incurred by Franchisor in connection with Franchisor's first lease review are included as part of the Initial Franchise Fee and Franchisee shall not be required to pay a lease review fee in connection therewith. If Franchisor is required to engage in more than one lease review for the proposed franchised location (or a different proposed franchised location), Franchisor has the right to require Franchisee to pay to Franchisor or its designated supplier a nonrefundable lease review fee of Two Thousand Dollars (\$2,000) for each lease review Franchisor undertakes ("**Lease Review Fee**"). The Lease Review Fee covers the expenses that Franchisor incurs to have the lease agreement reviewed on Franchisor's behalf. Franchisee is not a third-party beneficiary of the lease review. Franchisee agrees that Franchisor does not guarantee that the terms, including rent, shall represent the most favorable terms available in the market. Franchisor is not required and has no obligation to negotiate the terms of Franchisee's lease. Franchisee shall provide Franchisor with a copy of Franchisee's fully executed lease agreement immediately after signing.

5.2.3 If pre-submission to Franchisor is not possible, then Franchisee may sign the lease only on the condition, agreed to in writing by the lessor, that the lease shall become null and void if Franchisor does not approve such lease. Franchisor's approval of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require, including the terms and conditions set forth by Franchisor in the Manuals or otherwise in writing from time to time, a current list of which is included in Exhibit F to this Agreement.

5.2.4 Franchisee shall comply with the terms and conditions of any lease agreement in relation to the Approved Location and make all payments due under the lease punctually.

5.3 **Lease Renewal Efforts** If the term of the lease for the Premises is shorter than the term that this Agreement is in force, Franchisee agrees to use its best efforts to obtain a renewal of the existing lease of the Premises, or a new lease for the Premises, to enable Franchisee to continue to operate the Franchised Store at the Approved Location for the duration of the term of this Agreement. Franchisee shall provide Franchisor with written notice of lease expiration no later than eight (8) months prior to the expiration of Franchisee's lease term.

5.4 **Preparing a Location**. Before commencing any construction of the Franchised Store, Franchisee, at its expense, shall comply, to Franchisor's satisfaction, with all the following requirements:

5.4.1 Franchisee shall employ a qualified, licensed architect or engineer who has been approved or designated (as described below) by Franchisor to prepare, subject to Franchisor's approval, preliminary plans and specifications for site improvement and/or construction of the Franchised Store based upon prototype plans and/or specifications furnished by Franchisor, as described in Section 3.1. Franchisor shall have the right to designate one or more suppliers of design services and/or architecture

services to supply such services to the System. If Franchisor designates a design firm and/or architecture firm prior to the time Franchisee commences to develop the Franchised Store, Franchisee shall employ such designated supplier(s) to prepare all designs and plans for the Franchised Store, unless Franchisee obtains Franchisor's prior written approval to use an alternative professional. If Franchisor has not designated a design firm or architecture firm, Franchisee shall be responsible for locating and employing a qualified design consultant and architect who is/are licensed in the jurisdiction in which the Franchised Store will be located, and who is reputable and experienced in providing design and architecture services. Franchisee shall be solely responsible for payments for all design and architecture services. Franchisee expressly acknowledges and agrees that Franchisor shall not be liable for the unsatisfactory performance of any contractor, firm, supplier, professional or consultant retained by Franchisee, whether or not designated by Franchisor.

5.4.2 Franchisee shall comply with all applicable laws, codes and regulations regarding the construction, design and operation of the Franchised Store.

5.4.3 Franchisee shall be responsible for obtaining all zoning classifications and clearances that may be required by applicable laws, ordinances, or regulations or that may be necessary or advisable owing to any restrictive covenants relating to the Approved Location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Franchisor's review and approval of plans shall be limited to review of such plans to assess compliance with Franchisor's design standards for Gong Cha Stores, including such items as trade dress, presentation of Proprietary Marks, and the providing to the potential customer of certain products and services that are central to the functioning of Gong Cha Stores. Such review is not designed to assess compliance with applicable local laws and regulations, as compliance with such laws is the sole responsibility of Franchisee. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a default and Franchisor may withhold its authorization to open the Franchised Store until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction.

5.4.4 Franchisee shall obtain all permits and certifications required for the lawful construction and operation of the Franchised Store and shall certify in writing to Franchisor that all such permits and certifications have been obtained.

5.4.5 Franchisee shall employ a qualified licensed general contractor who has been approved or designated by Franchisor to construct the Franchised Store and to complete all improvements, which general contractor may be Franchisor or an affiliate of Franchisor. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under Section 14. Franchisee expressly acknowledges and agrees that Franchisor shall not be liable for the unsatisfactory performance of any contractor retained by Franchisee.

5.4.6 Throughout the construction process, Franchisee shall comply with Franchisor's requirements and procedures for periodic inspections of the Premises, and shall fully cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request.

5.4.7 Franchisee agrees to use in the construction and operation of the Franchised Store only those brands, types or models of construction and decorating materials, fixtures, equipment, furniture and signs that Franchisor has approved for the Franchised Store as meeting its specifications and standards for quality, design, appearance, function and performance. Franchisee further agrees to place or display at the Premises of the Franchised Store only such signs, emblems, lettering, logos and display materials that are from time to time approved in writing by Franchisor or its affiliates. Franchisee may purchase approved types or models of construction and decorating materials, fixtures, equipment, furniture and signs from any supplier approved or designated by Franchisor (which may include Franchisor and/or

its affiliates), which approval may not be unreasonably withheld. If Franchisee proposes to purchase any type or model of construction or decorating material, fixture, equipment, furniture or sign not then approved by Franchisor, and/or any such item from any supplier which is not then approved by Franchisor, Franchisee shall first notify Franchisor in writing and shall submit to Franchisor sufficient specifications, photographs, drawings and/or other information or samples for a determination by Franchisor of whether such brand or type of construction or decorating material, fixture, equipment, furniture or sign complies with its specifications and standards. Franchisor may, in its sole discretion, refuse to approve any such item(s) and/or supplier(s) that does not meet Franchisor's standards or specifications.

5.5 **Opening Date**

5.5.1 Unless delayed by the occurrence of events constituting "force majeure" as defined in Section 5.7, Franchisee shall construct, furnish, and open the Franchised Store in accordance with this Agreement the earlier of six (6) months following the Effective Date or four (4) months after the Approved Location is identified and secured through lease or purchase ("**Opening Timeline**").

5.5.2 If Franchisee does not construct, furnish, and open the Franchised Store in accordance with the Opening Timeline, Franchisor may, at its option, terminate this Agreement without providing any refund to Franchisee. Time is of the essence for this purpose.

5.5.3 Franchisor, in its discretion, may elect, in lieu of terminating this Agreement, to use other remedial measures for Franchisee's failure to meet the foregoing Opening Timeline, which include: (i) loss of the limited exclusivity, or reduction in the scope of protections, granted to Franchisee under Section 1.5 for the Territory; and/or (ii) reduction in the size or scope of the Territory.

5.5.4 If Franchisor exercises any rights under this Section 5.5, Franchisor shall not have waived its right to, in the case of future defaults, exercise all other rights and invoke all other provisions that are provided in law and/or set out under this Agreement.

5.6 **Other Opening Conditions** Franchisee shall provide Franchisor with: (a) written notice of its specific intended opening date; and (b) request for Franchisor's approval to open on such date. Such notice and request shall be made no later than thirty (30) days prior to such intended opening date. Additionally, Franchisee shall comply with all other of Franchisor's pre-opening requirements, conditions and procedures (including those regarding pre-opening scheduling, training, and communications) as set forth in this Agreement, the Manuals, and/or elsewhere in writing by Franchisor, and shall obtain Franchisor's written approval as to the opening date prior to opening the Franchised Store.

5.7 **Force Majeure** As used in this Agreement, "**force majeure**" means an act of God, war, civil disturbance, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, or any other cause beyond the reasonable control of Franchisee; provided, however, force majeure shall not include Franchisee's lack of adequate financing.

5.8 **Franchised Store Closure**. In the event that Franchisee wishes to close or cease trading from any Franchised Store, Franchisee shall discuss such action with Franchisor and provide Franchisor with business rationale for such action, along with evidence of its prior attempts to improve the performance of the Franchised Store. Franchisee shall not take any such action without the prior written agreement of Franchisor (not to be unreasonably withheld).

6. **TRAINING**

6.1 **Initial Training and Attendees** Before opening the Franchised Store, Franchisee shall have satisfied all initial training obligations required by Franchisor, which are as follows:

6.1.1 Franchisee (or, if Franchisee is other than an individual, the Designated Principal

(defined in Section 8.3.1)) and, if applicable, the General Manager and up to one (1) additional person as Franchisor may require (not to exceed a total of three (3) persons), in Franchisor's sole discretion, shall attend and successfully complete, to Franchisor's satisfaction, the initial training program offered by Franchisor at a location designated by Franchisor, unless this Agreement is for the fourth or subsequent Gong Cha Store being developed pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), in which event the requirements set forth in Section 6.1.2 shall apply with respect to the pre-opening training of Franchisee, the Designated Principal and any General Manager. The duration of the initial training will be approximately two (2) to three (3) weeks, depending on the function of the individual attending such training, and is subject to change. During the initial training, Franchisee shall receive instruction, training and education in the operation of the Franchised Store and the System. The duration and content of the initial training is subject to change in Franchisor's sole discretion. Franchisee will not be required to pay Franchisor a separate training fee for Franchisee's initial required attendees who attend the initial training program. If any of these initial required attendees do not successfully complete, to Franchisor's satisfaction, such training, however, Franchisor may require that Franchisee send a replacement person to attend and successfully complete, to Franchisor's satisfaction, the initial training program, and pay to Franchisor its then-current training fee for that attendee. Except as otherwise described in this Section 6, Franchisor may require Franchisee to pay to Franchisor its then-current training fee for any addition training, including the initial training program, it provides to Franchisee's attendees.

6.1.2 If this Agreement is for the fourth (4th) or subsequent Gong Cha Store being developed pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), then Franchisee shall be responsible for conducting the initial training of its Designated Principal, its General Manager (if applicable), and any other managerial personnel, in accordance with the requirements and conditions as Franchisor may from time to time establish for such training. Franchisor's requirements for initial training by Franchisee shall be set forth in the Manuals or other written materials and shall include the requirement that all such training activities be conducted: (a) by the Designated Principal(s) or personnel of Franchisee (or an affiliate of Franchisee) who have completed Franchisor's initial training program to the satisfaction of Franchisor, and who remain acceptable to Franchisor to provide initial training; and (b) following the procedures and conditions established by Franchisor. If Franchisor determines that the training provided by Franchisee does not satisfy Franchisor's standards and requirements, or that any newly trained individual is not trained to Franchisor's standards, then Franchisor may require that such newly trained individual(s) attend and successfully complete, to Franchisor's satisfaction, an initial training program provided by Franchisor prior to the opening of the Franchised Store, for which .

6.1.3 Franchisee must satisfy all pre-opening training requirements under this Section 6.1 by no later than thirty (30) days prior to the scheduled opening of the Franchised Store.

6.2 **New or Replacement Designated Principal and General Managers** In the event that Franchisee's Designated Principal or (if required pursuant to Section 8.3.2) General Manager ceases active employment in the Franchised Store, Franchisee shall enroll a qualified replacement who is reasonably acceptable to Franchisor in Franchisor's initial training program reasonably promptly following cessation of employment of said individual. Franchisor reserves the right to require Franchisee to pay to Franchisor its then-current training fee for any such training. In the alternative, with respect to training a replacement General Manager, Franchisee may train such replacement(s) in accordance with Section 6.3. The replacement Designated Principal and/or any required managers shall complete the initial training program as soon as is practicable and in no event later than any time periods as Franchisor may specify from time to time in the Manuals and otherwise in writing. Franchisor reserves the right to review any Franchisee trained personnel and require that such persons attend and successfully complete, to the satisfaction of Franchisor, the initial training program offered by Franchisor at a location designated by Franchisor. In such case, Franchisor reserves the right to require Franchisee to pay to Franchisor its then-current training fee for such training.

6.3 **Training by Franchisee of Additional or Replacement General Managers** Franchisee shall have the option of training any General Manager (following the training of the first General Manager by Franchisor) at the Franchised Store or other Gong Cha Stores operated by Franchisee or its affiliates, provided that Franchisee is in compliance with all agreements between Franchisee and its affiliates and Franchisor and further provided that the training is conducted: (a) by the Designated Principal or other personnel who has successfully completed Franchisor's initial training program, to Franchisor's satisfaction, (and who remains acceptable to Franchisor to provide such training); and (b) in accordance with any requirements or standards as Franchisor may from time to time establish in writing for such training. In the event Franchisor conducts such training, Franchisor reserves the right to require Franchisee to pay to Franchisor its then-current training fee for such training.

6.4 **Refresher Training** Franchisor may also require that Franchisee or its Designated Principal and General Manager attend such refresher courses, seminars, and other training programs as Franchisor may reasonably require from time to time, provided that such training shall not exceed four (4) days per person each year, and attendance for up to three (3) days per person each year at conventions, if any, conducted for Franchisor's franchisees. Franchisor may moreover require that Franchisee or its Designated Principal and General Manager attend re-training programs held by Franchisor. Franchisor reserves the right to require Franchisee to pay to Franchisor its then-current training fee for any such training.

6.5 **Training Costs** Except as otherwise described in this Section 6, the cost of all training (instruction and required materials) shall be borne by Franchisor. All other expenses incurred in connection with training, including the costs of transportation, lodging, meals, wages, and worker's compensation insurance, shall be borne by Franchisee.

6.6 **Location and Timing of Training** All training programs shall be at such times as may be designated by Franchisor, in its sole discretion. In addition, Franchisor shall determine, in its sole discretion, how often it will offer the initial training program and other training, and will periodically publish a schedule of upcoming training sessions. Training programs shall be provided at Franchisor's headquarters, "certified" Gong cha® stores owned by Franchisor's affiliates or franchisees, and/or such other locations as Franchisor may designate.

6.7 **Additional On-site Training** If Franchisee requests that Franchisor provide additional on-site supervision or supplemental training or that any training programs offered or required by Franchisor be conducted for Franchisee at the Franchised Store, then Franchisee agrees that it shall pay Franchisor's then-current per diem charges and out-of-pocket expenses, which shall be as set forth in the Manuals or otherwise in writing.

7. **TECHNOLOGY**

7.1 **Point-of-Sale Systems and Required Software** The following terms and conditions shall apply with respect to the Point-of-Sale System and Required Software:

7.1.1 Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by, between, or among Gong Cha Stores, including: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at Gong Cha Stores, between or among Gong Cha Stores, and between and among the Franchised Store and Franchisor and/or Franchisee; (b) Cash Register Systems; (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; and (f) internet access mode and speed (collectively, the "**Point-of-Sale System**").

7.1.2 Franchisor shall have the right, but not the obligation, to develop or have developed for it, or to designate: (a) computer software programs and accounting system software that Franchisee must use in connection with the Point-of-Sale System ("**Required Software**"), which

Franchisee shall install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install; (c) the tangible media upon which such Franchisee shall record data; and (d) the database file structure of Franchisee's Point-of-Sale System.

7.1.3 Franchisee shall record all sales on computer-based point of sale systems approved by Franchisor or on such other types of cash registers, including ordering kiosks, as may be designated by Franchisor in the Manuals or otherwise in writing ("**Cash Register Systems**"), which shall be deemed part of Franchisee's Point-of-Sale System. Franchisee shall make, from time to time, such upgrades and other changes to the Point-of-Sale System and Required Software as Franchisor may request in writing (collectively, "**Point-of-Sale Upgrades**").

7.1.4 Franchisor, in its sole discretion, reserves the right to charge Franchisee for any service, system or platform Franchisor provides or requires in connection with the Point-of-Sale System and the Required Software. Any such charges are subject to change in Franchisor's sole discretion.

7.1.5 Franchisee shall comply with all specifications issued by Franchisor with respect to the Point-of-Sale System and the Required Software, and with respect to Point-of-Sale Upgrades. Franchisee shall also afford Franchisor unimpeded access to Franchisee's Point-of-Sale System and Required Software as Franchisor may request, in the manner, form, and at the times requested by Franchisor.

7.1.6 Franchisee shall grant Franchisor access to the Cash Register Systems at such times or frequency as Franchisor may request. Franchisor shall have the right to integrate with Franchisee's Cash Register Systems to access information and reports in real time, and Franchisee shall execute all documents and do all things requested by Franchisor to enable and facilitate such integration.

7.2 **Data** Franchisor may, from time-to-time, specify in the Manuals or otherwise in writing the information that Franchisee shall collect and maintain on the Point-of-Sale System installed at the Franchised Store, and Franchisee shall provide to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained. All data pertaining to the Franchised Store, and all data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the business (including data pertaining to or otherwise concerning the Franchised Store's customers) or otherwise provided by Franchisee (including data uploaded to, or downloaded from Franchisee's Point-of-Sale System) is and will be owned exclusively by Franchisor, and Franchisor will have the right to use such data in any manner that they deem appropriate without compensation to Franchisee. Copies and/or originals of such data must be provided to Franchisor upon Franchisor's request. Franchisor hereby licenses use of such data back to Franchisee for the term of this Agreement, at no additional cost, solely for Franchisee's use in connection with the business franchised under this Agreement.

7.3 **Privacy and Personal Data Protection** Franchisee shall comply with the provisions of Exhibit H and its Appendices, the terms of which are (for the avoidance of doubt) hereby incorporated into this Agreement.

7.4 **Telecommunications** Franchisee shall comply with Franchisor's requirements (as set forth in the Manuals or otherwise in writing) with respect to establishing and maintaining telecommunications connections between Franchisee's Point-of-Sale System and Franchisor's Intranet (as defined below), if any, and/or such other computer systems as Franchisor may reasonably require.

7.5 **Intranet** Franchisor may establish a website providing private and secure communications between Franchisor, Franchisee, franchisees, licensees and other persons and entities as determined by Franchisor, in its sole discretion (an "**Intranet**"). Franchisee shall comply with Franchisor's requirements (as set forth in the Manuals or otherwise in writing) with respect to connecting to the Intranet, and utilizing the Intranet in connection with the operation of the Franchised Store. The Intranet may include the Manuals, training or other assistance materials, and management reporting solutions (both upstream and downstream,

as Franchisor may direct). Franchisee shall purchase and maintain such computer software and hardware as may be required to connect to and utilize the Intranet.

7.6 **Websites** As used in this Agreement, the term “**Website**” means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes Internet and World Wide Web home pages. In connection with any Website, Franchisee agrees to the following:

7.6.1 Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Proprietary Marks, any or all of the Products, Gong Cha Stores, the franchising of Gong Cha Stores, and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage; Franchisor shall also have the right to discontinue operation of the website.

7.6.2 Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Franchised Store, with such web page(s) to be located within Franchisor’s Website. Franchisee shall comply with Franchisor’s policies with respect to the creation, maintenance, and content of any such web pages; and Franchisor shall have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page.

7.6.3 Franchisee shall not establish a separate Website, without Franchisor’s prior written approval (which Franchisor shall not be obligated to provide). If approved to establish a Website, Franchisee shall comply with Franchisor’s and its affiliates’ policies, standards and specifications with respect to the creation, maintenance and content of any such Website. Franchisee specifically acknowledges and agrees that any Website owned or maintained by or for the benefit of Franchisee shall be deemed “advertising” under this Agreement, and will be subject to (among other things) Franchisor’s approval under Section 13.

7.6.4 Franchisor and its affiliates shall control all social media channels and consumer-facing communications relating to the System, Proprietary Marks, or Products. Franchisee shall not operate or make any statement on any such social media channels or make any such consumer-facing communications without the prior written consent of Franchisor. Without prejudice to the generality of the foregoing, Franchisee shall not make any statement on any social media channel or any other consumer-facing communication that would bring into disrepute or otherwise be prejudicial to the goodwill, reputation, image or prestige of Franchisor, the System, the Proprietary Marks, or the demand for the Products provided under the Proprietary Marks.

7.6.5 Franchisor shall have the right to modify the provisions of this Section 7 relating to Websites as Franchisor shall solely determine is necessary or appropriate.

7.7 **Online Use of Marks** Franchisee shall not, without the prior written approval of Franchisor, use the Proprietary Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any e-mail address, domain name, and/or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements, solicitations, marketing information, promotional information or any other information whatsoever using the Proprietary Marks or regarding Gong Cha Stores, the System or the Products by e-mail or any other “**Electronic Media**” without Franchisor’s prior written consent and in accordance with such specific programs, policies, terms and conditions as Franchisor may from time to time establish. Electronic Media shall include blogs, microblogs, social networking sites (such as Facebook, LinkedIn and MySpace), video-sharing and photo-sharing sites (such as YouTube and Flickr), review sites (such as Yelp and Urbanspoon), marketplace sites (such as eBay and Craigslist), Wikis, chat rooms and virtual worlds.

7.8 **No Outsourcing without Prior Written Approval** Franchisee shall not hire third party

or outside vendors to perform any services or obligations in connection with the Point-of-Sale System, Required Software, or any other of Franchisee's obligations without Franchisor's prior written approval therefor. Franchisor's consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with Franchisor and Franchisee in a form that is reasonably provided by Franchisor.

7.9 **Changes to Technology** Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Section 7 were periodically revised by Franchisor for that purpose.

7.10 **Aggregators**. Franchisee may sell Products to customers via third party online delivery services ("**Aggregators**") provided that:

7.10.1 such Aggregators fulfil the requirements set out in the Manuals and their quality and standards have thereby been approved by Franchisor in writing in advance; and

7.10.2 Franchisee: (i) provides any proposed agreement between Franchisee and any Aggregator (an "**Aggregator Contract**") to Franchisor for its approval (if the proposed contract is in a form approved by Franchisor, such approval shall not be unreasonably withheld or delayed) in advance of it entering into such Aggregator Contract; (ii) ensures as far as is reasonably practicable that the terms of any Aggregator Contract shall require any Aggregator to provide Franchisee with ownership and/or broad access and/or use rights to the customer data collected by the Aggregator with respect to customers ordering from Franchisee's Franchised Store, to help ensure continuity in customer relationships; and (iii) complies with Franchisor's global or regionally negotiated Aggregator Contracts and policies for Aggregator Contracts, where applicable.

8. **OTHER DUTIES OF FRANCHISEE**

8.1 **Details of Operation** Franchisee understands and acknowledges that every detail of the System and this Agreement is important to Franchisee, Franchisor and its affiliates, and other franchisees in order to develop and maintain high operating, quality and service standards, to increase the demand for the Products sold by all operators, to protect Gong Cha Stores operating under the System, and to protect the reputation and goodwill of Franchisor and its affiliates.

8.2 **Compliance with the Agreement, including the Manuals** Franchisee shall operate the Franchised Store in strict conformity with this Agreement and such mandatory standards and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing, and shall refrain from deviating from such standards, specifications, and procedures without the prior written consent of Franchisor.

8.3 **Management of Business & Designated Principal** If Franchisee is other than an individual, prior to beginning training, Franchisee shall comply with the following:

8.3.1 Franchisee shall designate, subject to Franchisor's reasonable approval, one Principal who is both an individual person and owns at least a ten percent (10%) beneficial interest in Franchisee, and who shall be responsible for general oversight and management of the operations of the Franchised Store on behalf of Franchisee (the "**Designated Principal**"). In the event the person designated as the Designated Principal dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to supervise the operations of the Franchised Store, Franchisee shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

8.3.2 Franchisee shall designate either the Designated Principal or an experienced manager to assume the full-time responsibility for the daily supervision and operation of the Franchised Store (the “**General Manager**”). Franchisee shall inform Franchisor in writing whether Franchisee, the Designated Principal (if Franchisee is other than an individual), or a General Manager will assume this role. If, in Franchisor’s sole determination, Franchisee or the Designated Principal (if Franchisee is other than an individual) does not have the necessary food service experience to operate the Franchised Store in accordance with the mandatory standards and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing, Franchisee must designate a General Manager, subject to Franchisor’s reasonable approval, with such necessary food service experience to assume the full-time responsibility for the daily supervision and operation of the Franchised Store.

8.3.3 Franchisee acknowledges and agrees that Franchisor shall have the right to rely upon either or both the Designated Principal or General Manager as having responsibility and decision-making authority regarding the Franchised Store’s operation and Franchisee’s business.

8.4 **Staffing** In order to protect and enhance the System and the goodwill associated with the Proprietary Marks, Franchisee agrees to maintain a competent, conscientious, staff (who are trained by Franchisee to Franchisor’s standards and requirements) in numbers sufficient to promptly service customers and to take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; comply with such uniforms and/or dress code as Franchisor may prescribe; and meet such minimum standards as Franchisor may establish from time to time in the Manuals. Franchisee shall be solely responsible for all employment decisions and functions of the Franchised Store, including those related to hiring, firing, wage and hour requirements, recordkeeping, supervision, and discipline of employees, in addition to compliance with all applicable laws, rules and regulations.

8.5 **Use of Premises** Franchisee shall use the Premises solely for the operation of the Franchised Store; shall keep the Franchised Store open and in normal operation for such minimum hours and days as Franchisor may specify; shall refrain from using or permitting the use of the Premises for any other purpose or activity at any time without first obtaining the written consent of Franchisor.

8.6 **Conformity to Standards** To ensure that the highest degree of quality and service is maintained, Franchisee shall operate the Franchised Store in strict conformity with such mandatory methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Without limitation, Franchisee agrees as follows:

8.6.1 Franchisee shall purchase and install prior to the opening of the Franchised Store, and thereafter maintain, all fixtures, furnishings, equipment, decor, and signs, and maintain in sufficient supplies and materials, as Franchisor may prescribe in the Manuals or otherwise in writing. Franchisee shall refrain from deviating therefrom by the use of any unapproved item without the prior written consent of Franchisor.

8.6.2 Franchisee shall offer and sell only Products that Franchisor or its affiliates specify from time to time, unless otherwise approved in writing by Franchisor; and Franchisee shall offer and sell all Products as Franchisor or its affiliates may specify from time to time as required offerings at the Franchised Store. Franchisee shall offer and sell the Products utilizing the ingredients and employing the preparation standards and techniques as specified by Franchisor or its affiliates. Franchisee is prohibited from offering or selling any products or services at or from the Franchised Store that have not previously been authorized by Franchisor or its affiliates, and shall discontinue selling and offering for sale any Products which Franchisor or its affiliates shall have disapproved, in writing, at any time. If Franchisee wishes to offer or sell any products or services that have not previously been authorized by Franchisor or its affiliates, Franchisee must first make a written request to Franchisor, requesting authorization to offer or sell such products or services in accordance with Section 8.7, and in the case of products, submitting the Special Licensed Products Application Form attached as Exhibit J. Franchisor, in

its sole and absolute discretion, may deny such request for approval or, once given, subsequently withdraw such approval at any time, for any reason. Any products Franchisor approves in accordance with this Section 8.6.2 shall be referred to sometimes as “special licensed products.” For purposes of clarification, Franchisee shall pay Royalty Fees on the sale of any products or service Franchisor approves in accordance with this Section 8.6.2. Reports on sales of such products or services shall be included in the reports required of Franchisee under Sections 4.3 and 12.2.

8.6.3 Franchisee shall permit Franchisor or its agents, at any reasonable time, to remove samples of Products, without payment therefor, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether said samples meet Franchisor’s then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor or if the sample fails to conform to Franchisor’s specifications.

8.6.4 Franchisor may designate an independent evaluation service to conduct a quality control and evaluation program with respect to Franchisor or affiliate-owned and/or franchised Gong Cha Stores. Franchisee agrees that the Franchised Store will participate in such quality control and evaluation program, as prescribed and required by Franchisor, provided that Franchisor-owned, affiliate-owned, and franchised Gong Cha Stores also participate in such program to the extent Franchisor has the right to require such participation. Franchisor shall pay the charges imposed by such evaluation service with respect to inspections of the Franchised Store.

8.6.5 Franchisee shall participate in all customer surveys and satisfaction audits, which may require that Franchisee provide discounted or complimentary Products, provided that such discounted or complimentary sales shall not be included in the Net Sales of the Franchised Store. Additionally, Franchisee shall participate in any complaint resolution and other programs as Franchisor may reasonably establish for the System, which programs may include providing discounts or refunds to customers.

8.6.6 Franchisor may mandate that an authorized third-party service provider perform health and safety audits at Gong Cha Stores up to four (4) times per annum, at Franchisor’s sole expense. If the Franchised Store fails any health and safety audit based on the standards Franchisor establishes from time to time, Franchisor shall have the right to mandate its authorized third-party service provider to perform additional health and safety audits, at Franchisee’s sole expense, until it passes a subsequent health and safety audit and meets Franchisor’s then-current standards. Any subsequent health and safety audits performed by Franchisor’s authorized third-party service provider after a failed health and safety audit and before a passing health and safety audit will not count towards the four (4) health and safety audits Franchisor may mandate its authorized third-party service provider perform each annum.

8.7 **Purchases and Approved Suppliers** Franchisee shall purchase all equipment, fixtures, furnishings, signs, décor, supplies, services, and products (including the Products) required for the establishment and operation of the Franchised Store from Suppliers designated or approved in writing by Franchisor (as used in this Section 8.7 the term “**Supplier**” shall include manufacturers, distributors and other forms of Suppliers). In determining whether it will approve any particular Supplier, Franchisor shall consider various factors, including whether the Supplier: (i) can demonstrate, to Franchisor’s continuing reasonable satisfaction, the ability to meet Franchisor’s then-current standards and specifications for such items; (ii) possesses adequate quality controls and capacity to supply Franchisee’s needs promptly and reliably; (iii) would enable the System, in Franchisor’s sole opinion, to take advantage of marketplace efficiencies; and (iv) has been approved in writing by Franchisor prior to any purchases by Franchisee from any such Supplier, and have not thereafter been disapproved. Franchisor reserves the right to designate, at any time and for any reason, a single Supplier for any equipment, supplies, services, or products (including any Products) and to require Franchisee to purchase exclusively from such designated Supplier, which exclusive designated supplier may be Franchisor or any of its affiliates. In such case, Franchisee shall not have the right to request that Franchisor approve an alternative supplier. In the event Franchisor establishes itself, or an affiliate as a designated or exclusive Supplier of any piece of equipment, supply, service, or

product (including any Product), Franchisee shall use the transportation or distribution supplier designated by Franchisor for the delivery of such Product, which transportation or distribution supplier may be Franchisor or an affiliate.

8.7.1 Notwithstanding anything to the contrary in this Agreement, Franchisee shall purchase all of its requirements for Proprietary Products from Franchisor or its affiliates, as set forth in Section 8.8 (through such distributor or distributors as Franchisor may designate). Franchisor shall have the right to introduce additional, substitute new, or discontinue Proprietary Products from time to time.

8.7.2 If Franchisee desires to purchase any Products (except for Proprietary Products) or other items, equipment, supplies, services from suppliers other than those previously designated or approved by Franchisor, Franchisee must first submit to Franchisor a written request for authorization to purchase such items. Franchisee shall not purchase from any Supplier until, and unless, such Supplier has been approved in writing by Franchisor. Franchisor may deny such approval for any reason, including its determination to limit the number of approved Suppliers. Franchisee must submit to Franchisor such information and samples as Franchisor may reasonably require, and Franchisor shall have the right to require periodically that its representatives be permitted to inspect such items and/or Supplier's facilities, and that samples from the proposed Supplier, or of the proposed items, be delivered for evaluation and testing either to Franchisor or to an independent testing facility designated by Franchisor. Permission for such inspections shall be a condition of the initial and continued approval of such Supplier. A charge not to exceed the reasonable cost of the evaluation and testing shall be paid by Franchisee. Franchisor may also require that the Supplier comply with such other requirements as Franchisor may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to Franchisor by the Supplier on account of their dealings with Franchisee or other franchisees.

8.7.3 Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved Supplier and to revoke its approval upon the Supplier's failure to continue to meet any of Franchisor's then-current criteria. Upon receipt of written notice of such revocation, Franchisee shall cease to sell or use any disapproved item, Products and/or cease to purchase from any disapproved Supplier.

8.7.4 Nothing in the foregoing shall be construed to require Franchisor to approve any particular Supplier, nor to require Franchisor to make available to prospective Suppliers, standards for approval and/or specifications for formulas, which Franchisor shall have the right to deem confidential.

8.7.5 Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally known Suppliers who are willing to supply all or some Gong Cha Stores with some or all of the products and/or services that Franchisor requires for use and/or sale in the development and/or operation of Gong Cha Stores. In this event, Franchisor may limit the number of approved Suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all Products and other products and services, and/or refuse any of Franchisee's requests for approval if Franchisor believes that this action is in the best interest of the System or the franchised network of Gong Cha Stores. Franchisor shall have unlimited discretion to approve or disapprove of the Suppliers who may be permitted to sell Products to Franchisee.

8.7.6 Franchisor and its affiliates may receive payments or other compensation from Suppliers on account of such Suppliers' dealings with Franchisee and other franchisees; and Franchisor may use all amounts so received for any purpose Franchisor and its affiliates deem appropriate.

8.7.7 Franchisee must at all times pay Franchisor (or its affiliates) and Suppliers for any and all items and Products it purchases in connection with the Franchised Store promptly as the debts and obligations to such persons become due. Failure to do so shall constitute a breach of this Agreement. Franchisee shall pay Franchisor (or its affiliates) for any and all items and Products it purchases from them

in connection with the Franchised Store as such debts and obligations to become due through electronic funds transfer in accordance with the obligations and procedures set forth in Section 4.5. In no way limiting the foregoing, Franchisee agrees to adhere to all ordering, delivery and payment policies required by Franchisor and its affiliates and set forth in the Manuals or otherwise in writing with respect to all Products including the Proprietary Products. In particular, Franchisee shall pay Franchisor (or its affiliates) for purchases, including all logistics-related costs, five (5) Business Days in advance of the clean bill of lading (shipping). Franchisor (and its affiliates) reserve the right not to ship any supplies prior to receipt of such payment in full. If Franchisee wishes to change any order it can do so without any additional cost within five (5) Business Days from the date of order. If Franchisee wishes to change any order after six (6) Business Days from the date of order then, Franchisor (or its affiliates, as the case may be) shall have the right to charge Franchisee an administrative fee of Two Hundred Dollars (\$200) in addition to any reasonable change fee to cover any costs it incurs as a result and/or any wasted stock, which Franchisee shall pay by the date specified by Franchisor (or its affiliates).

8.7.8 Franchisee must not, during the term of this Agreement or thereafter, distribute, resell, supply, or otherwise provide access to, make available or transfer any supplies required for the preparation and sale of the Products, and all equipment (including machines) and other materials required for the operation of the Franchised Store, including Proprietary Products, to, or allow such supplies to fall into the possession of, any third party or use such supplies for any purpose other than the operation of the Franchised Store in accordance with this Agreement, or alter vary or tamper with such supplies.

8.7.9 Franchisee shall maintain adequate inventory levels of products and supplies through accurate demand forecasting to ensure that it does not experience out of stock occurrences.

8.8 **Proprietary Products** Franchisee acknowledges and agrees that the Proprietary Products offered and sold at Gong Cha Stores are manufactured in accordance with secret recipes, standards, and specifications of Franchisor and/or its affiliates, including GCG, and are Proprietary Products of Franchisor and/or its affiliates. In order to maintain the high standards of quality, taste, and uniformity associated with Proprietary Products sold at all Gong Cha Stores in the System, Franchisee agrees to purchase Proprietary Products only from Franchisor or its affiliates, as Franchisor designates, and not to offer or sell any other items not approved by Franchisor at or from the Franchised Store. In connection with the manufacturing, handling, storage, transport and delivery of any Proprietary Products purchased from Franchisor or its affiliates, Franchisee acknowledges that any action or inaction by any third party (e.g., a food manufacturer or an independent carrier) in connection with the manufacturing, handling, storage, transport and delivery of the Proprietary Products shall not be attributable to nor constitute negligence of Franchisor or its affiliates. Franchisee acknowledges and agrees Franchisor and/or its affiliates may earn revenues on account of such sales of Proprietary Products to Franchisee. Franchisee must at all times promptly pay Franchisor or its affiliates as applicable for all Proprietary Products it purchases as such obligations become due. Failure to do so shall constitute a breach of this Agreement.

8.9 **No Warranties** Franchisee acknowledges that in purchasing or leasing supplies, equipment and/or materials from suppliers approved by Franchisor, **FRANCHISOR EXPRESSLY DISCLAIMS ANY WARRANTIES OR REPRESENTATIONS AS TO THE CONDITION OF SAME, INCLUDING EXPRESS OR IMPLIED WARRANTIES AS TO MERCHANTABILITY OR FITNESS FOR ANY INTENDED PURPOSE. FRANCHISEE AGREES TO LOOK SOLELY TO THE MANUFACTURER OR SUPPLIER OF SAME IN THE EVENT OF ANY DEFECTS THEREIN.**

8.10 **Inspections** Franchisee shall permit Franchisor and its agents to enter upon the Premises at any time during normal business hours for the purpose of conducting inspections of the Premises and the operations of Franchisee. Franchisee shall cooperate with representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents, and without limiting other rights of Franchisor under this Agreement, shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Should Franchisee, for any reason, fail

to correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right, but not the obligation, to correct any deficiencies which may be susceptible to correction by Franchisor and to charge Franchisee the actual expenses of Franchisor in so acting, which shall be payable by Franchisee upon demand. The foregoing shall be in addition to such other remedies Franchisor may have.

8.11 **Trademarked Items** Franchisee shall ensure that all advertising and promotional materials, signs, decorations, paper goods (including wrapping, packaging supplies, containers for Products, napkins, menus and all forms and stationery used in the Franchised Store), Products, and other items specified by Franchisor bear the Proprietary Marks in the form, color, location, and manner prescribed by Franchisor or its affiliates. Franchisee shall place and illuminate all interior and exterior signs and décor items in accordance with Franchisor's mandatory specifications.

8.12 **Menu and Pricing** Franchisee shall sell or offer to sell those items only on the Gong Cha Store menu as approved by Franchisor. Such menu shall be subject to change from time to time as Franchisor may determine solely in its discretion. Franchisee must obtain Franchisor's written approval for any contemplated menu changes, including all additions to and/or deletions of items sold in the Franchised Store. Franchisee shall utilize the standard menu format as required by Franchisor. Such menu format shall be subject to change from time to time as Franchisor may determine solely in its discretion. Moreover, Franchisor may, in the exercise of its reasonable business judgment and to the extent permitted by applicable law, establish recommended prices for menu items, or a range of recommended prices, or may establish maximum prices that shall (in the case of maximum prices only) be adhered to by Franchisee and all other similarly situated Gong Cha Stores.

8.13 **Compliance** Franchisee shall comply with all applicable laws, rules, regulations, by-laws, orders and ordinances (including in relation to health and safety, the conduct of its business and management of its employees) and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business licensed by this Agreement, including operation licenses, licenses to do business and fictitious name registration.

8.14 **Uniforms** Franchisee shall be responsible for having all personnel employed by Franchisee wear standard related uniforms and attire during business hours in order to further enhance Franchisor's product and format. Franchisee shall be permitted to purchase such uniforms and attire from manufacturers or distributors approved by Franchisor, which uniforms and attire must be in strict accordance with Franchisor's design and other specifications.

8.15 **Governmental Requirements** Franchisor and Franchisee understand and agree that the operation of the Franchised Store, maintenance of its Premises and equipment, conduct and appearance of its personnel, and the preparation and sale of products therefrom are all regulated by governmental statutes and regulations. To this end, Franchisor and Franchisee agree that Franchisee owes an obligation to the patrons of the Franchised Store, Franchisor, and to itself, to fully and faithfully comply with all those applicable governing authorities, and all of the same are made a part of this Franchise Agreement as if fully set forth herein. It is further agreed that in the event any product dispensed at the Franchised Store evidences adulteration from the standards and specifications of Franchisor or is in violation of applicable law or regulations or in the event the food items, Premises, equipment, personnel or operation of the Franchised Store fail to be maintained in accordance with the governmental requirements, Franchisee shall immediately close the Franchised Store, terminate selling operations, destroy all contaminated or adulterated products and eliminate the source thereof and remedy all unsanitary conditions present, reopening for business only after Franchisor's inspection and laboratory analysis from samples obtained for that purpose by Franchisor, evidence a compliance with the applicable governmental requirements and with the standards of Franchisor.

8.16 **Prohibited Product** In the event Franchisee sells any food, beverage, products, premiums, novelty items, clothing, souvenirs or performs any services that Franchisor has not prescribed, approved or authorized, Franchisee shall (i) cease and desist offering or providing the unauthorized or unapproved food,

beverage, product, premium, novelty item, clothing, souvenir or from performing such services, and (ii) pay to Franchisor, on demand, liquidated damages equal to Two Hundred Fifty Dollars (\$250) per day for each day such unauthorized or unapproved food, beverage, product, premium, novelty item, clothing, souvenir or service is offered or provided by Franchisee, which amount of liquidated damages the parties acknowledge and agree is reasonable and proportionate and represents a genuine pre-estimate of Franchisor's loss in such circumstances, considering the reputational damage to the System and costs of enforcement against Franchisee. These liquidated damages shall be in addition to all other remedies available to Franchisor under this Agreement or at law, including Franchisor's right to claim such damages as may be suffered in addition to such liquidated damages.

8.17 **Participation in Promotions** Franchisee shall participate in promotional programs developed by Franchisor for the System, in the manner directed by Franchisor in the Manuals or otherwise in writing. In no way limiting the foregoing, Franchisee agrees that if required by Franchisor:

8.17.1 Franchisee shall participate in all programs and services for frequent customers, senior citizens, children, and other categories, which may include providing discount or complimentary Products.

8.17.2 Franchisee shall sell or otherwise issue gift cards or certificates (together "**Gift Cards**") that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor, and only in the manner specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor regardless of whether a Gift Card was issued by Franchisee or another Gong Cha Store. Franchisee shall sell, issue, and redeem (without any offset against any Royalty Fee or other contribution) Gift Cards in accordance with procedures and policies specified by Franchisor in the Manuals or otherwise in writing, including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by other Gong Cha Stores and for making timely payment to Franchisor, other operators of Gong Cha Stores, or a third-party service provider for Gift Cards issued from the Franchised Store that are honored by Franchisor or other Gong Cha Store operators.

8.18 **Health Standards** Franchisee shall meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Store under the Manuals and applicable health ordinances. Franchisee shall also comply with the requirements set forth in the Manuals for submitting to Franchisor a copy of a violation or citation relating to Franchisee's failure to maintain any health or safety standards in the operation of the Franchised Store.

8.19 **Maintenance of Premises** Franchisee shall maintain the Franchised Store and the Premises in a clean, orderly condition and in excellent repair; and, in connection therewith, Franchisee shall, at its expense, make such repairs and replacements thereto (but no others without prior written consent of Franchisor) as may be required for that purpose, including such periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor as Franchisor may reasonably direct.

8.20 **Ongoing Upgrades** As set forth in Section 8.6.1, throughout the term of this Agreement, Franchisee shall maintain all fixtures, furnishings, equipment, decor, and signs as Franchisor may prescribe from time to time in the Manuals or otherwise in writing. Franchisee shall make such changes, upgrades, and replacements as Franchisor may periodically require, in the time frames specified by Franchisor.

8.21 **Five-Year Refurbishment and Renovations** At the request of Franchisor, but not more often than once every five (5) years, unless sooner required by Franchisee's lease, Franchisee shall refurbish the Premises, at its expense, to conform to the Gong Cha Store design, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Gong Cha Stores as specified in the Manual. Such refurbishment may include structural changes, installation of new equipment, furniture, lighting, countertops and signs, remodeling, redecoration of store interiors, and modifications to existing improvements, and shall be completed pursuant to such standards, specifications

and deadlines as Franchisor may specify. Without prejudice to the generality of the foregoing obligation, at least every ten (10) years, such refurbishment shall consist of a full-store refit, including the replacement and modernization of the supplies, fixtures, signs, and equipment used at and in the Franchised Store.

8.22 **Compliance with Lease** Franchisee shall comply with all terms of its lease or sublease, its financing agreements (if any), and all other agreements affecting the operation of the Franchised Store; shall undertake best efforts to maintain a good and positive working relationship with its landlord and/or lessor; and shall not engage in any activity which may jeopardize Franchisee's right to remain in possession of, or to renew the lease or sublease for, the Premises.

8.23 **Obligations to Third Parties** Franchisee must at all times pay its distributors, contractors, suppliers, trade creditors, employees, lessors, lenders, tax authorities, and other creditors, promptly as the debts and obligations to such persons become due. Failure to do so shall constitute a breach of this Agreement.

8.24 **Notice of Legal Actions** Franchisee shall immediately notify Franchisor in writing within a minimum of two (2) days of the commencement of any suit to foreclose any lien or mortgage, or any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, including health agencies, which (i) relates to the operation of the Franchised Store, (ii) may adversely affect the operation or financial condition of the Franchised Store, or (iii) may adversely affect Franchisee's financial condition.

8.25 **No Relocation** Franchisee shall not relocate the Franchised Store from the Approved Location without the prior written approval of Franchisor. If Franchisee desires to relocate the Franchised Store, the following terms and conditions shall apply:

8.25.1 Franchisee shall submit such materials and information as Franchisor may request for the evaluation of the requested plan of relocation, including the business rationale for such action, along with evidence of its prior attempts to improve the performance of the Franchised Store to be relocated, reasons why the proposed relocation premises is preferable and a comparison between the existing and relocation premises, and any preliminary document, proposal, plan, report, accounts and other information as Franchisor may require relating to the potential relocation premises, including such financial data as Franchisor may request.

8.25.2 Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval for relocation: (i) Franchisee not be in default under any provision of this Agreement, or any other agreement between Franchisee and Franchisor; (ii) the proposed substitute location meets Franchisor's then-current standards for Gong Cha Stores; (iii) the lease (if applicable) for the proposed substitute location must comply with Franchisor's then-current lease requirements for Gong Cha Stores (which may include the requirement that the lease contain certain terms and conditions, which may be different than, or in addition to, those terms Franchisor required as of the Effective Date with respect to the Approved Location), and Franchisee must obtain Franchisor's approval of the proposed lease; (iv) Franchisee must possess the financial resources to meet the costs associated with relocating; and (v) Franchisee enters into Franchisor's then-current form of Franchise Agreement (which shall replace this Agreement), provided that Franchisee shall not be required to pay an Initial Franchise Fee in an amount greater than fifty percent (50%) of the Initial Franchise Fee under this Agreement, and execute a general release in favor of Franchisor in the form prescribed by Franchisor.

8.25.3 Any relocation of the Franchised Store shall be at Franchisee's sole cost and expense.

8.25.4 Franchisor shall have the right to charge Franchisee for costs and expenses incurred by Franchisor in connection with any approved relocation, as well as relocation fee amounting to fifty percent (50%) of the Initial Franchise Fee under this Agreement, as described in Section 8.25.2.

8.25.5 If, through no fault of Franchisee, the Premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then Franchisee shall have forty-five (45) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the Premises, which approval shall not be unreasonably withheld.

8.25.6 Franchisee agrees that in the event of a relocation of the Franchised Store, Franchisee shall promptly remove from the first Franchised Store Premises, and discontinue using for any purposes, any and all signs, fixtures, furniture, posters, furnishings, equipment, menus, advertising materials, stationery supplies, forms and other articles which display any of the Proprietary Marks or any distinctive features or designs associated with Gong Cha Stores. Furthermore, Franchisee shall, at its expense, immediately make such modifications or alterations as may be necessary to distinguish the first Franchised Store so clearly from its former appearance and from other Gong Cha Stores and to prevent any possibility of confusion therewith by the public (including removal of all distinctive physical and structural features identifying Gong Cha Stores and removal of all distinctive signs and emblems). Franchisee shall, at its expense, make such specific additional changes as Franchisor may reasonably request for this purpose. If Franchisee fails to initiate immediately or complete such alterations within such period of time as Franchisor deems appropriate, Franchisee agrees that Franchisor or its designated agents may enter the Premises of the first Franchised Store and adjacent areas at any time to make such alterations, at Franchisee's sole risk and expense, without responsibility for any actual or consequential damages to the property of Franchisee or others, and without liability for trespass or other tort or criminal act. Franchisee expressly acknowledges that its failure to make such alterations will cause irreparable injury to Franchisor and consents to entry, at Franchisee's expense, of an ex-parte order by and court of competent jurisdiction authorizing Franchisor or its agents to take such action, if Franchisor seeks such an order. Compliance with the foregoing shall be a condition subsequent to Franchisor's approval of any relocation request by Franchisee, and in the event complete de-identification of the first Franchised Store Premises is not promptly and completely undertaken, Franchisor may then revoke its permission for relocation and declare a default under this Agreement.

8.26 **Franchisee Advisory Councils** If Franchisor should, during the term of this Agreement, form or require the formation of a franchisee advisory council or association (hereinafter "**Advisory Council**") or such successor council to serve as an advisory council to Franchisor with respect to advertising, marketing, and other matters relating to franchised Gong Cha Stores, Franchisee may be required to become a member of the Advisory Council. In such event, Franchisee shall pay to the Advisory Council all dues and assessments authorized by the Advisory Council and shall otherwise abide by the rules and regulations of the Advisory Council and shall at all times maintain its membership in the Advisory Council in good standing.

8.27 **Changes to the System** Franchisee acknowledges and agrees that from time to time hereafter Franchisor may change or modify the System licensed to Franchisee by Franchisor presently identified by the Proprietary Marks, as Franchisor deems appropriate, including to reflect the changing market and to meet new and changing consumer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Gong Cha Stores. Changes to the System may include the adoption and use of new, modified, or substituted products, services, programs, standards, policies and procedures, forms, trade dress, equipment and furnishings and new techniques and methodologies, and (as described in Section 9) additional or substitute trademarks, service marks and copyrighted materials. Changes to the System may further include abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination; and modifying or substituting entirely the building, Premises, equipment, furnishings, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operational attributes which Franchisee is required to observe hereunder. Franchisee shall, upon reasonable notice by Franchisor, accept, implement, use, and display in the operation of the Franchised Store any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at Franchisee's sole expense. Additionally, Franchisor reserves the right, in its sole discretion, to vary the System standards from store to store, as well as the services and assistance

that Franchisor may provide to some franchisees based upon the peculiarities of a particular site or circumstance, existing business practices, or other factors that Franchisor deems to be important to the operation of any Gong Cha Store or the System. Franchisee shall have no recourse against Franchisor on account of any variation to any franchisee and shall not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder. Except as provided herein, neither Franchisor nor its affiliates shall be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated hereby. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities including any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

8.28 **Modifications Proposed by Franchisee** Franchisee shall not implement any change to the System (including the use of any product or supplies not already approved by Franchisor) without Franchisor's prior written consent. Franchisee acknowledges and agrees that, with respect to any change, amendment, or improvement in the System or use of additional product or supplies for which Franchisee requests Franchisor's approval: (i) Franchisor and its affiliates shall have the right to incorporate the proposed change into the System and Franchisor and its affiliates shall thereupon obtain all right, title, and interest therein without compensation to Franchisee in accordance with Section 11.4; (ii) Franchisor shall not be obligated to approve or accept any request to implement change, and (iii) Franchisor may from time to time revoke its approval of a particular change or amendment to the System, and upon receipt of written notice of such revocation, Franchisee shall modify its activities in the manner described by Franchisor.

8.29 **Non-Disparagement** Franchisee shall not communicate or publish, directly or indirectly, any disparaging comments or information about Franchisor during the term of this Agreement or for two (2) years thereafter. This provision shall include communication or distribution of information through the Internet via any Electronic Media, as defined herein.

8.30 **Warranties**. Franchisee shall not, without Franchisor's prior written consent, make any representations to customers or give any warranties other than those contained in the Manuals or other instructions provided by Franchisor.

9. **PROPRIETARY MARKS**

9.1 **Ownership** Franchisor represents with respect to the Proprietary Marks that:

9.1.1 GCG has licensed the Proprietary Marks to Franchisor so that Franchisor may sublicense them to its franchisees. As further described in the Background section, the Proprietary Marks are owned by Franchisor's parent and predecessor GCG, and GCG, pursuant to an IP License Agreement it entered into with Franchisor, has granted to Franchisor the exclusive right to use, and license the right to use, the Proprietary Marks, in the United States.

9.1.2 Franchisee acknowledges that Franchisor has not made any representation or warranty to the effect that the Proprietary Marks which have not been registered with appropriate authorities shall be registered or are able to be registered therein, and the failure to obtain registrations of any of the Proprietary Marks shall not be deemed to be a breach of the terms of this Agreement. Moreover, Franchisee shall cooperate with Franchisor and its affiliates, including GCG, and their respective representatives, in the prosecution of any applications or registrations of any Proprietary Marks which have been filed with the appropriate authorities.

9.2 **License to Franchisee** Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement in connection with the operation of the Franchised Store, and any unauthorized use thereof shall constitute an infringement of rights of Franchisor and its affiliates.

Nothing in this Agreement shall be construed as authorizing or permitting their use at any other location or for any other purpose except as may be authorized in writing by Franchisor or its affiliates.

9.3 **Terms of Franchisee's Usage** With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees that:

9.3.1 It shall use only the Proprietary Marks designated by Franchisor and its affiliates, and to use them only in the manner authorized and permitted by Franchisor or its affiliates. Further, Franchisee shall not, during the term of this Agreement and for two (2) years thereafter, use any confusingly similar trademarks in connection with its franchise or any other business in which it has an interest;

9.3.2 It shall use the Proprietary Marks only for the operation of the business franchised hereunder and only at the location authorized hereunder, or in Franchisor-approved advertising for the business conducted at or from that location;

9.3.3 It shall operate and advertise the Franchised Store only under the name "Gong cha" and use the Proprietary Marks without prefix or suffix, unless otherwise authorized or required by Franchisor or its affiliates, shall not use the Proprietary Marks or any part thereof in combination or conjunction with any other marks, names, logos, symbols or devices, or engage in any co-branding or collaboration activities save with the prior written approval of Franchisor or its affiliates, and shall not attach any trade marks other than the Proprietary Marks to any Product or otherwise use any such trade marks in connection with the Franchised Store and associated business.

9.3.4 It shall not use the Proprietary Marks as part of its corporate or other legal name, or as part of any e-mail address, domain name, or other identification of Franchisee in any electronic medium. Franchisee may, as necessary to conduct the business of the Franchised Store and to obtain governmental licenses and permits for the Franchised Store, indicate that Franchisee shall be operating the Franchised Store under the trade name "Gong cha," provided that Franchisee shall also clearly identify itself as the owner and operator of the Franchised Store;

9.3.5 It shall identify itself as the owner of the Franchised Store (in the manner required by Franchisor) in conjunction with any use of the Proprietary Marks, including on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations on the Premises as Franchisor may designate in writing;

9.3.6 It shall not use the Proprietary Marks in such a way as to incur any obligation or indebtedness on behalf of Franchisor or its affiliates; and

9.3.7 It shall execute any documents and render all assistance deemed necessary by Franchisor or its affiliates to obtain protection, including registrations, for the Proprietary Marks or to maintain their continued validity and enforceability. At the request of Franchisor or its affiliates, Franchisee shall, as requested, assign, transfer or convey to Franchisor or its affiliates, in writing, all additional rights, if any, that may be acquired by Franchisee as a result of its use of the Proprietary Marks.

9.3.8 It shall not use the Proprietary Marks in any manner which would bring them into disrepute or otherwise prejudicial to the goodwill, reputation, image or prestige of Franchisor or its affiliates, the System, the Proprietary Marks and/or the demand for the Products provided under the Proprietary Marks.

9.3.9 It shall cease use of any of the Proprietary Marks if such use is, in the sole opinion of Franchisor, contrary to or does not comply with this Agreement or otherwise with Franchisor's or its affiliates' instructions, directions and guidelines, or is prejudicial to the goodwill, reputation, image or prestige of Franchisor or its affiliates, the System, the Proprietary Marks and/or the demand for the

Products provided under the Proprietary Marks.

9.4 **Franchisee Representations** Franchisee expressly understands, agrees, and represents that:

9.4.1 During the term of this Agreement, Franchisee shall not directly or indirectly contest the validity of, or take any other action that may affect the validity and enforceability of, Franchisor's or its affiliates' right to use and to license others to use, the Proprietary Marks, or which might or would diminish the distinctiveness or goodwill attached to the Proprietary Marks or reduce their commercial value;

9.4.2 Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks;

9.4.3 Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of Franchisor and its affiliates, including GCG, and, upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks;

9.4.4 The right and license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor and its affiliates thus have and retain the rights, among others and in accordance with their agreements with each other: (a) to use the Proprietary Marks in connection with selling the Products; (b) to grant other licenses for the Proprietary Marks; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing any rights therein to Franchisee;

9.4.5 Franchisor reserves the right to approve all signs, memos, stationery, business cards, advertising material forms and all other objects and supplies using the Proprietary Marks. All advertising, publicity, point of sale materials, signs, decorations, furnishings, equipment, or other materials employing the Proprietary Marks shall be in accordance with this Agreement and the Manuals, and Franchisee shall obtain Franchisor's approval prior to such use;

9.4.6 Franchisor and GCG shall have the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder at their sole discretion. If it becomes advisable at any time, in the discretion of Franchisor or GCG, to modify or discontinue use of any Proprietary Mark and/or to adopt or use one or more additional or substitute Proprietary Marks, then Franchisee shall be obligated to comply with any such instruction by Franchisor or GCG. In such event and at Franchisor's or GCG's direction, Franchisee shall adopt, use and display only such new or modified Proprietary Marks and shall promptly, and in any event within ninety (90) days, discontinue the use and display of outmoded or superseded Proprietary Marks, at Franchisee's expense. Franchisee waives any other claim arising from or relating to any Proprietary Mark change, modification or substitution. Neither Franchisor nor GCG will be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any proprietary mark addition, modification, substitution or discontinuation. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor or GCG for any of these expenses, losses or damages;

9.4.7 Upon the expiration, termination or non-renewal of this Agreement, Franchisee shall immediately cease using the Proprietary Marks, color combinations, designs, symbols or slogans; and Franchisor may cause Franchisee to execute such documents and take such action as may be necessary to evidence this fact. After the effective date of expiration, termination or non-renewal, Franchisee shall not represent or imply that Franchisee is associated with Franchisor or its affiliates. To this end, Franchisee irrevocably appoints Franchisor or its nominee to be Franchisee's attorney-in-fact to execute, on Franchisee's behalf, any document or perform any legal act necessary to protect the Proprietary Marks

from unauthorized use. Franchisee acknowledges and agrees that the unauthorized use of the Proprietary Marks will result in irreparable harm to Franchisor and its affiliates for which Franchisor or its affiliates may obtain injunctive relief, monetary damages, reasonable attorneys' fees and costs;

9.4.8 In order to develop and maintain high uniform standards of quality and service and to protect the reputation and goodwill of Franchisor and its affiliates, Franchisee agrees to do business and advertise using only the Proprietary Marks designated by Franchisor or GCG. Franchisee shall not do business or advertise using any other name. Franchisee is not authorized to and shall not use the word "Gong Cha" by itself, as a part of the legal name of any corporation, partnership, proprietorship or other business entity to which Franchisee is associated, or with a bank account, trade account or in any legal or financial connection;

9.4.9 In order to preserve the validity and integrity of the Proprietary Marks, and to assure that Franchisee is properly employing them in the operation of Franchisee's business, Franchisor and its respective agents shall have the right at all reasonable times to inspect and investigate Franchisee's business, financial books and records, and operations. Franchisee shall cooperate with and assist Franchisor's representative in such inspections;

9.4.10 Franchisee shall be required to affix the TM or [®] symbol (as directly or as otherwise applicable) upon all advertising, publicity, signs, decorations, furnishings, equipment or other printed or graphic material employing the words "Gong cha" or any other of the Proprietary Marks, whether presently existing or developed in the future;

9.4.11 Franchisee acknowledges that it does not have any right to deny the use of the Proprietary Marks to any other franchisees. In consideration therefore, Franchisee shall execute all documents and take such action as may be requested to allow Franchisor and its affiliates, or other franchisees to have full use of the Proprietary Marks;

9.4.12 If, during the term of this Agreement, there is a claim of prior use of any of the Proprietary Marks in the area in which Franchisee is doing business or in another area or areas, Franchisee shall so use any of the other Proprietary Marks in such a way and at Franchisor's and GCG's discretion in order to avoid a continuing conflict;

9.4.13 Franchisee shall immediately notify Franchisor of any apparent infringement of or challenge to Franchisee's use of the Proprietary Marks, or any claim, demand, or suit brought or threatened based upon or arising from the unauthorized use of, or any attempt by any other person, firm, or corporation to use, without authorization, or any infringement of or challenge to, any of the Proprietary Marks. Franchisee also agrees to immediately notify Franchisor of any other litigation instituted by any person, firm, corporation or governmental entity against Franchisor or its affiliates or Franchisee; and

9.4.14 Neither Franchisor nor its affiliates has an obligation to undertake the defense or prosecution of any litigation or administrative or registry proceeding concerning Franchisee that relates to any of the Proprietary Marks. Franchisor and GCG shall have sole and complete discretion in the conduct of any defense, prosecution or other action they choose to undertake with respect to any litigation or administrative or registry proceeding concerning Franchisee that relates to any of the Proprietary Marks.

9.4.15 Franchisee shall fully cooperate with, and provide all assistance deemed necessary by, Franchisor or GCG in any action, claim or proceedings brought or threatened in respect of the Proprietary Marks and not, without Franchisor's or GCG's prior written consent, make any admission in respect of or compromise or settle any such action claim or proceeding.

9.4.16 Franchisee shall not at any time during the term of this Agreement or for two (2) years thereafter commit any act that adversely affects the Gong Cha Stores or the Proprietary Marks, including generating any negative publicity.

9.5 **No Assistance.** Where the provisions of this Section 9 require Franchisee not to carry out any act, Franchisee shall not assist any other person directly or indirectly in any such act.

10. **MANUALS**

10.1 **The Manuals and Furnishings to Franchisee** In order to protect the reputation and goodwill of Franchisor and its affiliates, and to maintain high standards of operation under the System, Franchisee shall operate the Franchised Store in accordance with the mandatory standards, specifications, methods, policies, and procedures specified in the Manuals, which Franchisee shall receive on loan from Franchisor, in a manner chosen by Franchisor, via electronic access, hard copy volumes, computer disks, videotapes, or otherwise, including such amendments thereto, as Franchisor may publish from time to time, upon completion by Franchisee of initial training. Franchisee expressly acknowledges and agrees that Franchisor may provide a portion or all (including updates and amendments) of the Manuals, and other instructional information and materials in, or via, electronic media, including the use of the Internet.

10.2 **The Manuals are Proprietary and Confidential** Franchisee shall treat the Manuals, any other materials created for or approved for use in the operation of the Franchised Store, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information (both in electronic and other formats) as proprietary and confidential. Franchisee shall not download, copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person, except as authorized in advance by Franchisor.

10.3 **The Manuals Remain Property of Franchisor and Its Affiliates** The Manuals shall remain the sole property of Franchisor and its affiliates, including GCG, and shall be accessible only from a secure place on the Premises, and shall be returned to Franchisor, as set forth in Section 17.8, upon the termination or expiration of this Agreement.

10.4 **Revisions to the Manuals** Franchisor or its affiliates may from time to time revise the contents of the Manuals to improve or maintain the standards of the System and the efficient operation thereof, or to protect or maintain the goodwill associated with the Proprietary Marks or to meet competition, and Franchisee expressly agrees to comply with each new or changed mandatory standard. Franchisee shall ensure that the Manuals are kept current at all times. In the event of any dispute as to the contents of the Manuals, the terms of the master copies maintained at the home office of Franchisor shall be controlling. Franchisee acknowledges and agrees that the Manuals are subject to periodic revision and re-issue, including in relation to brand and in-store operating standards, and that its obligations under this Agreement in respect of the Manuals relate to the latest version of the Manuals or other documents provided to it by or on behalf of Franchisor from time to time.

10.5 **Part of Agreement.** From the date of the opening of the Franchised Store, the mandatory specifications, standards, and operating procedures prescribed by Franchisor and communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth herein. All references herein to this Agreement shall include the provisions of the Manuals and all such mandatory specifications standards and operating procedures. To the extent of any inconsistency between any provision of the Manuals and any provision of this Agreement, the provision of this Agreement will prevail.

11. **CONFIDENTIAL INFORMATION**

11.1 **Agreement with respect to Confidentiality** Franchisee acknowledges and agrees that it shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person or entity, or commit any act that adversely affects, any confidential information (as defined below). Franchisee shall treat confidential information as confidential at all times and use all reasonable efforts to keep confidential information confidential. Franchisee shall divulge confidential information only to such of its employees as must have access to it in order to operate the Franchised Store. The term

“**confidential information**” shall mean any and all information, knowledge, know-how, methods, and techniques that may be communicated to Franchisee by Franchisor or its affiliates or of which Franchisee may be apprised by virtue of Franchisee’s operation under the terms of this Agreement concerning Franchisor or its affiliates, including GCG, other Gong cha® stores or franchisees, or the System, the Products and/or the marketing, management or operations of the Franchised Store (regardless of whether or not Franchisor has specifically designated it as “confidential”), except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor or its affiliates to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others who are lawfully entitled to publish or communicate that information.

11.2 **Individual Covenants of Confidentiality** Franchisee shall require its manager(s) and any personnel having access to any confidential information of Franchisor or its affiliates to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Franchised Store. Such covenants shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them, the current form of which is attached as Exhibit E. If Franchisee has any reason to believe that any such personnel has violated the provisions of such covenants, Franchisee shall promptly notify Franchisor and shall cooperate with Franchisor and its affiliates to protect them against unlawful use of such confidential information including the prosecution of any legal proceedings.

11.3 **Remedies for Breach** Franchisee acknowledges that any failure to comply with the requirements of this Section 11 will cause Franchisor and its affiliates irreparable injury, and Franchisee agrees that Franchisor and its affiliates, as applicable, may seek specific performance and/or injunctive relief to enforce this Section 11, in addition to any other relief or remedy to which Franchisor and its affiliates may be entitled, and Franchisee agrees to pay all court costs and reasonable attorney’s fees incurred by Franchisor and its affiliates, as applicable, in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

11.4 **Improvements** Franchisee shall fully and promptly disclose to Franchisor all ideas, concepts, products, recipes, process methods, techniques, improvements, additions relating to the development and/or operation of Gong Cha Stores or the System, or any new trade names, service marks or other commercial symbols, or associated logos relating to the operation of Gong Cha Stores or the System, or any advertising or promotion ideas related to the Gong Cha Stores or the System (collectively, the “**Improvements**”) that Franchisee, its affiliates, owners, employees or agents conceive or develop during the term of this Agreement. All Improvements shall be Franchisor’s or GCG’s property, as Franchisor directs. Franchisee shall, and shall procure that its affiliates, owners, employees or agents shall, sign all documents necessary to evidence the assignment of the Improvements to Franchisor or GCG, as Franchisor directs, without any additional compensation. Franchisee acknowledges and agrees that Franchisor or GCA, as applicable, has the perpetual right to use and authorize others to use the Improvements without any obligation to Franchisee, its affiliates or subfranchisees/licensees, or their respective owners, employees of agents, for royalties or other fees.

11.5 **Trade Secrets**. Franchisee understands and agrees that it will come into possession of certain trade secrets of Franchisor and its affiliates, including GCG, concerning the manner in which Franchisor and its affiliates conduct business, including: recipes and formulas; methods of doing business or business processes; strategic business plans; customer lists and information; marketing and promotional campaigns; and any materials clearly marked or labelled as trade secrets. These trade secrets also are confidential information under this Section 11. Franchisee agrees that the forgoing information, which may or may not be considered “trade secrets” under prevailing judicial interpretations or statutes, is secret, valuable, and constitutes trade secrets belonging to Franchisor and its affiliates. Franchisee agrees that Franchisor and its affiliates, as applicable, derive independent economic value from the foregoing information not being generally known to, and not being readily ascertainable through proper means by another person. Franchisee agrees to take reasonable measures, as may be described further in the Manuals

or otherwise in writing, to keep such information secret. Upon expiration or termination of this Agreement, Franchisee will not use, sell, teach, train, or disseminate in any manner to any other person, firm, corporation, or association any trade secret pertaining to Franchisor's or its affiliates' businesses and/or the manner in which their businesses are conducted.

12. **ACCOUNTING AND RECORDS**

12.1 **Books and Records** With respect to the operation and financial condition of the Franchised Store, Franchisor may require that Franchisee adopt, until otherwise specified by Franchisor, a fiscal year that coincides with Franchisor's then-current fiscal year, as specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall maintain for a period of not less than seven (7) years during the term of this Agreement, and, for not less than seven (7) years following the termination, expiration, or non-renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing, including: (i) daily transaction reports; (ii) cash receipts journal and general ledger; (iii) cash disbursements and weekly payroll journal and schedule; (iv) monthly bank statements, deposit slips and cancelled checks; (v) all tax returns; (vi) suppliers' invoices (paid and unpaid); (vii) dated daily and weekly transaction journal; (viii) semi-annual fiscal period balance sheets and fiscal period profit and loss statements; and (ix) such other records as Franchisor may from time to time request.

12.2 **Franchisee's Reports to Franchisor** In addition to the Sales Reports required pursuant to Section 4.3, Franchisee shall supply to Franchisor the following information:

12.2.1 Subject to applicable laws, the following financial reporting:

- c) sales by day and by store for the previous week before each Tuesday;
- d) by the tenth (10th) of each month, a sales report for the previous month that shall include date of reporting, data period, total store number, average daily sales for single store, average cups sold by single store, average unit price, sales share of each item, sales by channel (sit-in, take away, delivery) and any other information that Franchisor may reasonably require;
- e) as soon as they are available, but in any event within ninety (90) days after the end of each of its financial years: (i) annual store-level profit and loss statements in spreadsheet form for each Franchised Store including all information set out at Exhibit I (Form of Profit and Loss Statement for a Gong Cha Store); (ii) its audited consolidated financial statements for that financial year; and (iii) projections for the next financial year of (1) its indebtedness with debt to equity ratio and (2) capital expenditures in respect of each Franchised Store; and
- f) as soon as they are available, but in any event within forty-five (45) days of the end of each calendar quarter, its unaudited financial statements for that quarter; and

12.2.2 The following non-financial reporting: all non-financial environment, social and governance (ESG) reporting from all Franchised Stores as reasonably requested by Franchisor, including in relation to sustainability, diversity and inclusion, data privacy and modern slavery; and

12.2.3 The following product inventory transparency and sales information in respect of each Gong Cha Store for the previous month, by the tenth (10th) of each month:

- a) product and supplies inventory levels;
- b) product sales quantity and mix;
- c) online sales mix as compared to in-store sales (if applicable);
- d) cost of sales per item;
- e) the stock keeping units, bill of materials, volume and cost of supplies purchased from all suppliers (including Franchisor and its affiliates); and
- f) any other reasonably requested information.

12.2.4 Franchisee shall prepare financial statements on an accrual basis in accordance with U.S. generally accepted accounting principles (“GAAP”), including all adjustments necessary for fair presentation of the financial statements. Franchisee shall certify such financial statements to be true and correct. Additionally, Franchisor reserves the right to require that such statements be prepared on a review basis by an independent certified public accountant. Franchisee shall provide such additional information, if any, as Franchisor may reasonably require in order for Franchisor to meet its obligations under GAAP.

12.2.5 Franchisee shall maintain its books and records, and provide all statements and reports to Franchisor, using the standard statements, templates, categories, and chart of accounts that Franchisor provides to Franchisee.

12.2.6 Submit to Franchisor such other periodic reports, forms and records as specified, and in the manner and at the time as specified in the Manuals or as Franchisor shall otherwise require in writing from time to time (including the requirement that Franchisee provide or make available to Franchisor certain sales and financial information in electronic format and/or by electronic means).

12.3 **Inspection and Audit** Franchisor and its respective agents shall have the right at all reasonable times to examine and copy, at the expense of Franchisor, the books, records, accounts, and/or business tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. Franchisee shall cooperate with the auditor(s) and provide information and assistance upon the auditor(s)’ request. If an inspection should reveal that any contributions or payments have been understated in any statement or report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid at the rate of one and one-half percent (1 ½%) per month, or the highest interest rate allowed by state law. If an inspection discloses an understatement in any statement or report of three percent (3%) or more, Franchisee shall, in addition to repayment of monies owed with interest, reimburse Franchisor for any and all costs and expenses connected with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

13. **MARKETING AND PROMOTION**

13.1 **Franchisee’s Advertising Obligations** Recognizing the value of marketing and promotion, and the importance of the standardization of marketing and promotion programs to the furtherance of the goodwill and public image of the System, Franchisee and Franchisor agree as follows:

13.1.1 Franchisor reserves the right to require that Franchisee, during each Week (except for expenditures on local advertising and promotion, which shall be measured on a monthly basis or some other basis we designate), spend and/or contribute on advertising and promotion amounts, which, in the aggregate, are equal to an amount up to three percent (3%) of Franchisee’s Net Sales during the

preceding Week to advertise and to promote the Franchised Store (together, the “**Advertising Obligation**”); provided, however, that the Advertising Obligations may exceed such amount under the circumstances set forth in Section 13.1.4. The Advertising Obligation shall be in the form of the following, and in such proportions as may be designated by Franchisor in writing from time to time:

- a) contributions paid to the Brand Marketing Fund, pursuant to Section 13.2,
- b) contributions paid to any Cooperative Ad Fund, as may be established pursuant to Section 13.3, and/or
- c) expenditures by Franchisee on “local advertising and promotion” pursuant to Section 13.4.

13.1.2 As of the Effective Date and until Franchisee receives written notice from Franchisor of new allocations, the allocation of the Advertising Obligations shall be as follows: one percent (1%) of Net Sales shall be contributed by Franchisee to the Brand Marketing Fund (“**Brand Marketing Fees**”), and one percent (1%) of Net Sales shall be spent by Franchisee on local advertising and promotion, which amount will be used to satisfy the Cooperative Ad Fund, if and when one is instituted in Franchisee's trading area. The Cooperative Ad Fund contribution (“**Regional Marketing Fees**”) will not exceed two percent (2%) of Franchisee's Net Sales, unless the members of such Cooperative Ad Fund vote to exceed the maximum amount. Any Regional Marketing Fees paid by Franchisee will be credited against Franchisee's local advertising expenditure requirement.

13.1.3 The Advertising Obligation is the minimum requirement only, and Franchisee may, and is encouraged to, expend additional funds for marketing and promotion. In addition to the Advertising Obligation, Franchisee shall undertake and complete the Grand Opening Advertising Program, as provided in Section 13.5.

13.1.4 Notwithstanding the above, upon ninety (90) days' prior written notice to Franchisee, Franchisor shall have the right to increase the Brand Marketing Fee Franchisee must pay to Franchisor to up to two percent (2%) of Net Sales. This means that Franchisee's aggregate Advertising Obligations could be up to four percent (4%) of Net Sales. In addition, Franchisee's aggregate Advertising Obligations may exceed three percent (3%) or four percent (4%) of Franchisee's Net Sales, whichever is applicable at the time, if the members of a Cooperative Ad Fund, of which Franchisee is a member, approve (as described in Section 13.3.3) Regional Marketing Fees that, when aggregated with Franchisee's other requirements under this Section 13, would cause Franchisee's aggregate Advertising Obligation to exceed three percent (3%) or four percent (4%) of Franchisee's Net Sales, as applicable.

13.2 **Brand Marketing Fund** As of the Effective Date of this Agreement, Franchisor has established a fund for system-wide advertising and promotion of the System (the “**Brand Marketing Fund**”). During the existence of the Brand Marketing Fund, Franchisee shall contribute to the Brand Marketing Fund in the manner specified in Section 4.5, such amounts as Franchisor may specify in accordance with Sections 13.1 and 13.4. Other of Franchisor's unit franchisees in the United States also will pay brand marketing fees to Franchisor that Franchisor will contribute to the Brand Marketing Fund. In addition, some of Franchisor's master franchisees in the United States may pay brand marketing fees to Franchisor that Franchisor will contribute to the Brand Marketing Fund. While Franchisor and its affiliates are not obligated to contribute to the Brand Marketing Fund, some Gong cha® stores operated by Franchisor's affiliates may still do so. The Brand Marketing Fund shall be maintained and administered by Franchisor as follows:

13.2.1 The Brand Marketing Fund is not a trust or escrow account, Franchisor has no fiduciary obligation to Franchisee or any other unit, master, or multi-unit franchisee with respect to the Brand Marketing Fund, and Franchisor is not required to segregate the Brand Marketing Fees and other funds it receives into a separate restricted account.

13.2.2 Franchisor has the right to determine the expenditures of the amounts collected and the methods of marketing, advertising, media employed and contents, terms and conditions of marketing campaigns and promotional programs. Franchisor is not required to spend a prorated amount on any advertising market, including Franchisee's market. Franchisor has the right to make disbursements from the Brand Marketing Fund for expenses incurred in connection with the cost of formulating, developing and implementing marketing, advertising and promotional campaigns and materials, and any other activities Franchisor, in its sole and absolute discretion, believe are appropriate to enhance, promote and protect the Gong cha® brand and System. These disbursements may include payments to Franchisor for the expense of administering the Brand Marketing Fund, including accounting expenses and salaries and benefits paid to Franchisor and its affiliates' employees engaged in advertising functions, payments to Franchisor or designated website programmers for expenses relating to the maintenance of websites, and payments to Franchisor or its affiliates or designees for market research, surveys and testing and for quality control and evaluation programs.

13.2.3 Franchisor has the right to spend in any fiscal year an amount greater or less than the aggregate contributions to the Brand Marketing Fund in that year and Franchisor or its affiliates have the right to make loans to the Brand Marketing Fund bearing interest to cover any deficits of the Brand Marketing Fund and cause the Brand Marketing Fund to invest any surplus for future use by the Brand Marketing Fund. If Franchisor or its affiliates make a loan to the Brand Marketing Fund, Franchisor may use any subsequent contributions to the Brand Marketing Fund to pay back the loan and any interest.

13.2.4 Franchisor, upon request, shall provide Franchisee with an annual unaudited statement of the Brand Marketing Fund for the most recent fiscal year.

13.2.5 Franchisor reserves the right at any time, in its sole discretion, to modify or discontinue the Brand Marketing Fund upon written notice to Franchisee, however, Franchisor will not discontinue it until all of the monies in the Brand Marketing Fund have been expended.

13.2.6 Franchisor may, but is not required to, make available to Franchisee from time to time, through Franchisor, marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, and similar marketing and promotional materials produced from contributions to the Brand Marketing Fund. Franchisee acknowledges and agrees that it shall be reasonable for Franchisor to not provide any such materials to Franchisee during any period in which Franchisee is not in full compliance with its obligations to contribute to the Brand Marketing Fund. Additionally, if monies of the Brand Marketing Fund are used to produce point-of-sale materials, or other samples or other promotional materials and items, Franchisor may, on the behalf of the Brand Marketing Fund, sell such items to franchisees in the System at a reasonable price, and any proceeds from the sale of such items or materials shall be contributed to the Brand Marketing Fund.

13.3 **Cooperative Ad Fund** Franchisor shall have the right to designate any geographical area for purposes of establishing a regional or local market advertising fund ("**Cooperative Ad Fund**"). If a Cooperative Ad Fund is established for the geographic area in which the Franchised Store is located, Franchisee shall become a member of such Cooperative Ad Fund within thirty (30) days after the date on which the Cooperative Ad Fund commences operation, or at the time Franchisee commences operation hereunder. In no event shall Franchisee be required to be a member of more than one (1) Cooperative Ad Fund. The following provisions shall apply to each such Cooperative Ad Fund:

13.3.1 Each Cooperative Ad Fund shall be organized and governed in a form and manner, and shall commence operations on a date, approved in advance by Franchisor in writing. Unless otherwise specified by Franchisor, the activities carried on by each Cooperative Ad Fund shall be decided by a majority vote of its members. Any Gong Cha Store that Franchisor or one of its affiliate operates in the region shall have the same voting rights as those owned by its franchisees. Each Gong Cha Store franchisee shall be entitled to cast one (1) vote for each Gong Cha Store it operates that belongs to the

Cooperative Ad Fund. Any disputes arising among any members of the Cooperative Ad Fund shall be resolved in accordance with the rules and procedures set forth in the Cooperative Ad Fund's governing documents.

13.3.2 Each Cooperative Ad Fund shall be organized for the exclusive purpose of administering regional or local advertising programs and developing, subject to Franchisor's approval, standardized promotional materials for use by the members in local advertising and promotion.

13.3.3 Franchisee shall contribute to the Cooperative Ad Fund in such amounts as Franchisor may specify pursuant to Section 13.1, unless the members of the Cooperative Ad Fund, by a majority vote conducted in accordance with the rules, bylaws, or other governing documents of the Cooperative Ad Fund, agree to increase the Cooperative Ad Fund contribution to a rate in excess of the amount required by Franchisor.

13.3.4 Franchisee shall submit its required contributions to the Cooperative Ad Fund at the time required by Franchisor, together with such statements or reports as may be required by Franchisor or by the Cooperative Ad Fund with Franchisor's prior written approval. If so requested by Franchisor in writing, Franchisee shall submit its payments and reports to the Cooperative Ad Fund directly to Franchisor for distribution to the Cooperative Ad Fund.

13.3.5 Franchisor maintains the right to terminate any Cooperative Ad Fund. A Cooperative Ad Fund shall not be terminated, however, until either: (a) all monies in that Cooperative Ad Fund have been expended for advertising and/or promotional purposes; or (b) Franchisor has transferred the unexpended monies to the Brand Marketing Fund in the event there are no longer any Gong Cha Stores operating within the geographic area covered by such Cooperative Ad Fund.

13.4 **Local Advertising** Franchisee shall comply with the following with respect to "local advertising and promotion" for the Franchised Store:

13.4.1 Franchisee shall spend on a monthly basis (or some other basis Franchisor designates) an annual basis such amounts as Franchisor may specify in accordance with Section 13.1. Franchisee shall account for such expenditures on a routine basis and shall prepare, in accordance with the schedule and procedures specified by Franchisor from time to time, detailed reports describing the amount of money expended on local advertising and promotion during such previous period. Franchisee shall maintain all such statements, reports and records, and shall submit same to Franchisor as Franchisor may specify in the Manuals or otherwise request of Franchisee. Additionally, at the request of Franchisor, Franchisee shall submit bills, statements, invoices, or other documentation satisfactory to Franchisor to evidence Franchisee's advertising or marketing activities.

13.4.2 As used in this Agreement, the term "**local advertising and promotion**" shall refer to advertising and promotion related directly to the Franchised Store, and shall, unless otherwise specified, consist only of the direct costs of purchasing advertising materials (including camera-ready advertising and point of sale materials), media (space or time), promotion, direct out- of-pocket expenses related to costs of advertising and sales promotion (including advertising agency fees and expenses, cash and "in-kind" promotional payments to landlords, postage, shipping, telephone, and photocopying), and such other activities and expenses as Franchisor, in its sole discretion, may specify. Franchisor may provide to Franchisee, in the Manuals or otherwise in writing, information specifying the types of advertising and promotional activities and costs which shall not qualify as "local advertising and promotion," including the value of advertising coupons, and the costs of products provided for free or at a reduced charge for charities or other donations.

13.4.3 Upon written notice to Franchisee, Franchisor may require Franchisee to participate in mandatory promotions as Franchisor may develop and implement from time to time.

13.5 **Grand Opening Advertising** In addition to the Advertising Obligation, Franchisee shall expend a minimum of Two Thousand Fifty Dollars (\$2,050) for grand opening advertising and promotional programs in conjunction with the Franchised Store's initial grand opening, pursuant to a grand opening marketing plan developed by Franchisor or developed by Franchisee and approved in writing by Franchisor (the "**Grand Opening Advertising Program**"). The Grand Opening Advertising Program shall be executed and completed within ninety (90) days after the Franchised Store commences operation. Franchisee shall submit to Franchisor, for Franchisor's prior written approval, a marketing plan and samples of all advertising and promotional material not prepared or previously approved by Franchisor. For the purpose of this Agreement, the Grand Opening Advertising Program shall be considered local advertising and promotion, as provided under Section 13.4. Franchisor reserves the right to require Franchisee to deposit with Franchisor before the Franchise Store commences operation the funds required under this Section 13.5 to distribute as may be necessary to conduct the Grand Opening Advertising Program.

13.6 **Standards for Advertising**

13.6.1 All advertising, marketing and promotion to be used by Franchisee, the Brand Marketing Fund or any Cooperative Ad Fund shall be in such media and of such type and format as Franchisor may approve, shall be conducted in a dignified manner, and shall conform to such standards and requirements as Franchisor may specify. Franchisee shall not use any marketing or promotional plans or materials that are not provided by Franchisor unless and until Franchisee has submitted the materials to Franchisor, pursuant to the procedures and terms set forth in Section 13.7.

13.6.2 Franchisee shall not make any advertisements or representations, whether oral or written, which may (i) confuse, mislead, or deceive the public or (ii) be detrimental to the good name, trademarks, goodwill, image, prestige or reputation of Franchisor, System, Proprietary Marks or Products or (iii) contravene any applicable federal, state or local laws and/or regulations.

13.7 **Franchisor's Approval of Proposed Plans and Materials** If Franchisee desires to use marketing and promotional plans and materials that have not been provided or previously approved by Franchisor, Franchisee shall submit samples of all such marketing and promotional plans and materials to Franchisor (as provided in Section 22.1) for prior approval (including prices to be charged). If written notice of approval is not received by Franchisee from Franchisor within five (5) Business Days of the date of receipt by Franchisor of such samples or materials, Franchisor shall be deemed to have not approved them.

13.8 **Directory Listings** Franchisee shall, at its expense and in addition to its expenditures for local advertising and promotion, obtain listings in the white and yellow pages of local telephone directories. Franchisee shall comply with Franchisor's specifications concerning such listings, including the form and size of such listings, and the number of directories in which such listings shall be placed. Additionally, Franchisee shall be required to obtain listings in and/or advertise with Franchisor and other franchisees in the System, on electronic yellow page directories and other on-line directories as Franchisor may designate. Franchisor reserves the right to place such, and subsequently modify or remove, on-line listings and advertisements on behalf of Franchisee. For any listings or advertisements posted by or on behalf of Franchisee, Franchisee shall promptly pay, upon demand by Franchisor, its pro-rata share of the costs. Additionally, these activities may be carried out through the use of the Brand Marketing Fund.

13.9 **Ownership of Advertising Plans and Materials** Franchisee acknowledges and agrees that any and all copyrights in and to advertising and promotional materials developed by or on behalf of Franchisee which bear the Proprietary Marks shall be the sole property of Franchisor and its affiliates, including GCG, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor or its affiliates to give effect to this provision. Any advertising, marketing, promotional, public relations, or sales concepts, plans, programs, activities, or materials proposed or developed by Franchisee for the Franchised Store or the System and approved by Franchisor may be used by Franchisor and its affiliates and other

operators under the System without any compensation to Franchisee.

13.10 **Franchisor Initiated Campaigns.** Franchisor may, in its sole discretion, initiate new marketing campaigns in relation to Gong Cha Stores and the System. Franchisee shall take all action necessary to accommodate such initiatives, including by participation in such initiatives as require participation within thirty (30) days of notice from Franchisor.

14. **INSURANCE**

14.1 **Insurance** Franchisee shall procure at its expense and maintain in full force and effect during the term of this Agreement, an insurance policy or policies protecting Franchisee, Franchisor and its affiliates, and each of their respective officers, directors, partners and employees against any loss, liability, personal injury, death, or property damage or expense whatsoever arising or occurring upon or in connection with Franchisee's operations and the Franchised Store, as Franchisor may reasonably require the protection of Franchisee and Franchisor and its affiliates. Franchisor and its affiliates shall be named as additional insureds in such policy or policies.

14.2 **Coverages** Such policy or policies shall be written by an insurance company satisfactory to Franchisor in accordance with the terms, standards and specifications set forth in the Manuals or otherwise in writing; provided, however, that Franchisor shall have the right to designate from time to time, one or more insurance companies as the insurance carrier(s) for Gong Cha Stores, and if required by Franchisor, Franchisee shall obtain its insurance coverage from the designated insurance company (or companies). The policy or policies shall include, at a minimum (except different coverages, umbrella coverages, and policy limits as may reasonably be specified for all Franchisees from time to time by Franchisor in the Manuals or otherwise in writing) the following:

14.2.1 Builder's risk insurance that satisfies the standards and specifications set forth by Franchisor in the Manuals or otherwise in writing to cover any period(s) of renovation or construction at the Franchised Store.

14.2.2 All risk coverage insurance on (i) all personal property covering the Franchised Store and Premises and contents thereof, including all supplies, inventory, fixtures, and equipment, containing a replacement value endorsement in an amount equal to the full replacement value thereof; (ii) business interruption in an amount no less than One Million Dollars (\$1,000,000) per occurrence; and (iii) data privacy and cyber insurance in an amount no less than Five Million Dollars (\$5,000,000) per occurrence.

14.2.3 Worker's compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state in which the Franchised Store is located and operated. If Franchisee is permitted to and elects not to have worker's compensation insurance for its owners and officers, Franchisee shall maintain coverages for these individuals at all times for work-related injuries.

14.2.4 Comprehensive general liability insurance with limits of at least One Million Dollars (\$1,000,000) per occurrence, and Two Million Dollars (\$2,000,000) general aggregate, and product liability insurance with limits of at least Five Million Dollars (\$5,000,000) general aggregate including the following coverages: personal injury (employee and contractual inclusion deleted); products/completed operation; assault and battery; terrorism; and tenant's legal liability. All such coverages insuring Franchisor and Franchisee against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or on or about or otherwise relating to the Franchised Store. The required coverage amounts herein may be modified from time to time by Franchisor to reflect inflation or future experience with claims.

14.2.5 Automobile liability insurance, and property damage liability, including owned, non-owned, and hired vehicle coverage, with at least One Million Dollars (\$1,000,000) combined single limit, and Three Million Dollars (\$3,000,000) general aggregate limit.

14.2.6 Excess liability coverage over general liability, automobile liability, and employer's liability, with at least Four Million Dollars (\$4,000,000) per occurrence.

14.2.7 Such insurance and types of coverage as may be required by the terms of any lease for the Premises, or as may be required from time to time by Franchisor.

14.2.8 The insurance shall cover the acts or omissions of each and every one of the persons who perform services of whatever nature at the Franchised Store, and shall protect against all acts of any persons who patronize the Franchised Store and shall contain a waiver of subrogation against Franchisor. Franchisee shall immediately notify Franchisor, in writing, of any accidents, injury, occurrence or claim that might give rise to a liability or claim against Franchisor or which could materially affect Franchisee's business, and such notice shall be provided no later than the date upon which Franchisee notifies its insurance carrier.

14.3 **Certificates of Insurance** The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by Franchisor. Prior to commencing any renovations or construction at the Franchised Store, Franchisee shall provide Franchisor with a Certificate of Insurance for the builder's risk insurance required under Section 14.2.1. At least thirty (30) days prior to the opening of the Franchised Store, and thereafter on an annual basis, Franchisee shall provide Franchisor with a Certificate of Insurance, endorsement or such other proof in the form Franchisor requires showing compliance with the foregoing requirements (except with respect to the builder's risk insurance, which shall have already been in effect pursuant to Section 14.2.1). Such certificate and policy shall state that said policy or policies will not be cancelled or altered without at least thirty (30) days prior written notice to Franchisor and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by Franchisee of the obligations under this Section 14 shall not relieve Franchisee of liability under the indemnity provision set forth in this Agreement. Franchisee acknowledges that minimum limits as required above may be modified by Franchisor in its sole discretion from time to time, by written notice to Franchisee. Franchisor does not represent or warrant that any insurance that Franchisee is required to procure and maintain will provide adequate coverage for Franchisee. The requirements of insurance specified in this Agreement are for the protection of Franchisor and its affiliates. Franchisee should consult with its own insurance agents, brokers, attorneys and other insurance advisors to determine the level of insurance protection it needs and desires, in addition to the coverage and limits required by Franchisor.

14.4 **Franchisor's Right to Procure Insurance for Franchisee** Should Franchisee, for any reason, not procure and maintain such insurance coverage as required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance coverage and to charge same to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

15. **TRANSFER AND SUBLICENSE OF INTEREST**

15.1 **Franchisor's Rights to Transfer** Franchisor shall have the right, without the need for Franchisee's consent, to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, provided that any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Upon any such transfer or assignment, Franchisor shall be under no further obligation hereunder, except for accrued liabilities, if any. If Franchisor transfers or assigns its rights in this Agreement, nothing herein shall be

deemed to require Franchisor to remain in the “Gong Cha Store” business or to offer or sell any products or services to Franchisee. In addition, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor and its affiliates may each sell their assets, the Proprietary Marks, Proprietary Products, or System, as applicable; may each sell their securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may each undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

15.2 **No Transfers Without Franchisor’s Approval** Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee or the Principals of Franchisee, if Franchisee is not an individual, and that Franchisor has granted this franchise in reliance on Franchisee’s or Franchisee’s Principals’ business skill, financial capacity, and personal character. Accordingly:

15.2.1 Franchisee shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber: (a) the rights and/or obligations of Franchisee under this Agreement; or (b) any material asset of Franchisee or the Franchised Store.

15.2.2 If Franchisee is a corporation or limited liability company, Franchisee shall not, without the prior written consent of Franchisor, issue or transfer any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become a Principal under this Agreement, if so approved by Franchisor.

15.2.3 If Franchisee is a partnership or limited partnership, the partners of the partnership shall not, without the prior written consent of Franchisor, admit additional limited or general partners, remove a limited or general partner, or otherwise materially alter the powers of any general partner. Each general partner shall automatically be deemed a Principal under this Agreement.

15.2.4 A Principal shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber any ownership interest of the Principal in Franchisee, as such is identified in Exhibit B.

15.3 **Conditions on Transfer** Franchisor shall not unreasonably withhold any consent required by Section 15.2. However, if the proposed transfer alone or together with other previous, simultaneous, or proposed transfers would: (a) have the effect of changing control of Franchisee; (b) result in the assignment of the rights and obligations of Franchisee under this Agreement; or (c) transfer the ownership interest in all or substantially all of the assets of the Franchised Store, Franchisor shall have the right to require any or all of the following as conditions of its approval:

15.3.1 All of Franchisee’s monetary obligations and all other outstanding obligations to Franchisor, its affiliates, and the approved suppliers of the System have been satisfied in full;

15.3.2 Franchisee shall not be in default under any provision of this Agreement, any other agreement between Franchisee and Franchisor or its affiliate, any approved supplier of the System, or the lessor (or sublessor) of the Premises;

15.3.3 Each transferor (and, if the transferor is other than an individual, the transferor and such owners of beneficial interest in the transferor as Franchisor may request) shall have executed a general release in a form satisfactory to Franchisor of any and all claims against Franchisor and its affiliates and their respective officers, directors, agents, and employees;

15.3.4 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Franchisee. Additionally, the transferee and/or such owners of the transferee

as Franchisor may request shall guarantee the performance of the transferee's obligations in writing in a form satisfactory to Franchisor;

15.3.5 The transferee shall demonstrate to Franchisor's satisfaction that the terms of the proposed transfer do not place an unreasonable financial or operational burden on the transferee, and that the transferee (or, if the transferee is other than an individual, such owners of beneficial interest in the transferee as Franchisor may request) meets Franchisor's then-current application qualifications (which may include educational, managerial, socially responsible and business standards, as well as good moral character, business reputation, and credit rating); has the aptitude and ability to operate the Franchised Store; absence of conflicting interests; and has adequate financial resources and capital to operate the Franchised Store;

15.3.6 At Franchisor's option, the transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) shall execute the form of franchise agreement then being offered to new System franchisees, and such other ancillary agreements required by Franchisor for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including higher and/or additional fees;

15.3.7 If so requested by Franchisor, the transferee, at its expense, shall upgrade the Franchised Store, and other equipment to conform to the then-current standards and specifications of new Gong Cha Stores then being established in the System, and shall complete the upgrading and other requirements within the time specified by Franchisor.

15.3.8 The transferor shall remain liable for all of the obligations to Franchisor in connection with the Franchised Store that arose prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

15.3.9 The transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) and the transferee's manager (if applicable) shall, at the transferee's expense, successfully attend and successfully complete any training programs then in effect for operators and managers upon such terms and conditions as Franchisor may reasonably require;

15.3.10 Franchisee shall pay a transfer fee in an amount equal to fifty percent (50%) of Franchisor's then-current initial franchise fee to compensate Franchisor for its expenses incurred in connection with the transfer.

15.3.11 The transferor(s), at the request of Franchisor, shall agree in writing to comply with the covenants set forth in Section 18.

15.4 **Additional Terms** For any transfer not covered by Section 15.3, each transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) shall, in addition to the requirement of obtaining Franchisor's consent as provided in Section 15.2, be subject to the requirements of Sections 15.3.3 and 15.3.4 (with respect to execution of releases and personal guarantees).

15.5 **Security Interests** Neither Franchisee nor any Principal shall grant a security interest in, or otherwise encumber, any of the assets or securities of Franchisee, including the Franchised Store unless Franchisee satisfies the requirements of Franchisor, which include execution of an agreement by the secured party in which it acknowledges the creditor's obligations under this Section 15, and agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure any default of Franchisee, and, in the event Franchisor exercises such option, any acceleration of indebtedness resulting from Franchisee's default shall be void.

15.6 **Right of First Refusal** If Franchisee or any Principal desires to accept any *bona fide* offer from a third party to purchase Franchisee, any material asset of Franchisee, or any direct or indirect interest in Franchisee, Franchisee or such Principal shall promptly notify Franchisor, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of the written transfer request and the required information and documentation related to the offer (including any information that Franchisor may reasonably request to supplement or clarify information provided to Franchisor with the written transfer request), to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party; provided, however, a spouse, domestic partner, parent or child of the seller shall not be considered a third party for purposes of this Section 15.6. If Franchisor elects to purchase the seller's interest, closing on such purchase shall occur within forty-five (45) days from the date of notice to the seller of the election to purchase by Franchisor, or, if longer, on the same timetable as contained in the *bona fide* offer.

15.6.1 Any material change thereafter in the terms of the offer from the third party or by Franchisee, or a change in the identity of the third party shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 15.6 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 15, with respect to a proposed transfer.

15.6.2 If the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, Franchisor shall designate an independent appraiser to make a binding determination. The cost of any such appraisal shall be shared equally by Franchisor and Franchisee. If Franchisor elects to exercise its right under this Section 15.6, Franchisor shall have the right to set off all amounts due from Franchisee, and one-half (½) of the cost of the appraisal, if any, against any payment to the seller.

15.7 **Death of a Principal** Upon the death of a Principal, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party acceptable to and approved by Franchisor within twelve (12) months after the death.

15.8 **Permanent Disability of Controlling Principal** Upon the permanent disability of any Principal with a controlling interest in Franchisee, Franchisor shall have the right to require such interest to be transferred to a third party in accordance with the conditions described in this Section 15 within six

(6) months after notice to Franchisee. "**Permanent Disability**" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months; and from which recovery within six (6) consecutive months from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 15.8 as of the date of refusal. Franchisor shall pay the cost of the required examination.

15.9 **Notice to Franchisor of Death or Permanent Disability** Upon the death or permanent disability of Franchisee or any Principal of Franchisee, such person or his or her representative shall promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as any *inter vivos* transfer.

15.10 **Limited Exceptions** Notwithstanding anything to the contrary in this Section 15:

15.10.1 Franchisee shall not be required to pay the transfer fee due under Section 15.3.10, if the transferee: (a) is a spouse, parent, or direct lineal descendant or sibling of Franchisee or of a Principal of Franchisee (or more than one of such persons), provided that the transferee has been involved in, and is knowledgeable regarding, the operations of the Franchised Store; (b) is a Principal of Franchisee; or (c) is a transferee under Sections 15.7 or 15.8.

15.10.2 If Franchisee is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 15.3.6 (signing a new franchise agreement), 15.3.7 (upgrading the Franchised Store), and 15.3.10 (transfer fee) shall not apply, and Franchisee may undertake such transfer, provided that: (a) Franchisee owns one hundred percent (100%) of the equity interest in the transferee entity; (b) Franchisee and any other Principal(s) personally guarantee, in a written guaranty satisfactory to Franchisor, the performance of the obligations of Franchisee under the Franchise Agreement; (c) Franchisee executes a Transfer of Franchise form as prescribed and approved by Franchisor; (d) such transferee entity is newly organized and its business purpose is confined exclusively to operating the Franchised Store under this Agreement; and (e) Franchisee and any other Principal(s) execute any and all other ancillary agreements as Franchisor may require.

15.11 **Securities Offerings** All materials required for any offering of securities or partnership interests in Franchisee by any applicable law shall be submitted to Franchisor by the offeror for review prior to filing with any government agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for review prior to their use. No offering shall imply, by use of the Proprietary Marks or otherwise, that Franchisor is participating in an underwriting, issuance, or offering of securities of either Franchisee or Franchisor; and review by Franchisor of any offering shall be limited solely to the subject of the relationship between Franchisee and Franchisor. At its option, Franchisor may require the offering materials to contain written statements or disclaimers prescribed by Franchisor including any limitations stated above in this Section 15.11. Franchisee and the other participants in the offering must fully indemnify Franchisor in connection with the offering. For each proposed offering, Franchisee shall reimburse Franchisor for its actual costs and expenses associated with reviewing the proposed offering materials, including legal and accounting fees. Franchisee shall give Franchisor written notice at least sixty (60) days prior to the date of commencement of any offering or other transaction covered by this Section 15.11. Any such offering shall be subject to prior written consent of Franchisor and right of first refusal as provided in Section 15.6.

15.12 **No Waiver** The consent of Franchisor to any transfer pursuant to this Section 15 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be a waiver of the right of Franchisor to demand exact compliance with any of the terms of this Agreement by any transferor or transferee.

15.13 **Bankruptcy** If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in any insolvency or bankruptcy proceeding under applicable laws, it is the parties' understanding and agreement that any transfer of the ownership of Franchisee, Franchisee's obligations and/or rights hereunder and/or any material assets of Franchisee, shall be subject to all the terms of this Section 15.

15.14 **No Transfers in Violation of Law** Notwithstanding anything to the contrary in this Agreement, no transfer shall be made if the transferee, any of its affiliates, or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

15.15 **No Sublicense** Franchisee shall not have the right to grant any subfranchise or sublicense in relation to the Franchised Store or subcontract, delegate or otherwise arrange for another person to

perform any part of the establishment, management and/or operation of the Franchised Store or any part thereof.

16. **DEFAULT AND TERMINATION**

16.1 **Termination for Insolvency** Franchisee shall be in default under this Agreement, and Franchisor shall be entitled to terminate this Agreement with immediate effect on written notice to Franchisee (in the manner provided under Section 16 hereof), if Franchisee's financial position deteriorates so far as to reasonably justify the opinion that its ability to give effect to the terms of this Agreement is in jeopardy or if (where such termination is permitted by law) Franchisee becomes insolvent, makes an assignment on behalf of its creditors, has a receiver or administrator of its undertaking or the whole or a substantial part of its assets appointed, or an order is made, or an effective resolution is passed, for its administration, receivership, liquidation, winding-up or other similar process, or has any distress, execution or other process levied or enforced against the whole or a substantial part of its assets (which is not discharged, paid out, withdrawn or removed within twenty-eight (28) days), consents to an involuntary petition pursuant to any bankruptcy, reorganization or insolvency law of any jurisdiction or country, or is subject to any proceedings which are equivalent or substantially similar or preparatory to any of the foregoing under any applicable jurisdiction, or ceases to trade or threatens to do so (each, an "**Insolvency Event**").

16.2 **Termination Upon Notice** Franchisee shall be deemed to be in default and Franchisor may, in its sole and absolute discretion, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately by giving written notice to Franchisee (in the manner provided under Section 16 hereof), upon the occurrence of any of the following events:

16.2.1 If Franchisee fails to complete all pre-opening obligations and to open the Franchised Store within the time limits as provided in Section 5.5;

16.2.2 If Franchisee or any of its Principals is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the Products, the goodwill associated therewith, or the interest of Franchisor therein;

16.2.3 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Store;

16.2.4 If Franchisee's action or inaction, at any time, results in the loss of the right to possession of the Premises, or forfeiture of the right to do or transact business in the jurisdiction where the Franchised Store is located;

16.2.5 If Franchisee or any Principal purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 15 hereof;

16.2.6 If Franchisee knowingly or negligently maintains false books or records, or knowingly or negligently submits any false statements or reports to Franchisor or its affiliate;

16.2.7 If, contrary to the terms of Sections 9 or 10 hereof, Franchisee discloses or divulges the contents of the Manuals or other confidential information provided to Franchisee by Franchisor or its affiliates or Franchisor considers that Franchisee is likely to do so;

16.2.8 If Franchisee fails to comply with the covenants in Section 18.2 or fails to timely obtain execution of the covenants required under Section 18.5;

16.2.9 If Franchisee misuses or makes any unauthorized use of the Proprietary Marks or any other identifying characteristics of or intellectual property rights in the System, or if Franchisee otherwise materially damages the reputation or goodwill associated with the System, Proprietary Marks, Products, the rights of Franchisor or its affiliates therein, or Franchisor its affiliates;

16.2.10 If Franchisee, after curing a default pursuant to Sections 16.3 or 16.4 hereof, commits the same default again, whether or not cured after notice.

16.2.11 If Franchisee commits three (3) or more defaults under this Agreement in any twelve (12) month period, whether or not each such default has been cured after notice (this provision in no way limits Section 16.2.10);

16.2.12 If Franchisee at any time ceases to operate or otherwise abandons the Franchised Store for a period of two (2) consecutive days unless such closure is approved in writing by Franchisor, or excused by *force majeure*.

16.2.13 If Franchisee breaches any material provision of this Agreement which breach is not susceptible to cure.

16.3 **Notice and Opportunity to Cure – 7 Days** Upon the occurrence of any of the following events of default, Franchisor may, in its sole and absolute discretion, terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least seven (7) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the seven (7) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the seven (7) day period or such longer period as applicable law may require.

16.3.1 If Franchisee fails, refuses, or neglects promptly to pay any monies owing to Franchisor or its affiliates, Suppliers or third parties when due;

16.3.2 If Franchisee refuses to permit Franchisor to inspect the Premises, or the books, records, or accounts of Franchisee upon demand; or

16.3.3 If Franchisee fails to operate the Franchised Store during such days and hours specified in the Manuals (this provision in no way limits Section 16.2.12).

16.4 **Notice and Opportunity to Cure – 30 Days** Except as otherwise provided in Sections 16.1, 16.2 and 16.3 of this Agreement, upon any other default by Franchisee, Franchisor may, in its sole and absolute discretion, terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the thirty (30) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

16.5 **Expiration or Termination of IP License Agreement** In the event that the IP License Agreement between Franchisor and GCG expires or is terminated, for any reason whatsoever, this Agreement shall terminate automatically unless GCG elects at its sole discretion to allow Franchisee to continue to operate under the terms of this Agreement, in which case Franchisee shall do all such things as may be required to assign and novate this Agreement to GCG or its designee in place of Franchisor.

Franchisee expressly waives any claims, demands or damages arising from or related to termination or expiration of the IP License Agreement and/or termination of this Agreement including any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

16.6 **Cross Defaults** Any default by Franchisee under this Agreement may be regarded as a default under any other agreement between Franchisor (or any affiliate of Franchisor) and Franchisee (or any affiliate of Franchisee). Any default by Franchisee under any other agreement between Franchisor (or any affiliate of Franchisor) and Franchisee (or any affiliate of Franchisee) may be regarded as a default under this Agreement.

17. **OBLIGATIONS UPON TERMINATION OR EXPIRATION**

Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall terminate, and:

17.1 **Stop Operating** Franchisee shall immediately cease to operate the Franchised Store, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor in connection with the promotion or operation of any other business.

17.2 **Stop Using the System** Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential information, methods, procedures, and techniques associated with the System; the Proprietary Mark “Gong cha” and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, trade dress, distinctive decor and devices associated with the System. In particular, Franchisee shall cease to use all signs, marketing materials, displays, stationery, forms, products, and any other articles which display the Proprietary Marks.

17.3 **Cancel Assumed Names** Franchisee shall take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by Franchisee which contains the mark “Gong cha” or any other Proprietary Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

17.4 **The Premises** Franchisee shall, at the option of Franchisor, assign to Franchisor or its designee any interest which Franchisee has in any lease or sublease for the Premises. In the event Franchisor does not elect to exercise its option to acquire or have its designee acquire the lease or sublease for the Premises, Franchisee shall make such modifications or alterations to the Premises immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of the Premises from that of a Gong Cha Store under the System, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with the requirements of this Section 17.4, Franchisor shall have the right to enter upon the Premises, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. Additionally, if Franchisor does not elect to exercise the option to acquire or have its designee acquire the lease/sublease, Franchisee shall comply with Section 18.3 regarding a Competitive Business (as defined in Section 18.2.2).

17.5 **Phone Numbers and Directory Listings** In addition, Franchisee shall cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by Franchisor, used by Franchisee while operating the Franchised Store, and shall promptly execute such documents or take such steps necessary to remove reference to the Franchised Store from all trade or business telephone directories, including “yellow” and “white” pages, or at Franchisor’s request transfer same to Franchisor. Franchisee hereby authorizes Franchisor to instruct issuers of any telephone and internet domain name services, and other providers to transfer any such telephone numbers,

domain names, websites, addresses, and any other identifiers to Franchisor upon termination of this Agreement, without need for any further approval from Franchisee.

17.6 **No Use of Proprietary Marks or Trade Dress in other Businesses** Franchisee agrees, in the event it continues to operate, or subsequently begins to operate, any other business, not to use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks or System, either in connection with such other business or the promotion thereof, which, in the sole discretion of Franchisor and its affiliates, including GCG, is likely to cause confusion, mistake, or deception, or which, in the sole discretion of Franchisor and its affiliates, is likely to dilute the rights of Franchisor and its affiliates, including GCG, in and to the Proprietary Marks and System. Franchisee further agrees not to utilize any designation of origin, description, or representation (including reference to Franchisor or its affiliates, the System, or the Proprietary Marks) which, in the sole discretion of Franchisor and its affiliates, including GCG, suggests or represents a present or former association or connection with Franchisor and its affiliates, the System, or the Proprietary Marks.

17.7 **Pay Franchisor All Amounts Due** Franchisee shall promptly pay all sums owing to Franchisor and its affiliates. In the event of termination for any default of Franchisee, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor and its affiliates as a result of the default and termination, which obligation shall give rise to, and remain until paid in full, a lien in favor of Franchisor and its affiliates, as applicable, against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Franchisee and on the Premises at the time of default.

17.8 **Return of Manuals and Confidential Information** Franchisee shall, at its own expense, immediately deliver to Franchisor the Manuals and all other records, computer disks, correspondence, and instructions containing confidential information relating to the operation of the Franchised Store (and any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be the property of Franchisor and its affiliates.

17.9 **Franchisor's Option to Purchase Certain Assets** Franchisor shall have the option, to be exercised within thirty (30) days after termination, to purchase or have its designee purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of Franchisee related to the operation of the Franchised Store, at the lesser of Franchisee's cost or fair market value. The cost for such items shall be determined based upon a five (5) year straight-line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee.

17.10 **Comply with Covenants** Franchisee and its Principals shall comply with the covenants contained in Section 18.3 of this Agreement.

18. **COVENANTS**

18.1 **Full Time and Best Efforts** Franchisee covenants that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (or, if Franchisee is not an individual, the Designated Principal) and Franchisee's fully trained General Manager shall devote full time and best efforts to the management and operation of the Franchised Store.

18.2 **During the Agreement Term** Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable, specialized training and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, in any capacity (whether for itself, as a member, shareholder, director, employee, agent, partner, joint venture

participant, master franchisor, franchisee, adviser, consultant, or any other equivalent capacity, or through, on behalf of, or in conjunction with any person or legal entity):

18.2.1 Divert or attempt to divert any present or prospective business or customer of any Gong Cha Store to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System; and/or

18.2.2 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business (as defined below). A “**Competitive Business**” shall be considered: (i) any business with sales of tea products equal to or greater than fifty percent (50%) of total sales; and/or (ii) any retail store or other business that is the same as or similar to a Gong Cha Store. Franchisee acknowledges and agrees that Franchisee shall be considered in default under this Agreement and that this Agreement will be subject to termination as provided in Section 16.2.8, in the event that a person in the immediate family (including spouse, domestic partner, parent or child) of Franchisee (or, if Franchisee is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 18.2.2 if such person was subject to the covenants of this Section 18.2.2.

18.3 **After the Agreement and After a Transfer.** Franchisee covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years commencing upon the date of: (a) a transfer permitted under Section 15 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 18.3; or (e) any or all of the foregoing:

18.3.1 Franchisee shall not either directly or indirectly, in any capacity (whether for itself, as a member, shareholder, director, employee, agent, partner, joint venture participant, master franchisor, franchisee, adviser, consultant, or any other equivalent capacity, or through, on behalf of, or in conjunction with any person or legal entity), own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is located at the Approved Location or within a radius of five (5) miles from the location of the Franchised Store (or if no location of the store has been set, then the Site Selection Area) or within a five (5) mile radius of any other Gong cha® store; and

18.3.2 Franchisee shall not sublease, assign, or sell Franchisee’s interest in any lease, sublease, or ownership of the Premises or assets of the Franchised Store to a third party for the operation of a Competitive Business, or otherwise arrange or assist in arranging for the operation by a third party of a Competitive Business.

18.4 **Exception for Ownership in Public Entities** Sections 18.2.2 and 18.3 shall not apply to ownership by Franchisee of a less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly listed corporation.

18.5 **Personal Covenants** Franchisee shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 18 (including covenants applicable upon the termination of a person’s relationship with Franchisee) and the provisions of Sections 10 and 11 of this Agreement (as modified to apply to an individual) from all managers and other personnel employed by Franchisee who have received or will receive training and/or other confidential information. Every covenant required by this Section 18.5 shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them, the current form of which is attached as Exhibit E.

18.6 **Covenants as Independent Clauses.** The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 18 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 18.

18.7 **Franchisor's Right to Reduce Scope of the Covenants** Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section 18, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 25 hereof.

18.8 **Covenants Survive Claims** Franchisee expressly agrees that the existence of any claims it may have against Franchisor or its affiliates, whether or not arising from this Agreement, shall not constitute a defence to the enforcement by Franchisor of the covenants in this Section 18; provided, however, any claims Franchisee may have against Franchisor or its affiliates may be brought in a separate proceeding. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 18.

18.9 **Injunctive Relief** Franchisee acknowledges that the foregoing restrictions are reasonable, are not vague or indefinite, and are designed to protect the legitimate business interests of Franchisor and its affiliates, and the System, and that in the event of a breach of covenants contained in this Section 18, the damage to Franchisor and/or its affiliates would be difficult to ascertain and, in addition to other rights and remedies, Franchisor and/or its affiliates shall be entitled to seek injunctive and/or other equitable relief against the violation of any said covenants, together with reasonable attorneys' fees and costs.

18.10 **Non-Dealing**. In order to protect the legitimate business interests of Franchisor and its affiliates, Franchisee covenants with Franchisor that it shall not either directly or indirectly, in any capacity (whether for itself, as a member, shareholder, director, employee, agent, partner, joint venture participant, master franchisor, franchisee, adviser, consultant, or any other equivalent capacity, or through, on behalf of, or in conjunction with any person or legal entity) engage suppliers of Franchisor or its affiliates for the direct supply of Products, except as required under this Agreement.

19. **CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP**

19.1 **List of Principals** If Franchisee is a corporation, limited liability company, or partnership, or other entity, each Principal of Franchisee, and the ownership interest of each Principal in Franchisee, shall be identified in Exhibit B hereto. Franchisee shall maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit B upon any change, which shall be made only in compliance with Section 15. As set forth in Section 8.3, the Designated Principal shall at all times have at least a ten percent (10%) interest in Franchisee.

19.2 **Guaranty, Indemnification, and Acknowledgment** Each Principal shall execute a guaranty, indemnification, and acknowledgment of Franchisee's covenants and obligations under this Agreement in the form attached hereto as Exhibit C.

19.3 **Corporations and Limited Liability Companies** If Franchisee or any successor to or assignee of Franchisee is a corporation or a limited liability company, Franchisee shall comply with the following requirements:

19.3.1 Franchisee shall be newly organized and its governing documents shall at all

times provide that its activities are confined exclusively to operating the Franchised Store.

19.3.2 Franchisee shall, upon request of Franchisor, promptly furnish to Franchisor copies of Franchisee's articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors and / or members authorizing entry into this Agreement and such governing documents shall not be amended during the term of this Agreement, without the prior written consent of Franchisor.

19.3.3 Franchisee shall maintain stop-transfer instructions on its records against the transfer of any equity securities of Franchisee; and each stock certificate or issued securities of Franchisee shall conspicuously include upon its face a statement, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 19.3.3 shall not apply to a publicly held corporation.

19.4 **Partnerships and Limited Liability Partnerships** If Franchisee or any successor to or assignee of Franchisee is a partnership or limited liability partnership, Franchisee shall comply with the following requirements:

19.4.1 Franchisee shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to operating the Franchised Store.

19.4.2 Franchisee shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

19.4.3 The partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general or limited partners, remove a limited or general partner, or otherwise materially alter the powers of any general partner.

20. **TAXES, PERMITS, AND INDEBTEDNESS**

20.1 **Taxes** Franchisee shall promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Store. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax or assessment (other than income tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor.

20.2 **Dispute About Taxes** In the event of any *bona fide* dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but in no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the Premises of the Franchised Store, or any improvements thereon.

20.3 **Compliance with Laws**

20.3.1 Franchisee shall comply with all applicable laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Store, including licenses to do business, fictitious name registrations, sales tax permits, and fire clearances.

20.3.2 Franchisee shall, on Franchisor's or its affiliates' request, assist Franchisor and/or its affiliates to obtain and maintain, all licences, permits, approvals and registrations necessary under applicable laws relating to the arrangements contemplated under this Agreement.

20.3.3 Franchisee shall provide such assistance as may be requested by Franchisor for Franchisor and its affiliates to comply with applicable laws and regulations, including any applicable reporting requirements.

21. **INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

21.1 **No Fiduciary Relationship** Franchisee is an independent contractor. Franchisor and Franchisee are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither shall have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement shall be construed to alter the relationship. Franchisee shall be solely responsible for compliance with all applicable laws, rules, and regulations (including laws and regulations, rules, by-laws, orders and ordinances relating to health and safety, the conduct of the Franchised Stores and the management of its employees), and for Franchisee's policies, practices, and decisions relating to the operation of the Franchised Store. Franchisee shall obtain and maintain all licenses, permits, approvals and registrations necessary under applicable laws and regulations for the conduct of the Franchised Store, including filing any regulatory reports. All costs attributable to such compliance shall be borne by Franchisee.

21.2 **Public Notice** During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Store pursuant to a franchise agreement from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including exhibiting a notice of that fact in a conspicuous place at the Premises, the content of which Franchisor reserves the right to specify, including language identifying Franchisee as an independent business in all dealings with customers, employees, suppliers and others.

21.3 **No Assumption of Liability** Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on the behalf of Franchisor or its affiliates, or to incur any debt or other obligation in the name of Franchisor or its affiliates; and Franchisor and its affiliates shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor and/or its affiliates be liable by reason of any act or omission of Franchisee in its operation of the Franchised Store or for any claim or judgment arising therefrom against Franchisee or Franchisor or its affiliates.

21.4 **Indemnification**

21.4.1 Franchisee must defend, indemnify, and hold harmless Franchisor and its affiliates, and each of its and their respective successors and assigns, and each of its and their respective direct and indirect owners, entities under the same ultimate ownership as Franchisor and Franchisor's and their directors, officers, managers, employees, agents, attorneys, and representatives (each an "**Indemnified Party**" and collectively, the "**Indemnified Parties**"), from and against all Losses (defined below) which any of the Indemnified Parties may suffer, sustain, or incur as a result of a claim asserted or threatened or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought, by a third party and directly or indirectly arising out of the Franchised Store's operation, Franchisee's conduct of business under this Agreement, Franchisee's breach of this Agreement, or Franchisee's noncompliance or alleged noncompliance with any law, ordinance, rule, or regulation, including any allegation that Franchisor or another Indemnified Party is a joint employer or otherwise responsible for Franchisee's acts or omissions relating to Franchisee's employees. Franchisor will promptly notify Franchisee of any claim that may give rise to a claim of indemnity under this provision once it becomes aware of such claim, provided, however, that its failure to provide such notice will not release Franchisee from its indemnification obligations under this Section 21.4.

21.4.2 Franchisee must pay all Losses an Indemnified Party incurs pursuant to Franchisee's obligations of indemnity under this Section 21.4 regardless of any settlement, actions or defense an Indemnified Party undertakes or the subsequent success or failure of any settlement, actions,

or defense. Further, Franchisee agrees to give Franchisor immediate notice of any action, proceeding, demand or investigation brought against Franchisee or the Franchised Store. Any of the Indemnified Parties may, using its own counsel, by notice to Franchisee, control any matter in which the Indemnified Party is named or directly affected, including specifically any matter that involves a claim relating to the Proprietary Marks or any intellectual property rights or confidential information associated with the System, but this will not affect Franchisee's liability to pay all Losses, including defense costs, incurred by the Indemnified Party in defending itself, which obligation is part of Franchisee's indemnification obligation. Franchisee and each Indemnified Party agree to keep the other reasonably apprised of, and respond to any reasonable requests concerning, the status of the defense of any claim, and Franchisee and each Indemnified Party agree to cooperate in good faith with each other with respect to the defense of any such claim. If an Indemnified Party does not elect, using its own counsel, to control any matter in which the Indemnified Party is named or directly affected, Franchisee may not, without the Indemnified Party's prior written consent, (1) settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Indemnified Party and its affiliates, direct and indirect owners, directors, managers, employees, agents and representatives, or (2) settle or compromise any claim in any manner that may adversely affect the Indemnified Party other than as a result of money damages or other monetary payments which will be paid by Franchisee.

21.4.3 Franchisee has no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, wilful misconduct, or wilful wrongful omissions, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employment) or Franchisor's failure to compel Franchisee to comply with this Agreement.

21.4.4 For purposes of this Section 21.4, "**Losses**" include all obligations, liabilities, damages (actual, consequential, or otherwise), and defense costs that any Indemnified Party incurs. Defense costs include accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, and alternative dispute resolution.

21.4.5 Franchisee's obligations in this Section 21.4 will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against Franchisee under this Section 21.4. Franchisee agrees that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from Franchisee under this Section 21.4.

22. **APPROVALS AND WAIVERS**

22.1 **Approval Requests** Whenever this Agreement requires the prior authorization, approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing.

22.2 **Non-waiver** No failure of Franchisor or its affiliates to exercise any power reserved to it or them hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's or its affiliates' rights to demand exact compliance with the terms hereof. Waiver by Franchisor or its affiliates of any particular default by Franchisee shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's or its affiliates' rights with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor or its affiliates to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair

Franchisor's or its affiliates' rights nor shall such constitute a waiver by Franchisor or its affiliates of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor or its affiliates of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor or its affiliates of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

23. **WARRANTIES OF OPERATOR**

23.1 **Franchisee's Warranties** Franchisee warrants and represents to Franchisor that, as of the Effective Date:

23.1.1 it has full power and authority to execute, deliver and perform its obligations under this Agreement and the related agreements;

23.1.2 the persons executing this Agreement and the related agreements have been duly authorized to perform such actions on behalf of Franchisee;

23.1.3 there are no agreements or arrangements with any third party the terms of which would prevent it from entering into this Agreement or the related agreements or would materially impede the performance by it of its obligations under this Agreement or the related agreements;

23.1.4 it is not, and nor are any of its directors or officers, party to any litigation proceedings or disputes which may have a material adverse effect upon its ability to perform its obligations under this Agreement or the related agreements;

23.1.5 it is not the subject of any Insolvency Event; and

23.1.6 it has not been convicted or found guilty of a criminal offense that has not been disclosed in writing to Franchisor or otherwise involved in any pattern or practice of acts or conduct that may prejudicially affect the reputation of Franchisor or its affiliates, including GCG, the Proprietary Marks, the Products, and/or the System.

23.2 **Reliance by Franchisor** Franchisor entered into this Agreement in reliance upon the statements and information submitted to Franchisor by Franchisee in connection with this Agreement. Franchisee represents and warrants that all such statements and information submitted by Franchisee in connection with this Agreement are true, correct, complete and not misleading in all material respects. Franchisee agrees to promptly advise Franchisor of any material changes in the information or statements submitted.

23.3 **Compliance with Laws** Franchisee represents and warrants to Franchisor that neither Franchisee (including any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

24. **NOTICES**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

25. **ENTIRE AGREEMENT**

Franchisor and Franchisee, and any Principal, each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement. Recognizing the costs on both Franchisor and Franchisee which are uncertain, Franchisor and Franchisee each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings which have been or may in the future be, exchanged between them, serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, Franchisor and Franchisee agree and promise each other that this Agreement supersedes and cancels any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements or any other term), between Franchisor or anyone acting on its behalf and Franchisee or anyone acting on its behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such term) with respect to the rights and obligations of Franchisor and Franchisee or the relationship between them. Franchisor and Franchisee agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings. In accordance with the foregoing, it is understood and acknowledged that this Agreement, the attachments hereto, and the documents referred to herein constitute the entire Agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede any prior agreements, no other representations having induced Franchisee to execute this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Agreement or any related agreement, however, is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document that Franchisor furnished to Franchisee.

26. **SEVERABILITY AND CONSTRUCTION**

26.1 **Severable Parts** Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

26.2 **Terms Surviving this Agreement** Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination, or assignment of this Agreement (regardless of cause), shall survive such expiration, termination, or assignment.

26.3 **No Rights on Third Parties** Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor and their respective affiliates, officers, directors, shareholders, agents, and employees, successors and assigns, any rights or remedies under or by reason of this Agreement.

26.4 **Full Scope of Terms** Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

26.5 **Franchisor's Application of its Rights** Franchisor and its affiliates, including GCG, shall have the right to operate, develop and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right and/or discretion to take or withhold an action, or is deemed to have a right and/or discretion to take or withhold an action, or a right to grant or decline to grant Franchisee a right to take or omit an action, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and in its judgment of what is in Franchisor's best interests and/or in the best interests of Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interests; (iii) Franchisor's decision or the action it take applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned operations; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor rights or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

26.6 **Competition Law and Future Changes**. In the event that Franchisor decides that amendments to this Agreement or the arrangements between the parties are necessary to conform with or otherwise take account of applicable competition law, or future changes thereto, Franchisee hereby agrees to enter into a Supplemental Agreement in a form prescribed by Franchisor to adopt such amendments, forthwith on demand.

27. **APPLICABLE LAW AND DISPUTE RESOLUTION**

27.1 **Governing Law** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. § 1050 et seq.), as amended, this Agreement shall be governed by the laws of the State of Massachusetts.

27.2 **Non-Binding Mediation** Before any party may bring an action in arbitration or in court against the other, the parties must first meet to mediate the dispute (except for controversies, disputes, or claims related to or based on improper use of the Proprietary Marks, other intellectual property rights or confidential information). Any such mediation shall be non-binding and shall be conducted at a suitable location chosen by the mediator, which is within a five (5) mile radius of Franchisor's then current principal place of business, unless Franchisor agrees otherwise in writing. Notwithstanding anything to the contrary, this Section 27.2 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under applicable laws, including the applicable laws for obtaining interim injunctions, without having to engage in mediation. Mediation hereunder shall be concluded within forty-five (45) days of Franchisee's receipt of the notice specifying the designated mediator or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Franchisor and Franchisee shall each bear its own costs of mediation, and each shall bear one-half (½) the cost of the mediator or mediation service. This Section 27.2 mandating non-binding mediation shall not be applicable to any claim or dispute arising under this Agreement or any other agreement between the parties which relates to the failure to pay fees or other monetary obligation(s) of either party under said agreement(s).

27.3 **Arbitration** Franchisor and Franchisee agree that, subject to Section 27.2, and except for controversies, disputes, or claims related to or based on improper use of the Proprietary Marks, other intellectual property rights or confidential information, all controversies, disputes, or claims between Franchisor and Franchisor's affiliates, and Franchisor's and their respective shareholders, members,

officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees) arising out of or related to:

- (1) this Agreement or any other agreement between Franchisee and Franchisor;
- (2) Franchisor's relationship with Franchisee;
- (3) the validity of this Agreement or any other agreement between Franchisee and Franchisor; or
- (4) any System standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the American Arbitration Association's then current rules. All proceedings will be conducted at a suitable location chosen by the arbitrator, which is within a five (5) mile radius of Franchisor's then current principal place of business. The arbitrator shall have no authority to select a different hearing locale. Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

27.3.1 The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs (as allowable under this Agreement or applicable law), provided that the arbitrator may not declare any Proprietary Mark generic or otherwise invalid.

27.3.2 Franchisor and Franchisee agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

27.3.3 Franchisor and Franchisee agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Franchisor and Franchisor's affiliates, and Franchisor's and its affiliates' respective shareholders, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between Franchisor and any other person.

27.3.4 Despite Franchisor's and Franchisee's agreement to arbitrate, Franchisor and Franchisee each have the right to seek interim injunctive relief from a court of competent jurisdiction; provided, however, that Franchisor and Franchisee must contemporaneously submit the applicable dispute for arbitration on the merits as provided in this Section 27.3.

27.3.5 The provisions of this Section 27 are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

27.4 **Consent to Jurisdiction** Subject to the mediation and arbitration obligations in Sections 27.2 and 27.3, any judicial action must be brought in a court of competent jurisdiction in the State of Massachusetts. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to such jurisdiction or venue. Notwithstanding the foregoing, Franchisor may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce an arbitration award or judicial decision, in any court in the jurisdiction in which Franchisee resides or the Franchised Store is located.

27.5 **No Rights Exclusive of Other Rights** No right or remedy conferred upon or reserved to

Franchisor or its affiliates, or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

27.6 **Release.** By executing this Agreement, Franchisee, for itself and its affiliates, and for its and its affiliates' directors, officers, shareholders, partners, members, managers, employees and agents, and for the predecessors, successors, assigns, heirs, administrators and executors of it and any and all of them (collectively, the "**Franchisee Parties**"), hereby release, remise, acquit, and forever discharge Franchisor, its affiliates, its and its affiliates' directors, officers, shareholders, partners, members, managers, employees and agents, and the predecessors, successors, assigns, heirs, administrators and executors of it and any or all of them (collectively, the "**Franchisor Parties**"), from and against any and all obligations, debts, liabilities, demands, claims, actions, causes of action, loss, losses, damage and damages (actual, consequential, multiplied, exemplary, enhanced, punitive, or otherwise), of any nature or kind, contingent or fixed, known or unknown, at law or in equity or otherwise, for any matter, of whatever source or origin, arising out of or related to any and all transactions of any kind or character, at any time prior to and including the Effective Date. Franchisee covenants, warrants, and agrees that it has the authority to bind Franchisee Parties (as herein defined) as provided herein. Franchisee, on behalf of itself and Franchisee Parties, further covenants not to sue any of Franchisor Parties on any of the claims released by the foregoing and represents that it has not assigned any such claims to any individual or entity who is not bound by the foregoing.

27.7 **Injunctive Relief.** Nothing herein contained shall bar the right of Franchisor or its affiliates, including GCG, to obtain injunctive relief against threatened conduct that will cause it or them loss or damages, including violations of the terms of Sections 9, 10, 11, 15, and 18 under applicable laws, including applicable laws for obtaining interim injunctions.

27.8 **Counterparts.** This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument.

27.9 **Interpretations.** In this Agreement: (i) whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation"; (ii) the exhibits to this Agreement shall be incorporated into and deemed part of this Agreement and all references to this Agreement shall include the exhibits to this Agreement; (iii) references to the Background, a Section, or Exhibit shall be to such Background, Section or Exhibit of this Agreement, unless otherwise expressly provided; (iv) words importing the singular shall also include the plural and vice versa where the content requires; (v) each pronoun used herein shall be deemed to include the other number of genders (vi) all captions and paragraph headings in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof; (vii) if Franchisee consists of two (2) or more individuals, such individuals will be jointly and severally liable, and references to Franchisee in this Agreement will include all such individuals; and (viii) unless otherwise provided, any reference to any statute or legislation will be deemed a reference to such statute or legislation as amended from time to time or to a newly adopted statute or legislation replacing a repealed statute or legislation and be deemed to include any subsidiary legislation made thereunder.

27.10 **Security Interest.** Franchisee hereby grants to Franchisor a security interest in all of Franchisee's interest in all leasehold improvements, furniture, furnishings, fixtures, equipment, inventory and supplies located at or used in connection with the Franchised Store, now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions and replacements therefore, and all cash and non-cash proceeds derived from insurance or the disposition of such collateral, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, of Franchisee to Franchisor. Franchisee agrees to execute and deliver to Franchisor in a timely manner all financial statements and other documents necessary or desirable to evidence, perfect and continue the priority of such security interests under applicable laws.

27.11 **Attorneys' Fees.** In the event Franchisor or its affiliate is required to employ legal counsel

or to incur other expense to enforce any obligation of Franchisee hereunder, or to defend against any claim, demand, action or proceeding by reason of Franchisee's failure to perform any obligation imposed upon Franchisee by this Agreement, Franchisor and/or its affiliate shall be entitled to recover from Franchisee the amount of all reasonable attorneys' fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

27.12 **Signature**. Delivery of a copy of this Agreement bearing (i) an original signature by facsimile transmission, (ii) an original signature by electronic mail in "portable document format" form or (iii) an electronic signature facilitated by a digital transaction management services provider (such as DocuSign), shall have the same effect as physical delivery of the paper document bearing the original signature.

28. **ACKNOWLEDGMENTS**

28.1 **FRANCHISEE'S INVESTIGATION OF THE BUSINESS POSSIBILITIES** FRANCHISEE ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS OF OPERATING A GONG CHA STORE, AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE (OR, IF FRANCHISEE IS A CORPORATION, PARTNERSHIP OR LIMITED LIABILITY COMPANY, THE ABILITY OF ITS PRINCIPALS) AS (AN) INDEPENDENT BUSINESSPERSON(S). FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT. FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT CONTAINS ALL ORAL AND WRITTEN AGREEMENTS, REPRESENTATIONS AND ARRANGEMENTS BETWEEN THE PARTIES, AND ANY RIGHTS WHICH THE RESPECTIVE PARTIES HERETO MAY HAVE HAD UNDER ANY OTHER PREVIOUS CONTRACT (WHETHER ORAL OR WRITTEN) ARE HEREBY CANCELLED AND TERMINATED, AND NO REPRESENTATIONS OR WARRANTIES ARE MADE OR IMPLIED, EXCEPT AS SPECIFICALLY SET FORTH HEREIN. FRANCHISEE FURTHER ACKNOWLEDGES THAT IT HAS NOT RECEIVED OR RELIED ON ANY REPRESENTATIONS ABOUT THE FRANCHISE BY FRANCHISOR, OR ITS OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS, THAT ARE CONTRARY TO THE STATEMENTS MADE IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT OR TO THE TERMS AND CONDITIONS CONTAINED HEREIN, AND FURTHER REPRESENTS TO FRANCHISOR, AS AN INDUCEMENT TO ENTRY INTO THIS AGREEMENT, THAT FRANCHISEE HAS MADE NO MISREPRESENTATIONS IN OBTAINING THE FRANCHISE.

28.2 **Receipt of FDD and Complete Agreement**. Franchisee acknowledges that it received from Franchisor its current disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising", otherwise known as the franchise disclosure document ("**Franchise Disclosure Document**" or "**FDD**"), at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment by Franchisee for the franchise rights granted under this Agreement. Franchisee further acknowledges that prior to receiving Franchisor's FDD, Franchisor advised Franchisee of the formats in which the FDD is made available, and any conditions necessary for reviewing the FDD in a particular format.

28.3 **Franchisee Had Opportunity to Read Agreement and Consult** Franchisee acknowledges that it has read and understood Franchisor's FDD and this Agreement, the attachments hereto, and agreements relating thereto, if any. In addition, Franchisee acknowledges and agrees that it and its Principals are informed investors, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of

entering into this Agreement.

28.4 **Franchisee's Responsibility for Operation of Business** Although Franchisor retains the right to establish and periodically modify System standards, which Franchisee has agreed to maintain in the operation of the Franchised Store, Franchisee retains the right and sole responsibility for the day-to-day management and operation of the Franchised Store and the implementation and maintenance of System standards at the Franchised Store. Franchisee acknowledges that it is solely responsible for all aspects of the Franchised Store's operations, including employee and human resources matters. Franchisee further acknowledges that any controls implemented by Franchisor are for the protection of the System and the Proprietary Marks and not to exercise any control over the day-to-day operation of the Franchised Store.

28.5 **Sole and Exclusive Employer**

28.5.1 Franchisee hereby irrevocably acknowledges, affirms, attests and covenants that Franchisee's employees are employed exclusively by Franchisee and in no fashion are any such employees employed, jointly employed or co-employed by Franchisor. Franchisee further acknowledges, affirms and attests that each of Franchisee's employees is under Franchisee's exclusive dominion and control and never under Franchisor's direct or indirect control in any fashion whatsoever. Franchisee alone hires each of Franchisee's employees; sets their schedules; establishes their compensation rates; and pays all salaries, benefits and employment-related liabilities (such as workers' compensation insurance premiums/payroll taxes/ unemployment insurance premiums). Franchisee alone has the ability to discipline or terminate Franchisee's employees to the exclusion of Franchisor, and Franchisee acknowledges that Franchisor has no such authority or ability. Franchisee further acknowledges, attests and affirms that any minimum staffing requirements established by Franchisor are solely for the purpose of ensuring that the Franchised Store is at all times staffed at those levels necessary to operate the Franchised Store in conformity with the System and other Gong Cha Store brand attributes known to and desired by the consuming public and associated with the Proprietary Marks. Franchisee acknowledges, affirms, warrants and understands that Franchisee may staff the Franchised Store with as many employees as Franchisee desires at any time so long as Franchisor's minimal staffing levels are achieved. Franchisee also acknowledges, affirms and attests that any recommendations Franchisee may receive from Franchisor regarding salaries, hourly wages or other compensation for employees are recommendations only, and that Franchisee is entirely free to disregard Franchisor's recommendations regarding such employee compensation. Moreover, Franchisee acknowledges, affirms and attests that any training provided by Franchisor to Franchisee's employees is for the purpose of imparting critical System and brand information to those employees, and in no fashion reflects any employment relationship between Franchisor and such employees. Finally, should it ever be asserted that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agrees to assist Franchisor in defending such allegations, including (if necessary) appearing at any venue requested by Franchisor to testify on Franchisor's behalf (and, as may be necessary, submitting to depositions, other appearances and/or preparing affidavits dismissive of any allegation that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees). To the extent Franchisor is the only named party in any such investigation, action, proceeding, arbitration or other setting to the exclusion of Franchisee, should any such appearance by Franchisee be required or requested, Franchisor will recompense Franchisee the reasonable costs associated with Franchisee appearing at any such venue.

28.5.2 Immediately upon hiring of any employee, Franchisee shall obtain from such employee, including every management personnel, and any other personnel hired at the Franchised Store, the signed Non-Disclosure and Non-Competition Agreement form, which form is attached hereto as Exhibit E.

28.6 **No Conflicting Obligations** Each party represents and warrants to the other that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this

Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

28.7 **Different Franchise Offerings to Others** Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

28.8 **Good Faith** Franchisor and Franchisee acknowledge that each provision in this Agreement has been negotiated by the parties hereto in good faith and the Agreement shall be deemed to have been drafted by both parties. It is further acknowledged that both parties intend to enforce every provision of this Agreement, including the provisions related to arbitration and choice of venue, regardless of any state law or regulation purporting to void or nullify any such provision.

28.9 **Success Depends on Franchisee** Franchisee acknowledges that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Franchisee's ability as an independent businessperson, its active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. Neither Franchisor nor its affiliates make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

28.10 **No Guarantees** Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received nor relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement.

[SIGNATURE PAGE FOLLOWS]

**FRANCHISE AGREEMENT
SIGNATURE PAGE**

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Franchise Agreement in duplicate on the day and year first above written.

FRANCHISOR:

FRANCHISEE:

GONG CHA USA FRANCHISING, LLC

By:

By:

Name:

Name:

Title:

Title:

Address for Notices:

Address for Notices:

Telephone:

Telephone:

Fax:

Fax:

**FRANCHISE AGREEMENT
EXHIBIT A
DATA SHEET**

1. The Site Selection Area (See Section 1.2) for the Franchised Store shall be:

2. The Approved Location (See Section 1.3) for the Franchised Store shall be:

3. The Territory, if any, shall be (subject to the terms of the Agreement, including but not limited to Section 1.5 of the Agreement) as follows, and which Territory is reflected on the map attached to this Exhibit A:

4. The Initial Franchise Fee shall be \$34,500 (See Section 4.1).

5. If this Franchise Agreement is executed pursuant to an Area Development Agreement, Franchisee may be eligible for certain “Growth Incentives” that impact the Initial Franchise Fee to be paid (see Attachment A of the Area Development Agreement).

FRANCHISOR

Initial: _____

Date: _____

FRANCHISEE

Initial: _____

Date: _____

**FRANCHISE AGREEMENT
EXHIBIT B
LIST OF PRINCIPALS AND DESIGNATED PRINCIPAL**

FRANCHISEE'S PRINCIPALS

The following identifies all of Franchisee's Principals (as defined in Section 6.1 of the Franchise Agreement), including each Principal's address and percentage of beneficial interest in Franchisee:

Name of Principal	Address, Telephone, E-mail	Interest (%) with Description
		Total %:

FRANCHISEE'S DESIGNATED PRINCIPAL

The following identifies Franchisee's Designated Principal (as defined in Section 8.3.1 of the Franchise Agreement), including his/her contact information and percentage of beneficial interest in Franchisee:

Name of Designated Principal	Address, Telephone, E-mail	Interest (%) with Description

FRANCHISOR

Initial: _____

Date: _____

FRANCHISEE

Initial: _____

Date: _____

FRANCHISE AGREEMENT
EXHIBIT C
GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to GONG CHA USA FRANCHISING, LLC (“**Franchisor**”) to enter into the Gong cha® Franchise Agreement between Franchisor and _____ (“**Franchisee**”), dated _____, 20__ (the “**Agreement**”), the undersigned hereby unconditionally guarantees to Franchisor and Franchisor’s successors and assigns that all of Franchisee’s covenants and obligations, including, without limitation, monetary obligations, under the Agreement will be punctually paid and performed. This Guaranty, Indemnification, and Acknowledgment (this “**Guaranty**”) is an unconditional, irrevocable and absolute guaranty of payment and performance and may not be cancelled, terminated, modified, or amended except by written agreement executed by both Franchisee and Developer.

Upon demand by Franchisor, the undersigned hereby agrees to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including, without limitation, any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guaranty, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned hereby waives notice of same and agrees to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, without limitation, reasonable attorneys’ fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned hereby acknowledges and expressly agrees to be personally bound by all of the covenants contained in the Agreement, including, without limitation, those covenants contained in Sections 10, 11, 15, 17, and 18. Signature by the undersigned on this Guaranty constitutes the undersigned’s signature on the Agreement related to all covenants. The undersigned asserts that he or she has read such covenants, been advised by counsel regarding their effect, and hereby affirmatively agree to them in order to secure the rights granted to Franchisee by Franchisor under the Agreement. The undersigned further acknowledges and agrees that this Guaranty does not grant the undersigned any right to use the “Gong cha” marks or system licensed to Franchisee under the Agreement.

This Guaranty shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors, if any, will continue in full force and effect.

The undersigned, if more than one, shall be jointly and severally liable hereunder and the term "undersigned" shall mean the undersigned or any one or more of them. Anyone signing this Guaranty shall be bound thereto at any time. Any married person who signs this Guaranty hereby expressly agrees that

recourse may be had against his/her community and separate property for all obligations under this Guaranty.

The undersigned represents and warrants to Franchisor that neither the undersigned (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this Guaranty shall be in writing and shall be personally delivered, in the manner provided under the Agreement.

Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with the Agreement. This Guaranty shall be governed by the dispute resolution provisions of the Agreement, and shall be interpreted and construed under the laws of Massachusetts. In the event of any conflict of law, the laws of Massachusetts shall prevail (without regard to, and without giving effect to, the application of conflict of law rules).

IN WITNESS WHEREOF, the undersigned has executed this Guaranty, Indemnification and Acknowledgement as of the date of the Agreement.

GUARANTOR(S):

Print Name: _____

Print Name: _____

Print Name: _____

Print Name: _____

Print Name: _____

**FRANCHISE AGREEMENT
EXHIBIT D
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS**

As part of the Franchise Agreement with _____ (the “Franchisor”), the “Franchisee” understands that it is required to submit weekly detailed Sales Reports for processing and payment of Royalty Fees and advertising contributions. The Franchisee also understands that all Royalty Fees, advertising contributions, and all other fees and payments due under the Franchise Agreement will be debited from the bank account listed below on a weekly basis. It is further understood that should the Franchisee fail to submit Sales Reports, the Franchisor, in its sole discretion, will estimate the amount of weekly Royalty Fees and advertising contributions due based on previous weeks or periods and the estimated Royalty Fees and advertising contributions will be debited from the Franchisee’s bank account. Excess Royalty Fees and advertising contributions collected due to non-reporting will be credited to the next drafting period once Sales Reports are received less interest in accordance with the Franchise Agreement. Sales Reports, Royalty Fees, and advertising contributions are due no later than the third business day after the close of each Week and are considered late if not received by 5:00 PM on such date.

Royalty Fees and advertising contributions will be processed by Electronic Funds Transfer (“EFT”) using the Automated Clearing House (“ACH”) method. The EFT/ACH debit will move funds directly from Franchisee’s account into certain Franchisor accounts. Debits that result in insufficient funds will result in interest described above, and reimbursement of any fees incurred by Franchisor.

The Franchisee hereby authorizes its bank to pay and charge to its account EFT/ACH debits and drafts drawn by and payable to the order of the Franchisor at the Royalty Fee and advertising contribution rates under the Franchise Agreement, provided there are sufficient collected funds in said account to pay same. This authorization remains in full force and effective until sixty (60) days after the Franchisor has received written notification from the Franchisee of its termination. Should the bank dishonor any draft or EFT/ACH debit with or without cause, the Franchisee releases the bank from any and all liability.

Franchisee: _____
Designated Principal: _____
Store Address: _____
City, State, and Zip: _____

Please provide 2 Email addresses for Draft Notices

E-mail: _____ E-mail: _____

Please sign the acknowledgement below and return original via mail along with a VOIDED check sent to the attention of: _____.

Financial Institution Routing Number Account Number

Signature of Authorized Signer: _____ Date: _____

Please Attach Actual VOIDED CHECK

**FRANCHISE AGREEMENT
EXHIBIT E
NON-DISCLOSURE AND NON-COMPETE
FOR FRANCHISEE'S EMPLOYEES**

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“Agreement”) is made this _____ day of _____, 20____, by and between _____ (“**us**” “**we**” “**our**” or the “**Franchisee**”), and _____, an employee of Franchisee (“**you**” or the “**Employee**”).

Introduction

Gong cha USA Franchising, LLC (the “**Franchisor**”) and its affiliates developed and own a format and system (the “**System**”) for establishing, operating, and licensing stores offering tea, coffee and juice, along with related products and services, under the name “Gong Cha” (each is referred to as a “**Gong Cha Store**”). Master Franchisor has granted to Franchisor the right to operate, and sublicense to franchisees, the System.

Franchisor and Franchisee have executed a Franchise Agreement (“**Franchise Agreement**”) granting Franchisee the right to operate a Gong Cha Store (the “**Franchised Store**”) under the terms and conditions of the Franchise Agreement.

In connection with starting or continuing your employment with Franchisee, you will be trained by us and you will learn of Franchisor’s confidential information and know-how concerning the methods of operation of a Gong Cha Store and the System.

Now, therefore, it is agreed that as a consideration of starting or continuing your employment, as a condition to your employment and the compensation that we have paid to you (and/or will pay you after today), you acknowledge and agree that you will comply with all of the following obligations:

1. **Confidential Information**. You agree that you will not, at any time (whether during or after your time of employment with us), communicate or divulge Confidential Information to any Person, and that you will not use Confidential Information for your own benefit or for the benefit of any other Person.

2. **Definitions**. As used in this Agreement, the following terms are agreed to have the following meanings:

a. The term “**Confidential Information**” means any information, knowledge, or know-how concerning the methods of operation of the Franchised Store and the System that you may learn of or that otherwise becomes known to you during the time of your employment with us (whether or not the Franchisor or we have specifically designated that information as “confidential”). Confidential Information may include, among other things, operational, sales, promotional, marketing, and administrative methods, procedures, and techniques. However, Confidential Information does not include information that you can show came to your attention before it was disclosed to you by us or Franchisor; and Confidential Information also does not include information that, at or after the time when we disclosed it to you, is a part of the public domain through no act on your part or through publication or communication by other Persons who are lawfully entitled to publish or communicate that information.

b. The term “**Person**” means any person, persons, partnership, entity, association, or corporation (other than the Company or Franchisor).

c. The term “**Post-Term Period**” means a continuous uninterrupted period of (check as

applicable) one (1) year if you are a manager or perform managerial responsibilities, or six (6) months if you are a non-managerial employee, from the date of: (a) termination of your employment with us for any reason; and/or (b) a final order of a court of competent jurisdiction enforcing this Agreement.

3. Covenants Not to Compete.

a. You understand and acknowledge that due to your employment with us, you will receive valuable specialized training and access to Confidential Information.

b. You covenant and agree that during the term of your employment, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

- i. Divert or attempt to divert any current or potential business account or customer of the Franchised Store (or of any Gong Cha Store) to any Person, whether by direct or indirect suggestion, referral, inducement, or otherwise;
- ii. Do or perform, directly or indirectly, any act that might injure or be harmful to the goodwill associated with Franchisor and the System; and/or
- iii. Directly or indirectly for yourself or on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, be employed by, or have any interest in any business that is the same as or similar to the Franchised Store.

c. You covenant and agree that during the term Post-Term Period, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, be employed by, or have any interest in any business that is the same as or similar to the Franchised Store, if that business is located (or if it is intended to be located) within a radius of five (5) miles of the Approved Location of the Franchise Store or any Gong Cha Store located anywhere at that time.

4. Acknowledgement. You acknowledge that you are an employee of us as the Franchisee and independent owner of a Gong Cha Store franchise, and you are not an employee of Franchisor. You further acknowledge that (i) one of our key roles and responsibilities is to properly train our employees; and (ii) neither the training program that you attend or any other training or direction you receive, nor any recommendations, guidelines or suggestions received from Franchisor or its representatives in any way modifies our training obligations or is intended to exert or exercise any direct, indirect or potential control over our employees, our training obligations or any aspect of our employment relationship with you or any other employees. The training program that you attend or any other training or direction you receive is not intended in any way to change or modify your employment relationship with us. Franchisor is not an employer or joint employer of any of our employees.

5. Legal and Equitable Remedies. You understand, acknowledge, and agree that if you do not comply with the requirements of this Agreement, you will cause irreparable injury to Franchisor, and that:

a. We will have the right to enforce this Agreement and any of its provisions by going to a court and obtaining an injunction, specific performance, or other equitable relief, without prejudice to any other rights and remedies that we may have for breach of this Agreement;

b. You will not raise wrongful termination or other defences to the enforcement of this Agreement (although you will have the right to raise those issues in a separate legal action); and

c. You must reimburse Franchisor for any court costs and reasonable attorney's fees that Franchisor incurs as a result of your violation of this Agreement and having to go to court to seek enforcement.

6. **Severability.** Each of the provisions of this Agreement may be considered severable from the others. If a court should find that we or Franchisor may not enforce a clause in this Agreement as written, but the court would allow us or Franchisor to enforce that clause in a way that is less burdensome to you, then you agree that you will comply with the court's less-restrictive interpretation of that clause.

7. **Delay.** No delay or failure by us or Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that right or any other right set out in this Agreement. No waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

8. **Third-Party Beneficiary.** You acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with us.

9. **Jurisdiction: Applicable Law.** You agree that any lawsuit brought by Franchisor to enforce its rights under this Agreement shall be brought in a court of competent jurisdiction in the State of Massachusetts, and you agree and consent to the jurisdiction of such court to resolve all disputes which arise out of this Agreement or any alleged breach thereof, regardless of your residency at the time such lawsuit is filed. This Agreement shall be governed by the laws of Massachusetts. In the event of any conflict of law, the laws of Massachusetts shall prevail, without regard to, and without giving effect to, conflict of law rules.

IN WITNESS WHEREOF, Employee has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

EMPLOYEE

Signature: _____

Printed Name: _____

**FRANCHISE AGREEMENT
EXHIBIT F
LEASE TERMS**

In accordance with Section 5.2 of this Franchise Agreement, Franchisee's lease or sublease for the Premises of the Franchised Store shall contain terms acceptable to Franchisor, which may include (but are not limited to) the following:

1. The initial term of the lease, or initial term together with renewal terms, will be for not fewer than five (5) years.
2. A provision stating that the lessor consents to Franchisee's use and display of the Proprietary Marks and signage as Franchisor may prescribe from time to time for the Franchised Store, subject only to the provisions of applicable law.
3. A provision that Franchisee shall have the right to alter, renovate, add, remodel, modify, and/or change the Premises and/or other improvements upon the Premises as Franchisee may deem desirable, provided that if any such alterations, renovations, additions, modifications, remodeling and/or changes to the Premises and/or improvements upon the Premises affect the exterior, structural elements or foundation of the Premises, Franchisee shall first obtain the consent of the lessor, which consent shall not be unreasonably withheld, conditioned or delayed.
4. A provision that the Premises be used solely for the operation of a franchised Gong Cha Store, which is currently: a retail business offering tea, coffee and juice, along with related products and services, under the name "Gong Cha," all as may be permitted under the relevant Franchise Agreement signed for the Franchised Store.
5. A provision that requires the lessor to concurrently provide Franchisor with a copy of any written notice of deficiency under the lease sent to Franchisee, and that the lessor will provide Franchisor with written notice specifying deficiencies that Franchisee did not cure.
6. A provision that grants to Franchisor, in its sole discretion, the right (but not obligation) to cure any deficiency under the lease within thirty (30) days after the expiration of the period in which Franchisee had to cure any such default should Franchisee fail to do so.
7. A provision acknowledging that, in the event the Franchise Agreement for the Franchised Store expires or is terminated: (a) Franchisee is obligated under the Franchise Agreement to take certain steps to de-identify the location as a Gong Cha Store operated by Franchisee; and (b) the lessor will cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement against the Franchisee, including allowing Franchisor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any Proprietary Marks, designs or logos of Franchisor, provided that the lessor shall not be required to bear any expense thereof.
8. A provision that expressly states that the termination of the Franchise Agreement shall constitute a default under the lease.
9. A provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest upon termination or expiration of the franchise grant and/or upon the Franchisee's deficiency under the lease.
10. A provision that expressly requires that, if requested by Franchisor, the lessor of the Premises will provide Franchisor all sales and other information the lessor may have related to the operation of the

Franchised Store.

11. Franchisee is restricted from accepting any requirement under the lease that seeks to impose any restrictions (territorial or otherwise) on the development or operation of other Gong Cha Stores by Franchisee, Franchisor, or any other person or entity.

12. A provision that the lessor agrees that Franchisee may not assign the lease or sublease all or any part of its occupancy rights thereunder without Franchisor's prior written consent.

13. A provision that the lessor's consent to an assignment of the lease or subletting of the Premises will not be required in connection with an assignment or subletting to Franchisor, or any parent, subsidiary or affiliated corporation of Franchisor or Franchisee, or another operator that has been approved by Franchisor to be the franchisee for the Franchised Store.

14. A provision that prohibits the lessor from selling or leasing, or allowing the sublease of, space in the building or on the property to any person or entity for the operation of a retail store offering tea, coffee and juice. Additionally, the lessor shall not sell and shall prohibit any other tenant or subtenant in the building, or on the property, from engaging in operation of a retail store offering tea, coffee and juice. In the event lessor does not comply with these restrictions, Franchisor will have the right to seek an injunction prohibiting the occupancy by the new competing business or against the existing tenant as the case may be.

**FRANCHISE AGREEMENT
EXHIBIT G
STATE-SPECIFIC ADDENDA**

**ADDENDUM TO
GONG CHA® FRANCHISE AGREEMENT
FOR THE
STATE OF CALIFORNIA**

Notwithstanding anything to the contrary set forth in the Gong cha® Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Gong cha franchises offered and sold or operated in the State of California.

1. The California Franchise Relations Act (Business and Professions Code Section 20000 through 20043) provides franchisees with additional rights concerning termination, transfer and non-renewal of the Franchise Agreement and certain provisions of the Franchise Agreement relating to termination, transfer and non-renewal may be superseded by the Act. There may also be court decisions which may supersede the Franchise Agreement and your relationship with Franchisor, including the areas of termination, transfer and renewals of Franchisee's franchise. If the Franchise Agreement is inconsistent with the law, the law will control.

2. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (business and Professions Code Section 20000 through 20043).

3. California Corporations Code Section 31512.1 voids any provision in a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing that disclaims or denies: any representations made to Franchisee by Franchisor or its personnel or agents; Franchisee's reliance on any such representations, the franchise disclosure document, and any exhibit thereto; or any violations of the Franchise Investment Law (California Corporations Code Sections 31000 through 31516).

4. The Franchise Agreement requires application of the laws and forum of Massachusetts. These provisions may not be enforceable under California law.

5. California Civil Code Section 1671 has statutes which restrict or prohibit the imposition of liquidated damages provisions.

6. 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.).

7. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

8. Background paragraph G, and Sections 28.1, 28.2, 28.3, 28.9, and 28.10 of the Franchise Agreement are hereby deleted in their entirety and replaced with the following: "INTENTIONALLY OMITTED".

9. 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.

Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law are met independently without reference to this addendum.

IN WITNESS WHEREOF, the undersigned have executed this addendum as of the date the Franchise Agreement was executed.

FRANCHISOR:
GONG CHA USA FRANCHISING, LLC

By: _____
Name: _____
Title: _____

IF CORPORATION, LLC, OR PARTNERSHIP:
FRANCHISEE:

By: _____
Name: _____
Title: _____

IF INDIVIDUAL:
FRANCHISEE:

Name: _____

**ADDENDUM TO
GONG CHA® FRANCHISE AGREEMENT
FOR THE
STATE OF HAWAII**

Notwithstanding anything to the contrary set forth in the Gong cha® Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Gong cha® franchises offered and sold in the State of Hawaii:

The Hawaii Addendum is only applicable if you are a resident of Hawaii or if your business will be located in Hawaii.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

No release language set forth in the Franchise Agreement shall relieve the franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii.

2. Background paragraph G, and Sections 28.1, 28.2, 28.3, 28.9, and 28.10 of the Franchise Agreement are hereby deleted in their entirety and replaced with the following: "INTENTIONALLY OMITTED".

3. 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.

4. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

5. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

6. This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

Each provision of this Addendum shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this Addendum.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date the Franchise Agreement was executed.

FRANCHISOR:
GONG CHA USA FRANCHISING, LLC

By: _____
Name: _____
Title: _____

IF CORPORATION, LLC, OR PARTNERSHIP:
FRANCHISEE:

By: _____
Name: _____
Title: _____

IF INDIVIDUAL:
FRANCHISEE:

Name: _____

**ADDENDUM TO
GONG CHA® FRANCHISE AGREEMENT
FOR THE
STATE OF MINNESOTA**

Notwithstanding anything to the contrary set forth in the Gong cha® Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Gong cha® franchises offered and sold in the State of Minnesota:

The Minnesota Addendum is only applicable if you are a resident of Minnesota or if your business will be located in Minnesota.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

With respect to franchises governed by Minnesota Franchise Law, Franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that Franchisee be given 180 days' notice for non-renewal of this Franchise Agreement.

To the extent required by the Minnesota Franchise Act, Franchisor will protect Franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols related to the trademarks or indemnify Franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the trademarks, provided Franchisee is using the names in marks in accordance with the Franchise Agreement.

Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

With respect to franchises governed by Minnesota Franchise Law, Franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, Franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the Franchisor shall be effective immediately upon receipt by Franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the Franchisee; (2) the conviction of the Franchisee of an offense directly related to the business conducted according to the Franchise Agreement; or (3) failure of the Franchisee to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the Franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

Minnesota Statutes, Section 80C.21, and Minnesota Rules 2860.4400(J) prohibit Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Franchisee to consent to liquidated damages, termination penalties, or judgment notes. In addition, nothing in the Franchise Agreement can abrogate or reduce (a) any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C; or (b) Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Franchisee cannot consent to Franchisor obtaining injunctive relief. Franchisor may seek injunctive relief.

Any claims Franchisee may have against Franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

Franchisee consents to Franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

2. 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.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

5. This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

Each provision of this Addendum shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the Minnesota Franchise Act are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date the Franchise Agreement was executed.

FRANCHISOR:
GONG CHA USA FRANCHISING, LLC

By: _____
Name: _____
Title: _____

IF CORPORATION, LLC, OR PARTNERSHIP:
FRANCHISEE:

By: _____
Name: _____
Title: _____

IF INDIVIDUAL:
FRANCHISEE:

Name: _____

**ADDENDUM TO
GONG CHA® FRANCHISE AGREEMENT
FOR THE
STATE OF NORTH DAKOTA**

Notwithstanding anything to the contrary set forth in the Gong cha® Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Gong cha® franchises offered and sold in the State of North Dakota:

The North Dakota Addendum is only applicable if you are a resident of North Dakota or if your business will be located in North Dakota.

1. Covenant Not to Compete. Sections 18.3 and 18.5 of the Franchise Agreement are amended to provide that covenants not to compete upon termination or expiration of the Franchise Agreement may be unenforceable, except in certain circumstances provided by law.

2. Waiver. Any references in the Franchise Agreement and to any requirement to consent to a waiver of exemplary and punitive damages are deleted.

3. Release. The North Dakota Securities Commissioner has determined that it is unfair and inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to sign a general release upon renewal of the Franchise Agreement. Therefore, the requirement that the franchisee signs a release upon renewal of the Franchise Agreement is deleted from any place it appears in the Franchise Agreement.

4. Jury Trial. Any references in the Franchise Agreement to any requirement to consent to a waiver of trial by jury are deleted.

5. Governing Law. Any claims arising under the North Dakota franchise law will be governed by the laws of the State of North Dakota.

6. Venue. To the extent North Dakota laws prohibit a franchisor from requiring a North Dakota franchisee to litigate outside North Dakota, Sections 27.3 and 27.4 of the Franchise Agreement are amended to provide that any litigation involving claims arising under the North Dakota franchise law will be brought in federal district court in North Dakota.

7. 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.

8. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

9. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

10. This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

Each provision of this Addendum shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date the Franchise Agreement was executed.

FRANCHISOR:
GONG CHA USA FRANCHISING, LLC

By: _____
Name: _____
Title: _____

IF CORPORATION, LLC, OR PARTNERSHIP:
FRANCHISEE:

By: _____
Name: _____
Title: _____

IF INDIVIDUAL:
FRANCHISEE:

Name: _____

**ADDENDUM TO
GONG CHA® FRANCHISE AGREEMENT
FOR THE
STATE OF WISCONSIN**

To the extent the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07 applies, the terms of this addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

To the extent any of the provisions regarding notice of termination or change in dealership are in conflict with Section 135.04 of the Wisconsin Fair Dealership Law, the Wisconsin law shall apply.

2. Any capitalized terms that are not defined in this addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this addendum, the Franchise Agreement remains unmodified and in full force and effect.

This addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this addendum and the Franchise Agreement, the terms and conditions of this addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this addendum as of the date the Franchise Agreement was executed.

FRANCHISOR:
GONG CHA USA FRANCHISING, LLC

By: _____
Name: _____
Title: _____

IF CORPORATION, LLC, OR PARTNERSHIP:
FRANCHISEE:

By: _____
Name: _____
Title: _____

IF INDIVIDUAL:
FRANCHISEE:

Name: _____

**FRANCHISE AGREEMENT
EXHIBIT H
DATA PROTECTION**

- 1** The Parties must mutually protect all Personal Data that may come into their possession during the Term in accordance with the provisions and principles of the Data Protection Laws and in particular the Franchisee must ensure compliance with Franchisor's security arrangements and ensure the reliability of its staff who have access to any Personal Data held by Franchisor.
- 2** Each Party undertakes to comply with its own data protection obligations, including those under Data Protection Laws.

3 Definitions

For the purpose of this Exhibit H, the following terms shall have the meanings set out below and cognate terms shall be construed accordingly:

- (a) “**Agreed Purposes**” means any operation of the Business in compliance with the conditions of Article 5(1)(b) GDPR;
- (b) “**Customer Data**” means Personal Data pertaining to customers of the Business;
- (c) “**Data Protection Laws**” means applicable legislation protecting the personal data of natural persons, including in particular the UK Data Protection Act 2018, UK GDPR, the Privacy and Electronic Communications (EC Directive) Regulations 2003, national laws implementing the Directive on Privacy and Electronic Communications (2002/58/EC) and/or any applicable local law in the Territory and the GDPR, together with binding guidance and codes of practice issued from time to time by relevant supervisory authorities;
- (d) “**Discloser**” means a party that discloses Personal Data to the other party in the performance of its rights or obligations under this Agreement;
- (e) “**EEA**” means the European Economic Area;
- (f) “**GDPR**” means EU General Data Protection Regulation n°2016/679;
- (g) “**Information Security and Data Privacy Policy**” means the policy set out in Appendix I to Exhibit H, as amended, varied and/or updated by Franchisor from time to time;
- (h) “**Personal Data**”, “**Process/Processing**”, “**Controller**”, “**Processor**”, “**Data Subject**”, “**Personal Data Breach**” and “**Special Categories of Personal Data**” shall have the same meaning as each (or the nearest equivalent) is given in the GDPR;
- (i) “**Privacy Policy**” means the privacy policy of Franchisor as updated from time to time and published on its or Master Franchisor’s website;
- (j) “**Recipient**” means a party who received Personal Data from the other party in the performance of that party’s rights or obligations under the Agreement;

- (k) “**Subprocessor**” means any third party sub-contractor or service provider that processes Personal Data on behalf of the Processor and pursuant to an agreement requiring the third party to comply with the instructions of the Processor (acting on its own behalf or on behalf of the other party);
- (l) “**Restricted Transfer**” means a transfer of Personal Data to a country, a territory or specified sector within a country from Discloser to Recipient that is (but for the operation of this Agreement): (i) not recognized as providing an adequate level of protection for Personal Data under Data Protection Laws (as applicable to the Personal Data transfer); or (ii) is not subject to any safeguards or derogations that would permit the transfer of the Personal Data to the country, territory or sector in accordance with Data Protection Laws (as applicable to the Personal Data transfer);
- (m) “**Staff Data**” means Personal Data pertaining to each of the parties' and their Affiliates' owners, guarantors, offices, directors, members, managers, partners, employees, agents, contractors and any other staff;
- (n) “**Standard Contractual Clauses**” means (a) the standard contractual clauses for the transfer of Personal Data to Controllers established in third countries which do not ensure an adequate level of protection as set out in Commission Implementing Decision (EU) 2021/914 and GDPR, as updated, amended, replaced or superseded from time to time by the European Commission; or (b) where required from time to time by a Supervisory Authority for use with respect to any specific Restricted Transfer, any other set of contractual clauses or other similar mechanism approved by such Supervisory Authority or by Data Protection Laws for use in respect of such Restricted Transfer, as updated, amended, replaced or superseded from time to time by such Supervisory Authority or Data Protection Laws; and
- (o) “**Supervisory Authority**” means (a) an independent public authority which is established by an EU member state pursuant to Article 51 GDPR; and (b) any similar regulatory authority responsible for the enforcement of Data Protection Laws.

4 General Requirements

- (a) Any Restricted Transfer of Personal Data under this Agreement shall only be permissible where the relevant Standard Contractual Clauses have been executed.
- (b) The parties acknowledge and agree that, subject to paragraph 4(c) of this Exhibit H, the applicable Standard Contractual Clauses are incorporated into this Agreement, without further need for reference, incorporation or attachment, and that by executing this Agreement the parties are deemed to have executed the applicable Standard Contractual Clauses as applicable to the relevant Restricted Transfer.
- (c) If any of the applicable Standard Contractual Clauses are invalidated or replaced in any manner that relates to a Restricted Transfer subject to this Agreement, the parties will cooperate in good faith to promptly implement an alternative data transfer mechanism to the extent required by Data Protection Laws.
- (d) All notification obligations covered by this Exhibit H must include notification in writing to the relevant respective contact person for each party:

- (i) Franchisor contact person's name, position and contact details: [to be completed]
 - (ii) Franchisee contact person's name, position and contact details: [to be completed]
- (e) Where acting as a Discloser, each party shall:
- (i) only disclose the Personal Data for the Agreed Purposes, provided that such disclosure is lawful under the Data Protection Laws;
 - (ii) if considered a Controller, ensure that it has (a) procured for a notice to be made available to the relevant Data Subject(s) informing them that their Personal Data will be disclosed to the Recipient or to a category of third party describing the Recipient, and such Data Subject(s) has provided its prior consent to such disclosure or the Discloser established (to the satisfaction of the Recipient) an alternative lawful basis for the disclosure;
 - (iii) ensure that it has obtained any necessary consents or authorisations required to permit the Recipient to freely process the Personal Data for the Agreed Purposes;
 - (iv) only disclose any Special Categories of Personal Data to the Recipient where necessary for the Agreed Purposes and then only having obtained the explicit prior consent of the relevant Data Subjects, or established (to the satisfaction of the Recipient) an alternative lawful basis and Article 9 GDPR processing condition for the disclosure; and
 - (v) be responsible for the security of any Personal Data whilst in transmission from the Discloser to the Recipient.
- (f) Where acting as a Recipient, each party shall:
- (i) not Process Personal Data in a way that is incompatible with the Agreed Purposes (other than to comply with a requirement of applicable law to which the Recipient is subject);
 - (ii) not Process Personal Data for longer than is necessary to carry out the Agreed Purposes (other than to comply with a requirement of applicable law to which the Recipient is subject); and
 - (iii) taking into account the state of the art, the costs of implementation and the nature, scope, context and purposes of Processing, as well as the risk of varying likelihood and severity for the rights and freedoms of natural persons, have in place appropriate technical and organisational security measures to protect the Personal Data against unauthorized or unlawful Processing, or accidental loss or destruction or damage

5 Controller-Controller Relationship

- (a) If and to the extent that the parties act as independent Controllers for the purposes of the Data Protection Laws in relation to the Personal Data (and not as joint Controllers), each party will each act as a separate Controller in relation to the Personal Data which it Processes, as each party independently determines the purposes and means of the Processing.
- (b) The parties will cooperate in good faith to populate Appendix II to Exhibit H (Details of the Controller to Controller Processing) that sets out in further detail the Processing of Personal Data as separate Controllers prior to completion of any transfer of Personal Data between the Parties.

- (c) To the extent that the Processing under this paragraph 5 of this Exhibit H involves a Restricted Transfer, the parties will cooperate in good faith to populate Appendix III to Exhibit H (Controller to Controller Processing – Details required for EU Standard Contractual Clauses) prior to completion of any such Restricted Transfer. The relevant information required for the purposes of the Standard Contractual Clauses is provided in this Agreement at:
 - (i) Appendix II to Exhibit H (Details of the Controller to Controller processing); and
 - (ii) Appendix III to Exhibit H (Controller to Controller Processing – Details required for EU Standard Contractual Clauses).
- (d) The parties shall each comply with their respective obligations under the Data Protection Laws in respect of their processing of Personal Data, including promptly dealing with requests from Data Subjects to exercise their rights in accordance with Data Protection Laws including, but not limited to, promptly notifying the other party regarding a rectification, erasure or restriction of Processing request from a Data Subject.
- (e) Franchisor and Franchisee will each be independently responsible for their respective processing of Staff Data. Franchisee will provide any co-operation and assistance to Franchisor at Franchisor's cost to permit Franchisor to process Staff Data for the Agreed Purposes (including to ensure Franchisee's compliance with its obligations under this Agreement) in accordance with applicable Data Protection Laws, specifically by taking into account the principle of data minimization pursuant to Article 5(1)(c) GDPR. Such co-operation and assistance shall include, without limitation, providing any notice to Data Subjects or obtaining any consent from Data Subjects (if applicable) as Franchisor reasonably requires or requests.
- (f) Franchisee shall, upon request from Franchisor, at any time and for any reason in connection with either party's obligations under this Agreement or Applicable Law, provide to Franchisor any and all Customer Data (or copies thereof) requested by Franchisor provided such provisions can lawfully take place under the Data Protection Law, and the principle of data minimization pursuant to Article 5(1)(c) GDPR is complied with. In the event that Franchisee is prohibited from disclosing such Customer Data to Franchisor by the applicable Data Protection Laws, Franchisee shall, at Franchisor's cost, provide all reasonable assistance and take all reasonable steps to permit the disclosure (including providing notice to affected Data Subjects or (if applicable) obtaining their consent in accordance with Franchisor's documented, lawful instructions).
- (g) With respect to its processing of Personal Data, Franchisee agrees that:
 - (i) it will comply with all Data Protection Laws, regulations, and regulatory guidance applicable to the processing of Personal Data and any reasonable policies, procedures or guidelines notified to Franchisee by Franchisor from time to time, including all relevant sections of the Manual, provided the content thereof aligns with the applicable Data Protection Laws;
 - (ii) it will not knowingly process Personal Data in such a manner as to cause Franchisor to breach any of its obligations under the applicable Data Protection Laws;
 - (iii) any advice, guidance, information (written or otherwise) or documents in respect of applicable Data Protection Laws provided by Franchisor to Franchisee shall not prevent Franchisee from providing greater protection for Personal Data and, except in the case of

negligence or wilful default or breach of law, no warranty, representation or guarantee, whether express or implied, is given that such guidance, information or documentation is correct, complete or accurate;

- (iv) except in the case of its negligence, wilful default or breach of law, Franchisor shall not be liable to Franchisee in respect of any such advice, guidance, information or documentation or for any failure of Franchisee to comply with its obligations pursuant to the applicable Data Protection Laws; and
- (v) Franchisee will notify Franchisor if, in its opinion, complying with Franchisor's guidance, information or documentation will cause Franchisee and/or Franchisor to breach any Data Protection Laws.

6 Controller-Processor Relationship

- (a) For the purposes of this paragraph 6 of Exhibit H, the term “Processor” shall mean the party that Processes Personal Data on behalf of the other party where so designated, including by the Manual. To the extent that either party processes Personal Data as a Processor for the purposes of the Data Protection Laws, that party will comply with the obligations applicable to it under Data Protection Laws, including any obligations required to be incorporated into agreements or other binding instruments by virtue of Franchisor's designation as a Processor pursuant to the applicable Data Protection Laws.
- (b) Where Franchisor is a Processor, Franchisor will enter into agreements with Subprocessors which meet the requirements of the applicable Data Protection Laws and ensure that such agreements permit Franchisee to exercise any rights against such Subprocessors as are required to permit Franchisee to comply with applicable Data Protection Laws.
- (c) Subject to paragraph 6(b) of this Exhibit H, if Franchisee’s documented authorization is required, Franchisee hereby provides general authorization for the appointment of Subprocessors as notified to it by Franchisor.
- (d) Franchisee may object to the appointment of a Subprocessor referred to in paragraph 6(c) of this Exhibit H only if it can reasonably demonstrate that the appointment of the Subprocessor will cause Franchisee to be in breach of applicable Data Protection Laws, in which case Franchisor (as applicable) and Franchisee will agree to a reasonable solution.
- (e) Franchisee agrees and confirms that, when acting as Processor for Franchisor in relation to Customer Data, Franchisee shall:
 - (i) only process Customer Data on the documented and reasonable instructions of Franchisor unless required to process that Customer Data for other purposes by applicable law. Where such a requirement is placed on Franchisee, it shall provide prior notice to Franchisor unless the relevant applicable law prohibits the giving of notice on important grounds of public interest;
 - (ii) limit access to Customer Data to those employees or other personnel who have a business need to have access to such Customer Data. Further, Franchisee shall ensure that such employees or other personnel have agreed in writing to protect the confidentiality and security of such

Customer Data in accordance with the provisions of this Agreement or are under a statutory or other obligation of confidentiality;

- (iii) inform Franchisor if, in the opinion of Franchisee, Franchisor's instructions would be in breach of Data Protection Laws;
- (iv) ensure that, where required by Data Protection Laws, it obtains prior written approval from Franchisor (as applicable) prior to appointing any Subprocessor to Process Customer Data and has a written contract with any Subprocessors it engages to process Customer Data. That contract must impose obligations on the Subprocessor equivalent to those set out in this Exhibit H as applicable, and Franchisee shall ensure the Subprocessor complies with those obligations and the Subprocessor does not carry out a Restricted Transfer (as a data exporter) unless an appropriate data transfer mechanism such as the Standard Contractual Clauses is in place;
- (v) in the event of a Personal Data Breach concerning Customer Data Processed by Franchisee, Franchisee shall take appropriate measures to address the Personal Data Breach, including measures to mitigate its possible adverse effects, and if the Personal Data Breach is likely to result in significant adverse effects and reputational damage for Franchisor, Franchisee shall without undue delay, and in no event later than two Business Days after discovery of the Personal Data Breach, notify Franchisor. If Franchisee determines it is necessary to notify the Personal Data Breach to any relevant Supervisory Authority or Data Subject(s), Franchisee will notify Franchisor in writing in advance and coordinate with Franchisor before submitting any notification to the relevant Supervisory Authority or Data Subject(s). Franchisee shall document all relevant facts relating to the Personal Data Breach including its effects and any remedial action taken;
- (vi) promptly, and by no later than two Business Days, notify Franchisor if Franchisee receives a request from a Data Subject attempting to exercise his/her rights under Data Protection Laws. Franchisee shall act promptly, and any event within 20 calendar days, in accordance with Franchisor's reasonable instructions when dealing with that request in order to fulfil Franchisor's obligation to respond to requests from Data Subjects exercising their rights under Data Protection Laws;
- (vii) permit Franchisor to audit (by itself or using independent third-party auditors) Franchisees' compliance with this Agreement (including the technical and organisational measures as set out in Appendix I to Exhibit H (Information Security and Data Protection Policy)) and comply with the reasonable requests with reasonable notice of Franchisor to audit its Subprocessors' compliance with the written contracts Franchisee has entered into with the Subprocessors. Franchisee shall make available to Franchisor on request all information necessary to demonstrate compliance with this Agreement, as well as the audit reports regarding the Subprocessors' compliance of the written subprocessing contracts;
- (viii) promptly, and in any event within 90 days of the date of termination of this Agreement or its expiry (or within such shorter timeframe as may be required by this Agreement): (i) return a complete copy of all Customer Data by secure file transfer in such a format as notified by Franchisor, at Franchisor Cost, to Franchisor; and (ii) where instructed by Franchisor, delete and procure the deletion of all other copies of Customer Data Processed by Franchisee or any Subprocessors; and (ix) provide reasonable assistance at Franchisor's cost, to Franchisor to

conduct a privacy impact assessment (and any related consultations) where required under Data Protection Laws.

- (f) Franchisee shall, in its capacity as Processor, promptly inform Franchisor of any Personal Data transfers of Franchisee outside the EEA.
- (g) Where Processing is to be carried out on behalf of one of the parties, the other party must provide reasonably sufficient guarantees to implement technical and organisational measures to meet data protection requirements.
- (h) Where required, the parties will cooperate in good faith to enter into a data processing agreement containing obligations equivalent to those set out in this paragraph 6 of Exhibit H, prior to completion of any transfer of Personal Data, that is binding on the party acting as a Processor that sets out the Processing of Personal Data and all required information and obligations by applicable Data Protection Laws. In so far the data processing agreement applies to the Processing of Customer Data by Franchisee in its capacity of a Processor, the conflicting provisions in that agreement will not have precedence over the provisions in paragraph 6(e) of this Exhibit H.
- (i) The Processor shall indemnify and hold harmless the Controller against all claims and proceedings and all losses reasonably incurred by the Controller (and/or any of its Affiliates) as a result of or in connection with any successful claim made or brought by a Data Subject or other person in respect of any loss caused to it as a result of or in connection with any breach of the Data Protection Laws by the Processor, its employees or agents.

7 Information Security and Data Privacy Policy

Franchisee shall at all times comply, and request that its Affiliates comply, with the Information Security and Data Privacy Policy set out at Appendix I to Exhibit H.

8 Further Co-operation and Assistance

- (a) Each party shall co-operate with the other, to the extent reasonably requested, in relation to:
 - (i) any requests from Data Subjects exercising their rights under Data Protection Laws;
 - (ii) any other communication from a Data Subject concerning the Processing of their Personal Data; and
 - (iii) any communication from a Supervisory Authority concerning the Processing of Personal Data, or compliance with the Data Protection Laws.
- (b) Franchisee shall be responsible for implementing and complying with its Privacy Policy and ensuring its compliance with the Data Protection Laws.
- (c) In connection with the Privacy Policy, Franchisee, shall, within one year of the Effective Date, amend the Privacy Policy to include Master Franchisor and its Affiliates as persons with whom Franchisee, in its capacity as a Controller, may share Customer Data to the extent lawfully permitted under the Data Protection Laws. The parties agree that they may share Customer Data based on legitimate interests as defined under applicable Data Protection Laws and shall co-operate and take all necessary actions to that end.

Appendix I to Exhibit H Information Security and Data Protection Policy

1. Definitions

In this Appendix I, the following terms have the meanings set out below:

“Payment Card Data” means credit and debit cardholder data;

“Personal Information” means any information that identifies, relates to, describes, or is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular individual or household, including, but not limited to, his or her name, social security number, physical characteristics, physical address, email address, telephone number, government issued ID number, unique identifier, financial information (e.g. credit card number) or medical information, or any other information that qualifies as “personal information” as such term (or the nearest equivalent) is defined in applicable country level Data Protection Laws and all Personal Data, and “Personal Information” shall be deemed to be Confidential Information for the purposes of this Agreement; and

“Security Incident” means the indication or reasonable belief that systems have been compromised, which may lead to (a) the actual or suspected unauthorized access, use, disclosure, modification, storage, destruction or loss of business and/or personal information in the possession, custody or control of the Franchisee or its suppliers; or (b) compromise any of the physical, technical, administrative or organisational safeguards put in place by Franchisee that relate to the protection of the security, confidentiality or integrity of Personal Information or other data relevant to Business operations.

2. Policy Purpose

Franchisee needs a considerable amount of Confidential Information and Personal Information to advance and operate the Business and continually enhance the employee and customer experience. Information security and data privacy policies are designed to optimize technology and information value while mitigating cybersecurity risks and addressing legal and compliance requirements. Applicable Franchisees shall comply with all security policies outlined in this Appendix I (this "**Policy**").

3. Policy Scope

This new global Policy applies to all Confidential Information that is collected, processed, stored, or transmitted on systems, networks, platforms, databases, firewalls, switches, routers, WIFI devices, websites, mobile apps, CCTV, and all restaurant devices (e.g., POS, Kiosk, etc.) that are owned, operated, or used by the Franchisee, including third-party systems contracted on behalf of the Franchisee.

4. Applicable Laws And Regulations

Applicable Franchisees shall comply with all applicable data security and data privacy laws and regulations governing the region, country, province, or territory in which they operate.

5. Data Security And Privacy Program

Franchisee shall maintain a comprehensive written and evidenced data security, and data privacy program to ensure reasonable measures consistent with policies outlined in this Appendix I, are used to protect the confidentiality, integrity and availability of Confidential Information and Personal Information. Such

programs should be included in a broader risk management program to address enterprise, operational, and vendor risks.

6. Right To Audit

Franchisor reserves the right, with reasonable notice, to audit and inspect Franchisee data security and data privacy program, risk management program, supplier management program, and security services. Upon request, Franchisee shall make available documentation sufficient to demonstrate compliance with all requirements outlined in this Policy. Such documentation will include a copy of all third-party certifications and or audits in their then-most-current form, that relate to Franchisee's compliance with data security, data privacy, or information security requirements.

7. Payment Card Data Security

Where Franchisee is responsible for processing, storing and or transmitting Payment Card Data (credit or debit card data), Franchisee shall ensure that Franchisee or third-parties providing payment card services on behalf of the Franchisee, is and shall continuously remain fully compliant with all applicable local laws and regulations including, but not limited to the payment card data security and compliance requirements as required by the merchant bank, acquiring bank or payment card agreement.

8. User Access And Password Security

8.1 Authentication

Franchisee systems shall utilize industry accepted sign-on requirements, including Multifactor Authentication (MFA) and Single Sign-On (SSO). Franchisee shall implement remote access controls to authenticate all users, limit activity to required system resources and data, audit log activity while on the network, and connections are encrypted.

8.2 Password

Franchisee systems and platforms shall be secured with passwords. Franchisee shall implement technical and organizational controls for password configurations and management that meet or exceed widely accepted industry requirements. Franchisee shall change all default vendor supplied passwords. Passwords must be used to authenticate the identity of the user prior to accessing the information asset. User account passwords must be changed during the first login session and whenever a password is reset by anyone other than the user.

8.3 User Accounts

Franchisee user accounts shall be created and revoked through a standard approval process. User accounts uniquely assigned to individuals shall not be shared. User accounts used on devices such as routers, switches, and firewalls etc., shall be unique to each restaurant. User accounts shall be identified as privileged, restaurant, service, or user. Default user accounts shall be identified and disabled or removed from device and have required assignment of access that enforces separation of duties.

8.4 User Access

Franchisee shall ensure user access to systems is appropriate and in-line with current job function or

role, and such access is not excessive and is restricted solely to what is needed to perform their job function or job responsibility. User access shall be reviewed at least annually or as users change job functions.

9. Network And Firewall Security

Franchisee shall implement controls and procedures to secure and monitor networks and systems that provide connectivity and process business and restaurant data.

Network access controls are present at any boundary between a trusted network and or any untrusted or public network. All external (internet) facing applications must be protected following the three-zone network layer architecture. Internet Zone to DMZ Zone to Trust Zone.

Network access controls are implemented to detect, prevent and alert on unauthorized devices connected to the network. Scans for unauthorized network devices must be performed continuously.

Unauthorized devices found are disabled immediately and prevented from connecting to the network. If an unauthorized intrusion has been identified, Franchisee shall take reasonable measures to mitigate such issue and or shut down access or connectivity until proof of the intrusion or incident has been mitigated.

10. Cryptographic Controls

Franchisee shall encrypt Confidential Information and Personal Information in-transit and at rest, including communications from external web services to internal Franchisee systems. Transmission of data between a device and wireless access point, open or public networks, as well as virtual private networks shall be encrypted. Only trusted keys and/or digital certificates to store, process and/or transmit data shall be used. Encryption methods and technologies utilized shall be limited to industry accepted encryption methods. The use of proprietary encryption algorithms is prohibited.

11. Endpoint Protection

Franchisee shall ensure that industry accepted anti-malware software is utilized and continuously active on all business-critical systems, such as restaurant level devices. Franchisee shall ensure anti-malware software is kept up to date with releases provided by the software vendor. Franchisee shall ensure anti-malware software settings cannot be disabled or modified.

12. System Event Logging And Monitoring

12.1 Event Logging For business-critical systems, including, but not limited to systems and platforms supporting ecommerce or network capabilities, Franchisee shall implement effective audit logging and monitoring processes covering user access and system events and log collection.

12.2 Log Review and Retention System administrators shall be alerted to all suspected unauthorized attempts to access, manipulate or disable associated systems, data or application services. Processes shall be in place to prevent unauthorized modifications to logs and audit trails. All systems should be set to UTC universal time standard. Alerts shall be actively monitored, and security event logs will be maintained for at least a minimum of 90 days.

13. Application Design, Development, And Maintenance

Franchisee shall implement development policies, controls, and procedures to support a secure System Development Life Cycle (SDLC). This requires the involvement of trained security personnel in product development and implementation, and verification that development and software products meet security requirements prior to migrating code changes to production. The secure SDLC incorporates leading practices including, but not limited to authentication, authorization, and access control; data validation, transmission, and storage; cryptography; session management; and error handling. When performing website development, Franchisee shall comply with Open Web Application Security Project (OWASP) Top 10 Controls.

14. Website And Mobile App Security (Applicable When Ecommerce Platforms And Mobile Apps Are Operated And Controlled By Franchisee)

For websites and mobile apps that support ecommerce capabilities and the collection of Personal Information (such as Customer Data), Franchisee may utilize Franchisor Approved Security Services, at its own expense, where available. When Franchisee elects not to use Franchisor Approved Vendor Security Service (being those services noted with an * below), Franchisee shall select an equivalent service aligned to the requirements outlined in this Policy and provide evidence of compliance.

14.1 Domain and certificate management

Register all websites using an industry standard website domain and certificate service.

14.2 Web application firewall (WAF)

Use an industry standard website protection service to mitigate website attacks, outages and user account takeovers.

14.3 Penetration testing

Use an industry standard penetration testing service to identify and remediate security exploits.

14.4 Website scanning

Use an industry standard website scanning service to identify and remediate known system vulnerabilities.

14.5 Data encryption

Encrypt personal information in-transit and at-rest using industry accepted encryption methods. Use https throughout the entire website to ensure a secure session. HTTP or mixed content implementations are not permitted. Use secure connections between interconnected systems and applications (HTTPS, TLS 1.2+, VPN, SFTP).

14.6 Access and Authentication

Require authenticated access for the ability to view or modify Personal Information. Encrypt remote connections and require multifactor authentication.

14.7 Secure payment gateways

Only leverage payment gateway providers approved by country level bank.

15. Vulnerability Management

15.1 Requirements Franchisee shall perform vulnerability scanning on all business-critical production systems and platforms (including restaurant devices) on a scheduled or regular basis prior to initial move to production, prior to deploying updated system images and after any major upgrade or modification. Scans shall be conducted using an automated vulnerability scanning software or a commercial vulnerability scanning service. Scans shall leverage credentials created and supplied to facilitate authenticated scanning on systems.

15.2 Patch Management Franchisee shall implement a patching process to identify and remediate vulnerabilities on a timely basis. When vulnerabilities are identified they are patched in a timely manner in line with critically of issue. Patches are to be tested prior to deployment to production.

16. Security Incident Management Plan, Notification, And Remediation

16.1 Plan

Franchisee shall maintain an incident management plan to address a potential event of a Security Incident. Franchisee shall review the plan on a periodic basis and test annually to ensure the adequacy of the response process and associated procedures. Franchisee shall designate, and train specific personnel with security incident responsibilities to actively support and respond to alerts.

16.2 Notification

Franchisee shall immediately notify Franchisor in writing of any Security Incident, or suspected Security Incident that may result in the unauthorized access to, collection, use or disclosure of or access to confidential or personal information.

16.3 Remediation

Franchisee shall comply with Franchisor's requests and will make all reasonable efforts to assist Franchisor in relation to the investigation of any incident. Franchisee shall take all necessary and appropriate steps to adequately address the cause of any security incidents to Franchisor's satisfaction and to remedy any breach of security and any claim allegation, action, proceeding or litigation with respect to the unauthorized access, use or disclosure of the personal information.

17. Systems And Data Backup

Franchisee shall regularly back up data and regularly test its back-up processes to ensure that they are effective and that they can be completed within operation guidelines for recovery. Timing and frequency of system and data backup and recovery processes shall be aligned requirements outlined by the business.

18. Physical Security

Franchisee shall ensure the use of appropriate facility entry controls (e.g., authorized/guest access, badge readers, id cards, etc.) to limit and monitor physical access to systems.

Appendix II to Exhibit H
Details of the Controller to Controller Processing

The table below describes the sharing of Personal Data between the parties in accordance with their obligations under Exhibit H.

The parties acknowledge that the table below may not represent a complete list of the sharing of Personal Data between the parties. Where certain sharing of Personal Data are not referenced in the table below but are being undertaken by the parties, the parties agree and acknowledge that this Agreement will apply to such sharing where applicable. The parties agree that if they identify any additional data sharing activities that have not been included in the table below (or any subsequent amendments or updates to the table) that they will notify the other party and agree to make any necessary amendments to the table.

Name of Discloser	Name of Recipient	Categories of Data Subjects	Categories of Personal Data	Special Categories of Personal Data (if applicable)	Nature and purpose(s) of Processing	Maximum data retention periods	Where there is a Restricted Transfer, specify whether it takes place on either (i) a one-off basis; or (ii) repeated basis

Appendix III to Exhibit H
Controller to Controller Processing – Details Required for EU Standard Contractual Clauses

Reference	Option Selected
Clause 7 – Docking clause (optional)	This optional clause is not selected
Clause 11	The Recipient shall inform Data Subjects in a transparent and easily accessible format, through individual notice or on its website, of a contact point authorized to handle complaints. It shall deal promptly with any complaints it receives from a Data Subject
Clause 17 – Governing law	The Clauses in this Agreement shall be governed by the law of one of the EU Member States, provided such law allows for third-party beneficiary rights. The parties agree that this shall be the law of the United Kingdom.
Clause 18 – Choice of forum and jurisdiction	The parties agree that those shall be the courts of the United Kingdom.
Annex 1A – List of parties	Organization name and address can be found at the parties section of this Agreement. Contact person’s name, position and contact details can be found in Clause 18.4(d) of this Agreement. Activities relevant to the data transferred under these Clauses can be found in Appendix II (Details of the Controller to Controller Processing). Signature and date can be found in the signatory page of this Agreement
Annex 1B – Description of transfer	This information can be found in Appendix II (Details of the Controller to Controller Processing). To the extent applicable, the descriptions of safeguards applied to special categories of Personal Data can be found in Appendix I (Information Security and Data Protection Policy).
Annex 1C – Competent Supervisory Authority	The Parties have identified the competent supervisory authority in accordance with clause 13 of the EU Standard Contractual Clauses as: United Kingdom Information Commissioner’s Office
Additional contractual protections (if any) identified as part of a transfer impact assessment	The Recipient shall: [●]

FRANCHISE AGREEMENT
EXHIBIT I
FORM OF PROFIT AND LOSS STATEMENT FOR A GONG CHA STORE

Outlet P&L Metrics	Comments
Net Sales	Required disclosure of split between i) Category (LTO, Standard etc.), ii) Sales Channel (Takeaway, Dine in, Delivery, etc.) & iii) Asset type (Flagship, Standard format, Kiosk, etc.)
Cost of Sales (COS)	Required disclosure of split as per detail set out above
Cost of Labor (COL)	Required disclosure of split between Crew and Management Team. Need to disclose TPLH (Transaction per Labor Hour) excluding corporate G&A Required disclosure of Corporate G&A (if included here)
Delivery	Required disclosure of Aggregator commission and service fee expense with split per Aggregator in terms of cost and number of orders
Rent	Required disclosure of split between Rent and other associated costs Clarification of cost structure (variable and/or fixed)
Depreciation	Required disclosure of depreciation periods per asset category Any other detail (if available) to be disclosed
Marketing	Required disclosure of split of Brand Marketing Fees and Regional Marketing Fees
Royalties	

FRANCHISE AGREEMENT
EXHIBIT J
SPECIAL LICENSED PRODUCTS APPLICATION FORM

Attention:

- (1) **You are required to submit weekly sales reports by the 3rd Business Day after the close of each Week (as these terms are defined in the Franchise Agreement) and update special licensed products lists stating all items sold, including discontinued-products at current**, to us for reference, for calculating the payment of royalty fees, as well as for censoring sales data. **Thus, equipped with Point-of-Sale System to link and integrate all stores sales is necessary.**
- (2) **Without having our approval in advance, no special licensed products can be sold or used in the menu items.** We will give feedback in 7 working days after receiving your application to confirm if the application is accepted or not, or more data is required.
- (3) Your application along with the sample will be reviewed by our R&D department and QA department. It takes 30 working days for the whole procedure to gain our approval if the quality and SOP of the ingredients or products are tested safe and secure. However, it might take longer if there's anything in question at our sole and absolute discretion. **Thus, please file your application at least 3 months before proposed launching schedule.**
- (4) **Samples must be provided for testing and review. If not available, please specify reasons. Otherwise, the procedure will only be initiated upon receiving the sample of applied ingredients.**
- (5) The form can be modified from time to time we deem necessary.
- (6) By submitting the application form, Master Franchisee agrees that Franchisor may share or modify the sop and recipe of applied products with other regions at its sole discretion.

- Application Date:
- Area:
- Applied Reason:

Result:

- For new menu item (Gong Cha made drinks)
 - Seasonal limit (Gong Cha made drinks)
 - Complimentary product (deserts, pastry, bottles, tumblers... for sale)
 - Ready-to-drink products
 - Others
-

Item/Name	
Brand	
Name and Address of Supplier/Manufacturer	
Ingredients Composition & Percentage	
SOP & Size	
Specification	
Selling Price (tax-inclusive & tax- exclusive price)	
Shelf Life	
Storage method	
	<input type="checkbox"/> Sample sent, dated _____
Required Equipment	
Duration of Selling	From _____ (month) _____, (year) to (month) _____, (year) _____
Outlet of Selling	
Pictures (taken from top, bottom, front, back, right and left)	
Disclaimer	<p>By filing this application, you have expressly acknowledged and agreed that:</p> <ul style="list-style-type: none"> - Applicant has to take full responsibility of the safety, sanitation and quality of the item hereof. - If the item is claimed non-compliance with local regulations, this approval shall become void immediately and Applicant has to cease using and selling the products without objection. - All local sourcing ingredients are limited to temporarily use only unless there's any legal problem to import same ingredients from us or our affiliate. Once we or our affiliate provide similar substitute, the approval will be withdrawn at our sole and absolute discretion any time. - We and our affiliates have right to use and share the SOP and product info to other areas, including but not limited to develop new menu items based on the SOP here provided for other areas, to make modification, to source and develop same items and designs and so on. Applicable sections of the Franchise Agreement, including without limitation those relating to the ownership of "Improvements" shall be applicable for such applications.

Royalty Fee Rate	
Remarks	

Applicant's Signature _____

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EXHIBIT H
AREA DEVELOPMENT AGREEMENT AND ATTACHMENTS:
DEVELOPMENT AREA; DEVELOPMENT SCHEDULE; GUARANTY,
INDEMNIFICATION, AND ACKNOWLEDGMENT; LEASE TERMS;
SELECTION CRITERIA; AND STATE-SPECIFIC ADDENDA

GONG CHA® AREA DEVELOPMENT AGREEMENT

DEVELOPER

EFFECTIVE DATE OF AGREEMENT

GONG CHA USA FRANCHISING, LLC
2024 Area Development Agreement

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- A – DEVELOPMENT AREA; DEVELOPMENT SCHEDULE
- B – GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGEMENT
- C – LEASE TERMS
- D – SELECTION CRITERIA
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GONG CHA®
AREA DEVELOPMENT AGREEMENT

This **AREA DEVELOPMENT AGREEMENT** (this “**Agreement**”) is made and entered into on this _____ day of _____, 20____ (the “**Effective Date**”), by and between:

- ◆ GONG CHA USA FRANCHISING, LLC a limited liability company organized in Delaware, having offices at 200 Clarendon St., Suite 5600, Boston, Massachusetts 02116 (“**Franchisor**”); and
- ◆ _____ a [resident of] [corporation organized in] [limited liability company organized in] [*select one*], having offices at _____ (“**Developer**”).

BACKGROUND:

A. Franchisor’s parent and predecessor Gong Cha Global Limited, a limited liability company formed in England and Wales, whose registered office is at 2nd Floor 20 Midtown, 20 Procter Street, Long, England, WC1V 6NX (“**GCG**”), is the owner of the System (as defined below), including the mark “Gong cha” and other Proprietary Marks (as defined below).

B. Pursuant to an “**IP License Agreement**,” GCG has granted to Franchisor for an ongoing license and royalty fee the exclusive right to use, and license the right to use, GCG’s intellectual property and proprietary rights relating to the System, including the Proprietary Marks, in the United States and, to among other things, offer and sell Gong cha® master, multi-unit and unit franchises, operate Gong cha® stores, and provide support and coordinate the distribution of Proprietary Products (as defined below) and other items to US master franchisees and Gong cha® stores.

C. Franchisor grants to qualified developers the right to develop, own and operate multiple Gong cha® stores within a defined geographic area, provided such developers continuously meet the agreed-upon development schedule and Franchisor’s heightened standards of performance for developers.

D. Developer desires to obtain the right to develop and operate multiple Franchised Stores (as defined below) under the System and using the Proprietary Marks and within the Development Area (as defined below), and wishes to enter into this Agreement for that purpose.

E. Developer acknowledges that it has read this Agreement and Franchisor’s Franchise Disclosure Document and that it understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor’s high standards of quality and service and the uniformity of those standards at all Franchised Stores in order to protect and preserve the goodwill of the Proprietary Marks and the brand. Developer understands and accepts that the signing of any Franchise Agreement for a Franchised Store is conditioned on Developer’s receipt of Franchisor’s Franchise Disclosure Document and compliance with applicable waiting periods, and the opening and any Franchised Store is conditioned on the parties validly executing a Franchise Agreement in advance of such opening.

F. Developer has applied for franchise development rights to own and operate multiple Franchised Stores within the Development Area, and such application has been approved by Franchisor in reliance upon all of the representations, warranties and covenants made herein.

NOW, THEREFORE, in consideration of the representation, warranties, and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **DEFINITIONS**

1.1. “**Competitive Business**” means (i) any business with sales of tea products equal to or greater than fifty percent (50%) of total sales; and/or (ii) any retail store or other business that is the same as or similar to a Gong cha® store.

1.2. “**Confidential Information**” means any and all information, knowledge, know-how, methods, and techniques that may be communicated to Developer by Franchisor or its affiliates or of which Developer may be apprised by virtue of Developer’s operation under the terms of this Agreement concerning Franchisor or its affiliates, including GCG, other Gong cha® stores or franchisees, or the System, the Products and/or the marketing, management or operations of Franchised Stores (regardless of whether or not Franchisor has specifically designated it as “confidential”), except information which Developer can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor or its affiliates to Developer, had become or later becomes a part of the public domain, through publication or communication by others who are lawfully entitled to publish or communicate that information.

1.3. “**Business Day**” shall mean a day, other than a Saturday or Sunday, or a national holiday in the United States.

1.4. “**Development Schedule**” means the cumulative number of Franchised Stores Developer is required to open and operate under this Agreement, as set forth in Attachment A to this Agreement.

1.5. “**Development Area**” means the geographic area described in Attachment A to this Agreement.

1.6. “**Franchise Agreement**” means the then-current form of agreements (including franchise agreement and any attachments, and other documents referenced therein), that Franchisor customarily uses in granting franchises for the operation of a Gong cha® store. Developer acknowledges that Franchisor, in its discretion, may modify the standard form of Franchise Agreement customarily used in granting Gong cha® stores.

1.7. “**Franchise Disclosure Document**” means the then-current franchise disclosure document issued by Franchisor for use in the state or states where the Development Area will be located.

1.8. “**Franchised Store**” means a Gong cha® store developed and operated by Developer under a Franchise Agreement with Franchisor.

1.9. “**Manuals**” shall mean collectively the standard operating manuals, information sheets, notices or other documents prepared by Franchisor for use by Gong cha® franchisees, setting forth policies, procedures, instructions, guidelines standards, specifications and principals relating to the operation of Gong cha® stores, as the same may be amended, replaced or supplemented by Franchisor from time to time. Manuals contain both required (or mandatory) provisions and recommended (or suggested) provisions.

1.10. “**Non-Traditional Sites**” means outlets that serve primarily the customers located within a facility, such as captive audience facilities (examples include parks charging admission, sports arenas, stadiums, theme and amusement parks and centers, casinos, theaters and art centers), limited purpose facilities (examples include airports, transportation terminals, department stores, in-door shopping centers, office buildings, business and industrial complexes – including corporate cafeterias, hotels, museums, health clubs, educational facilities – including schools, college and university campuses, hospitals, art centers, and recreational parks), limited access facilities (examples include military complexes, buyer club businesses, convention centers, business and industrial complexes), and other types of institutional accounts.

1.11. “**Proprietary Marks**” means the certain indica of origin, emblems, trade names, service marks, logos, and trademarks, including applications and/or registrations therefor, as are now designated and may hereafter by designated by Franchisor or GCG in writing for use in connections with the System, including the mark “Gong cha” and any other marks.

1.12. “**Proprietary Products**” means the tea, coffee and juice, along with related products and services, as well as proprietary recipes, formulas, and techniques, designated from time to time.

1.13. “**Products**” means, collectively, the Proprietary Products, as well as any other non-proprietary food, beverage, and other compatible items designated from time to time.

1.14. “**Principal**” means any individual who owns a beneficial interest in Developer, if Developer is a corporation, limited liability company, partnership, or other entity.

1.15. “**System**” means Franchisor’s proprietary system relating to the establishment and operation of stores, which operate at retail locations that display proprietary interior and exterior trade dress and feature and operate under the Proprietary Marks and offer and selling Products, including Proprietary Products.

1.16. “**Transfer**” means any transfer, pledge or encumbrance of (i) the rights and/or obligations of Developer under this Agreement or any Franchise Agreement, (ii) any material asset of Developer or any Franchised Store, or (iii) any ownership interest of a Principal in Developer.

2. **DEVELOPMENT RIGHTS AND OBLIGATIONS**

2.1. **Term of Agreement.** Subject to earlier termination as provided herein, this Agreement is for a term commencing on the Effective Date stated on the cover page, and expiring on _____, 20____ (the “**Term**”).

2.2. **Developer’s Territorial Rights.** Except as described in this Agreement, if Developer: (i) is in full compliance with the conditions contained in this Agreement, including the satisfaction of all development obligations as stated in the Development Schedule; and (ii) is in full compliance with all obligations under each Franchise Agreement entered into between Franchisor and Developer for each individual Franchised Store; then, during the Term of this Agreement, Franchisor will: (a) grant franchises to Developer to own and operate Franchised Stores located within the Development Area (under a separate Franchise Agreement for each Franchised Store); and (b) not operate (directly or through an affiliate), or grant a franchise to a third party to operate, any Gong cha® store within the Development Area, except franchises granted to Developer. If Developer fails to comply with the Development Schedule, Franchisor may terminate this Agreement under Section 8.

2.3. **Development Obligations.** During the Term of this Agreement, Developer will honestly and diligently perform Developer's obligations and continuously exert Developer's best efforts to promote and enhance the development of Franchised Stores within the Development Area. Developer agrees to open and continue to operate the cumulative number of Franchised Stores as required in the Development Schedule and to comply with the Development Obligations described on Attachment A to this Agreement.

2.4. **Business Closings.** A Franchised Store which is permanently closed with Franchisor's approval after having been open will be deemed open and in operation for purposes of the Development Schedule if a replacement Franchised Store is open and in operation within six (6) months from the date of closing. A replacement Franchised Store does not otherwise count toward the Development Schedule and would be subject to the applicable "Relocation Fee" under the applicable Franchise Agreement.

2.5. **Franchisor's Reservation of Rights.** The Development Area granted to Developer does not restrict Franchisor from soliciting or accepting orders from consumers within Developer's Development Area. Notwithstanding Section 2.2, Franchisor, directly or through Franchisor's affiliates, and with no obligation to compensate Developer or seek Developer's approval, reserves and retains the following rights:

2.5.1. To own, acquire, establish, and/or operate, and license others to establish and operate, Franchised Stores under the System at any location outside the Development Area, notwithstanding their proximity to the Development Area or their actual or threatened impact on sales of the Franchised Stores;

2.5.2. To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar to or different from the Franchised Stores, at any location within or outside the Development Area, notwithstanding their proximity to the Development Area or their actual or threatened impact on sales of the Franchised Stores;

2.5.3. To own, acquire, establish, and/or operate and license others to establish and operate, Franchised Stores under the Proprietary Marks at Non-Traditional Sites at any location within or outside the Territory;

2.5.4. To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Products) through grocery or convenience stores or through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the internet, including those products bearing the Proprietary Marks, provided that distribution within the Development Area shall not be from a Franchised Store established under the System that is operated from within the Development Area;

2.5.5. To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Products) to any customer, business or enterprise located within or outside the Development Area through any delivery or catering process determined in Franchisor's sole discretion, including those products bearing the Proprietary Marks, notwithstanding the actual or threatened impact on sales of the Franchised Stores; and

2.5.6. To (i) acquire one or more retail businesses that are the same as, or similar to, Franchised Stores then operating under the System (each an "**Acquired Business**"), which may be at any location within or outside the Development Area, notwithstanding their proximity to the Development Area or their actual or threatened impact on sales of the Franchised Stores, and to (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Franchised Store under the System, subject to the following conditions that apply to each Acquired Business located within the Territory:

2.5.6.1. Except as provided in Section 2.5.6.2., and provided that Developer is in compliance with this Agreement and any other agreement with Franchisor, Franchisor will offer to Developer the option to purchase and operate, as a Franchised Store, an Acquired Business that is purchased by Franchisor for operation by Franchisor or its affiliates. Franchisor will provide Developer with written notice of Franchisor's purchase of the Acquired Business(es), the terms and conditions applicable to Developer's option to purchase such Acquired Business(es), and such other information that Franchisor deems necessary to include in the notice. The terms and conditions offered to Developer will include the following: (a) the purchase price will be based on Franchisor's purchase price for such Acquired Business, and if the Acquired Business was part of an Acquired System (as defined below in Section 2.5.6.2), then Developer's purchase price for such Acquired Business shall be determined using a ratio equal to the sales during the prior year of such Acquired Business as compared to the total sales in such prior years of all Acquired Businesses purchased by Franchisor in the same transaction or other industry valuation mechanism determined by Franchisor; and (b) the requirement that Developer enter into Franchisor's then-current form of franchise agreement for the Acquired Business. If Developer does not elect to purchase, or fail to complete the purchase of, an Acquired Business, Franchisor will have the right to operate itself, or through its affiliates or third party licensees or franchisees, the Acquired Business under any trade name, service mark, or trademarks including the Proprietary Marks. For the purposes of this Section 2.5.6.1, Franchisor shall assume that Developer does not wish to elect to purchase an Acquired Business if such purchase is not completed within 7 Business Days of the offer to purchase and operate the Acquired Business.

2.5.6.2. If an Acquired Business is part of a system of retail businesses that Franchisor acquires (an "**Acquired System**"), Developer will have no right to purchase, and Franchisor will not be obligated to offer Developer any option to purchase, any Acquired Business that is operated by a licensee or franchisee under the Acquired System. Franchisor may license such Acquired Business to be operated under any trade name or trademarks including the Proprietary Marks, and may also license to the licensee or franchisee additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Development Area.

3. **GRANT OF FRANCHISES TO DEVELOPER**

Subject to Developer's compliance with the terms and conditions of this Agreement and each Franchise Agreement entered into between Franchisor and Developer for individual Franchised Stores, Franchisor agrees to grant franchises to Developer to operate Franchised Stores located in the Development Area in accordance with the Development Schedule, under the following terms:

3.1. **Site Selection.** Developer is solely responsible for securing Franchisor's acceptance of the site for each Franchised Store, as further described in each Franchise Agreement. Developer must submit to Franchisor a complete site approval package (containing any information that Franchisor may require) for each proposed Franchised Store premises. Franchisor will notify Developer in writing within twenty (20) Business Days after Franchisor receives Developer's complete site evaluation information and other materials Franchisor requests whether or not Franchisor accepts the proposed Franchised Store premises.

3.2. **Site Acquisition.** Following Franchisor's approval of a proposed site, Developer shall use its best efforts to secure such site, either through a lease/sublease that is acceptable to Franchisor, or through a binding purchase agreement, in accordance with lease terms included as Attachment C, and shall do so within sixty (60) Business Days of Franchisor's approval of the site. Developer must immediately notify Franchisor of the execution of the approved lease or binding purchase agreement.

3.3. **Financial Capability Criteria.** Developer must meet the standard financial capability criteria developed by Franchisor for developers in accordance with selection criteria described on Attachment D of this Agreement. To this end, Developer must furnish without undue delay to Franchisor financial statements and other information regarding Developer and the development and operation of each proposed Franchised Store (including investment and financing plans for the proposed Franchised Store) as Franchisor reasonably requires and periodically (at least once each calendar year) provides aggregated financial statements for all its Gong cha® stores to Franchisor throughout the Term of this Agreement.

3.4. **Franchise Agreement.** Developer must sign a Franchise Agreement for a specific Franchised Store and return it to Franchisor by the applicable date set forth in the Development Schedule for that Franchised Store. Nothing in this Agreement independently authorizes Developer to operate a Franchised Store or use the Proprietary Marks or the System in any manner whatsoever. Developer's Principals must execute the "Guaranty, Indemnification, and Acknowledgement," in connection with each Franchise Agreement, using the form of agreement included in Franchisor's then-current Franchise Agreement or Franchise Disclosure Document.

3.5. **Superiority of Individual Franchise Agreement.** All individual Franchise Agreements that Franchisor and Developer sign for Franchised Stores within the Development Area are independent of this Agreement. The continued effectiveness of any individual Franchise Agreement does not depend on the continued effectiveness of this Agreement. If any conflict arises between this Agreement and any individual Franchise Agreement as to any individual Franchised Store, the terms of the individual Franchise Agreement will control.

3.6. **Records and Reports.** Developer must furnish to Franchisor quarterly written reports regarding Developer's progress on the development of Franchised Stores. In addition, Developer must keep accurate financial records and other records relating to the development and operation of Franchised Stores in the Development Area. Franchisor may at all reasonable hours examine and make photocopies of all such records or request that Developer deliver, at its expense, such records to Franchisor.

3.7. **Periodic Business Review.** As further described in Attachment A, every calendar quarter during the Term of this Agreement, the representatives of the parties shall meet to discuss Developer's pipeline for growth.

3.8. **Affiliated Entities.** With Franchisor's prior written approval, Developer may establish affiliated entities to sign each Franchise Agreement and operate each Franchised Store under this Agreement. Unless Franchisor provides its prior written consent, each Principal must own an identical voting and equity interest in any affiliated entity as the Principal owns in Developer and as executed under the Guaranty, Indemnification and Acknowledgement attached as Attachment C to this Agreement. Developer must provide Franchisor with any information that Franchisor reasonably requests in connection with any affiliated entity. If Developer establishes one or more affiliated entities pursuant to this Section 3.8, Developer will remain liable for all obligations and actions of such affiliated entities under a Franchise Agreement as though Developer executed such Franchise Agreement and agree to execute a guaranty agreement or other documents as Franchisor deems necessary to carry out the intentions of this Section 3.8. The parties acknowledge and agree that any provisions in this Agreement that refer to franchise agreements entered into between Developer and Franchisor, including the Franchise Agreements, shall also apply to any franchise agreements entered into between Developer's affiliated entities and Franchisor.

4. **FEES AND REBATES**

4.1. **Development Fee.** For the territorial rights granted to Developer under Section 2.2, Developer shall pay Franchisor the Development Fee described in Attachment A to this Agreement. Franchisor will credit a portion of the Development Fee to reduce the Initial Franchise Fees for each Franchised Store Developer establishes under this Agreement, as further described in Attachment A to this Agreement.

4.2. **Initial Franchise Fees.** Developer shall pay Franchisor Initial Franchise Fees, as described in Attachment A.

4.3. **Growth Incentives.** As further described in Attachment A of this Agreement, Franchisor will offer to Developer certain Growth Incentives, which if met, will result in the waiver of Initial Franchise Fees for certain Franchise Stores, or Franchisor's payment of Development Sales Rebates to Developer for certain Franchised Stores.

5. **TRADEMARKS AND CONFIDENTIAL INFORMATION**

5.1 **Ownership of Proprietary Marks.** Developer acknowledges that Developer has no interest in or to the Proprietary Marks and Developer's right to use the Proprietary Marks is derived solely from the individual Franchise Agreements entered into between Developer and Franchisor. Developer agrees that all use of the Proprietary Marks by Developer and any goodwill established exclusively benefits Franchisor and GCG. Developer agrees that after termination or expiration of this Agreement, Developer will not, except with respect to Franchised Stores operated by Developer under individual Franchise Agreements, directly or indirectly, identify itself or any business as a developer for, or otherwise associated with, Franchisor or use in any manner any Proprietary Marks or trade dress of a Franchised Store or any colorable imitation thereof. Developer must not use the name "Gong cha" or any Proprietary Marks as part of any corporate or trade name in any modified form, or in any other manner not explicitly authorized in writing by Franchisor. Developer cannot use any of the Proprietary Marks in any business or activity, other than the business conducted by Developer pursuant to individual Franchise Agreements.

5.2 **Confidential Information.** Developer acknowledges and agrees that it shall not, during the Term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person or entity, or commit any act that adversely affects, any Confidential Information. Developer shall treat Confidential Information as confidential at all times and use all reasonable efforts to keep Confidential Information confidential. Developer shall divulge Confidential Information only to such of its employees as must have access to it in order to operate its Franchised Stores.

6. **TRANSFER**

6.1. **Consent Required.** Developer understands that Franchisor has entered into this Agreement in reliance upon Developer's individual or collective character, aptitude, attitude, business ability and financial capacity. Developer must obtain Franchisor's written consent prior to any Transfer. Franchisor will not unreasonably withhold its approval of any proposed Transfer provided the conditions of this Section 6 are met. Any Transfer of this Agreement made by Developer without Franchisor's prior written consent will be null and void and a breach of this Agreement. Developer may not grant a security interest in Developer's business or any of its assets without Franchisor's prior written consent. Franchisor's consent to a Transfer shall not constitute a waiver of any claims Franchisor may have against Developer.

6.2. **Requirements.** Franchisor shall not unreasonably withhold any consent required by Section 6.1, provided that Franchisor shall have the right to require any or all of the following as conditions of approval:

6.2.1. Developer must assign all Franchise Agreements entered into as of the date of assignment (including all Franchised Stores' assets) to the same transferee;

6.2.2. All of Developer's monetary obligations and all other outstanding obligations to Franchisor, its affiliates, and the approved suppliers of the System have been satisfied in full;

6.2.3. Developer is not in default under any provision of this Agreement, any Franchise Agreement, any other agreement between Developer and Franchisor or its affiliate, or any approved supplier of the System;

6.2.4. Developer and each Principal sign a general release, in form and substance satisfactory to Franchisor, of any and all claims against Franchisor and its past and present affiliates, officers, directors, employees and agents, except to the extent limited or prohibited by applicable law;

6.2.5. The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Developer. Additionally, the transferee and/or such owners of the transferee as Franchisor may request shall guarantee the performance of the transferee's obligations in writing in a form satisfactory to Franchisor;

6.2.6. The transferee shall demonstrate to Franchisor's satisfaction that the terms of the proposed transfer do not place an unreasonable financial or operational burden on the transferee, and that the transferee (or, if the transferee is other than an individual, such owners of beneficial interest in the transferee as Franchisor may request) meets Franchisor's then-current application qualifications (which may include educational, managerial, socially responsible and business standards, as well as good moral character, business reputation, and credit rating); has the aptitude and ability to operate the Franchised Store; absence of conflicting interests; and has adequate financial resources and capital to operate the Franchised Store;

6.2.7. The transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) enters into a written agreement, in form satisfactory to Franchisor, assuming and agreeing to discharge all of Developer's obligations and covenants under this Agreement for the remainder of its term or, at Franchisor's option, signs Franchisor's then-current standard form of area development agreement (which may contain materially different terms and conditions than this Agreement);

6.2.8. The transferee, at its expense, shall upgrade the Franchised Stores, and other equipment to conform to the then-current standards and specifications of new Gong cha® stores as prescribed in the Manuals then being established in the System, and shall complete the upgrading and other requirements within the time specified by Franchisor;

6.2.9. The transferor remains liable for all of the obligations to Franchisor in connection with the Franchised Stores that arose prior to the effective date of the transfer and execute any and all instruments reasonably requested by Franchisor to evidence such liability;

6.2.10. The transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) and the transferee's manager (if applicable) shall, at the transferee's

expense, successfully attend and successfully complete any training programs then in effect for operators and managers upon such terms and conditions as Franchisor may reasonably require;

6.2.11. Developer pays Franchisor the transfer fees due under each Franchise Agreement transferred plus Five Thousand Dollars (\$5,000); and/or

6.2.12. The transferor(s) sign an agreement, in form satisfactory to Franchisor, in which the transferor(s) covenants to observe all applicable post-termination obligations.

Franchisor may expand upon, and provide more details related to, the conditions for transfer and Franchisor's consent as described in this Section 6.2, and may do so in an operations Manuals or otherwise in writing.

6.3. **Franchisor's Right to Transfer.** Franchisor shall have the right, without the need for Developer's consent, to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, provided that any such designated assignee shall become solely responsible for all of Franchisor's obligations under this Agreement from the date of assignment. Upon any such transfer or assignment, Franchisor shall be under no further obligation hereunder, except for accrued liabilities, if any. If Franchisor transfers or assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the "Gong cha® store" business or to offer or sell any products or services to Developer. In addition, and without limitation to the foregoing, Developer expressly affirms and agrees that Franchisor may sell its assets, the Proprietary Marks, Franchisor's Proprietary Products, or the System; may sell Franchisor's securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

6.4. **Public or Private Offerings.** All materials required for any offering of securities or partnership interests in Developer by any applicable law shall be submitted to Franchisor by the offeror for review prior to filing with any government agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for review prior to their use. No offering shall imply, by use of the Proprietary Marks or otherwise, that Franchisor is participating in an underwriting, issuance, or offering of securities of either Developer or Franchisor; and Franchisor's review of any offering shall be limited solely to the subject of the relationship between Developer and Franchisor. At its option, Franchisor may require the offering materials to contain written statements or disclaimers prescribed by Franchisor including any limitations stated above in this Section 6.4. Developer and any other participants in the offering must fully indemnify Franchisor in connection with the offering. For each proposed offering, Developer shall reimburse Franchisor for its actual costs and expenses associated with reviewing the proposed offering materials, including legal and accounting fees. Developer shall give Franchisor written notice at least sixty (60) days prior to the date of commencement of any offering or other transaction covered by this Section 6.4. Any such offering shall be subject to Franchisor's prior written consent and right of first refusal as provided in Section 6.5.

6.5. **Franchisor's Right of First Refusal.** If Developer or any Principal desires to accept any *bona fide* offer from a third party to purchase Developer, any material asset of Developer, or any direct or indirect interest in Developer, Developer or such Principal shall promptly notify Franchisor, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of the written transfer request and the required information and documentation related to the offer (including any information that Franchisor may reasonably request to supplement or clarify information provided to Franchisor with the written transfer request), to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party; provided, however, a spouse, domestic

partner, parent or child of the seller shall not be considered a third party for purposes of this Section 6.5. If Franchisor elects to purchase the seller's interest, closing on such purchase shall occur within forty-five (45) days from the date of notice to the seller of Franchisor's election to purchase, or, if longer, on the same timetable as contained in the *bona fide* offer.

6.5.1. Any material change thereafter in the terms of the offer from the third party or by Developer, or a change in the identity of the third party shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Franchisor's failure to exercise the option afforded by this Section 6.5 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section 6, with respect to a proposed transfer.

6.5.2. If the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, Franchisor shall designate an independent appraiser to make a binding determination. The cost of any such appraisal shall be shared equally by Developer and Franchisor. If Franchisor elects to exercise its right under this Section 6.5, Franchisor shall have the right to set off all amounts due from Developer, and one-half (½) of the cost of the appraisal, if any, against any payment to the seller.

6.6. **Guaranty.** All of Developer's Principals (if Developer is a corporation, partnership or other entity) will sign a "Guaranty, Indemnification, and Acknowledgement" in the form attached to this Agreement as Attachment B (the "**Guaranty Agreement**"). Any person or entity that at any time after the date of this Agreement becomes a Principal of Developer's under the provisions of this Section 6 or otherwise will, as a condition of becoming a Principal, sign the Guaranty Agreement.

7. **COVENANTS**

7.1. **Organization.** If Developer is a corporation, limited liability company, partnership or other entity, then Developer covenant that:

7.1.1. Developer is organized and validly exist under the laws of the state where Developer were formed;

7.1.2. Developer is qualified and authorized to do business in the jurisdiction where the Development Area is situated;

7.1.3. Developer's articles of incorporation, bylaws, operating agreement, member control agreement or other organizational documents ("**Authorizing Documents**") at all times will provide that Developer's business activities will be limited exclusively to the ownership and operation of the Franchised Store, unless Developer otherwise obtains Franchisor's written consent;

7.1.4. Developer has the power under the Authorizing Documents to sign this Agreement and comply with the provisions of this Agreement;

7.1.5. Developer must provide Franchisor copies of all Authorizing Documents and any other documents, agreements or resolutions Franchisor requests in writing;

7.1.6. The names of the Principals are accurately stated on the Guaranty Agreement attached hereto as Attachment B; and

7.1.7. At all times, Developer will maintain a current schedule of the Principals and their ownership interests (including the Principals' names, address and telephone numbers) and will immediately provide Franchisor with an updated ownership schedule if there is any change in ownership.

7.2. **During the Agreement Term.** Developer specifically acknowledges that, pursuant to this Agreement, Developer will receive valuable, specialized training and Confidential Information, including information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Developer covenants that during the Term of this Agreement, except as otherwise approved in writing by Franchisor, Developer shall not, either directly or indirectly, in any capacity (whether for itself, as a member, shareholder, director, employee, agent, partner, joint venture participant, master franchisor, franchisee, adviser, consultant, or any other equivalent capacity, or through, on behalf of, or in conjunction with any person or legal entity):

7.2.1. Divert or attempt to divert any present or prospective business or customer of any Gong cha® store to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System; and/or

7.2.2. Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business. Developer acknowledges and agrees that Developer shall be considered in default under this Agreement and that this Agreement will be subject to termination as provided in Section 8, in the event that a person in Developer's (or, if Developer is not an individual, each Principal that is subject to these covenants') immediate family (including spouse, domestic partner, parent or child) engages in a Competitive Business that would violate this Section 7.2.2 if such person was subject to the covenants of this Section 7.2.2.

7.3. **After the Agreement and After a Transfer.** Developer covenants that, except as Franchisor otherwise approves in writing, for a continuous uninterrupted period of two (2) years commencing upon the date of: (a) a transfer permitted under Section 6; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 7.3; or (e) any or all of the foregoing:

7.3.1. Developer shall not either directly or indirectly, in any capacity (whether for itself, as a member, shareholder, director, employee, agent, partner, joint venture participant, master franchisor, franchisee, adviser, consultant, or any other equivalent capacity, or through, on behalf of, or in conjunction with any person or legal entity), own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is located in the Development Area or within a five (5) mile radius of any other Gong cha® store; and

7.3.2. Developer shall not sublease, assign, or sell Developer's interest in any lease or sublease related to, or assets of, any Franchised Store to a third party for the operation of any Competitive Business, or otherwise arrange or assist in arranging for the operation by a third party of a Competitive Business.

7.4. **Injunctive Relief.** Developer acknowledges that the foregoing restrictions are reasonable, are not vague or indefinite, and are designed to protect Franchisor's legitimate business interests and the System, and that in the event of a breach of covenants contained in this Section 7, Franchisor's damages would be difficult to ascertain and, in addition to other rights and remedies, Franchisor shall be entitled to

seek injunctive and/or other equitable relief against the violation of any said covenants, together with reasonable attorneys' fees and costs.

7.5. **Non-Dealing**. In order to protect Franchisor's legitimate business interests, Developer covenant with Franchisor that Developer shall not either directly or indirectly, in any capacity (whether for itself, as a member, shareholder, director, employee, agent, partner, joint venture participant, master franchisor, franchisee, adviser, consultant, or any other equivalent capacity, or through, on behalf of, or in conjunction with any person or legal entity) engage Franchisor's suppliers for the direct supply of any Products.

8. **DEFAULT AND TERMINATION**

8.1. **Termination of Agreement - Grounds**. Developer will be in default, and Franchisor may, in its sole and absolute discretion, terminate this Agreement, as provided herein, if: (a) Developer causes any of the Additional Termination Triggers described in Clause 8(a) or (b) of Attachment A of this Agreement to apply, or Developer fails to meet any of Developer's other Development Obligations described in the Development Schedule; (b) Developer materially fails to provide any of the information required under Clause 7 of Attachment A of this Agreement by the relevant deadline specified therein; (c) Franchisor determines that Developer is not in compliance with operating requirements within the Development Area, as set out in this Agreement, the Franchise Agreement, or Franchisor's Manuals (as described in the Franchise Agreements), and Developer fails to remedy Developer's non-compliance to Franchisor's satisfaction within five (5) Business Days; (d) Developer terminates (or attempts to terminate) any Franchise Agreement without cause; (e) Developer or any of its managers, directors, officers or any Principal makes a material misrepresentation or omission in the application for a Franchise; (f) Developer fails to timely pay any of its monetary obligations or any other outstanding obligations to Franchisor, its affiliates, or the approved suppliers of the System under this Agreement or any related agreement; (g) Developer or any of its directors, officers or any Principal is convicted of, or pleads guilty to or no contest to a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes will injure the System, the Proprietary Marks or the goodwill associated therewith, or if Franchisor has proof that Developer has committed such a felony, crime or offense; (h) Developer is unable to pay Developer's debts as and when they become due; (i) Developer is insolvent within the meaning of any applicable state or federal law; (j) a liquidator, receiver, manager, administrator or trustee in bankruptcy (or local equivalent) is appointed for Developer or Developer's business, whether provisionally or finally; (k) an application or order for the winding up of Developer or Developer's business is made; (l) Developer is involved in any act or conduct which materially impairs or otherwise is prejudicial to the goodwill associated with the name "Gong cha" or any of the Proprietary Marks or the System; (m) Developer or a Principal makes an unauthorized Transfer; (n) the operation, maintenance or construction of any Franchised Store operated by Developer results in a threat or danger to the public health or safety; (o) Developer violates any federal, state, local government or health code in connection with the operation of any Franchised Store, (p) Franchisor notifies Developer that Developer has breached any term or condition of this Agreement, or of any other agreement with Franchisor, including the Franchise Agreements, and Developer does not fully cure (when such breach is capable of cure) the breach to Franchisor's satisfaction with the cure period specified by Franchisor in the notice of breach; or (q) Developer defaults under any Franchise Agreement for the operation of a Franchised Store resulting in Franchisor's termination of the Franchise Agreement.

8.2. **Procedure**. Except as described below, Developer will have thirty (30) days, or such longer period as applicable law may require, after Developer's receipt from Franchisor of a written notice of default within which to remedy any default hereunder, and to provide evidence thereof to Franchisor. If Developer fails to correct the alleged default within that time, this Agreement will terminate without further notice to Developer effective immediately when the thirty (30)-day period, or such longer period as applicable law may require, expires. Developer will have ten (10) days after Developer's receipt from Franchisor of a written

notice of default, or such longer period as applicable law may require, to remedy any default under Sections 8.1(b) or 8.1(f) and to provide evidence thereof to Franchisor. If Developer fails to correct the alleged default within that time, this Agreement will terminate without further notice to Developer, effective immediately when the ten (10)-day period expires, or such longer period as applicable law may require. Franchisor may terminate this Agreement immediately upon delivery of written notice to Developer, with no opportunity to cure, if the termination results from any of the following: (1) Developer causes any of the Additional Termination Triggers described in Clause 8(a) or (b) of Attachment A of this Agreement to apply; (2) Developer fails to comply with one (1) or more material requirements under this Agreement on three (3) separate occasions within any twelve (12)-month period; (3) the nature of Developer's breach makes it not curable; or (4) any default under Section 8.1(g) through 8.1(q).

8.3. **Expiration or Termination of IP License Agreement.** In the event that the IP License Agreement between Franchisor and GCG expires or is terminated, for any reason whatsoever, this Agreement shall terminate automatically unless GCG elects at its sole discretion to allow Developer to continue to operate under the terms of this Agreement, in which case Developer shall do all such things as may be required to assign and novate this Agreement to GCG or its designee in place of Franchisor. Developer expressly waives any claims, demands or damages arising from or related to termination or expiration of the IP License Agreement and/or termination of this Agreement including any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

8.4. **Applicable Law.** If the provisions of this Section 8 are inconsistent with applicable law, the applicable law will apply.

9. **RIGHTS TO DEVELOP FRANCHISED STORES ON TERMINATION**

Upon termination of this Agreement for any reason, Developer has no right to establish or operate any individual Franchised Store for which an individual Franchise Agreement has not been executed by Franchisor and delivered to Developer at the time of termination. Franchisor may establish, and to license others to establish, Franchised Stores in the Development Area, except as may be otherwise provided under any other agreement which has been executed between Developer and Franchisor.

10. **DEVELOPER'S OBLIGATIONS UPON TERMINATION**

10.1. **Post-Term Duties.** If this Agreement expires or is terminated, Developer will:

10.1.1. immediately cease using Confidential Information and return to Franchisor all documents in Developer's possession that contain Confidential Information; and

10.1.2. comply with all other applicable provisions of this Agreement, including the non-compete provisions.

10.2. **Continuing Obligations.** All obligations of Franchisor and Developer which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect following its expiration or termination and until they are satisfied or expire.

11. **RELATIONSHIP OF THE PARTIES/INDEMNIFICATION**

11.1. **Relationship of the Parties.** Developer is an independent contractor. Franchisor and Developer are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither shall have the power to bind the other. No act or assistance given by either

party to the other pursuant to this Agreement shall be construed to alter the relationship. Developer shall be solely responsible for compliance with all applicable laws, rules, and regulations (including laws and regulations, rules, by-laws, orders and ordinances relating to health and safety, the conduct of Franchised Stores and the management of its employees), and for Developer's policies, practices, and decisions relating to the operation of all Franchised Stores. Developer shall obtain and maintain all licenses, permits, approvals and registrations necessary under applicable laws and regulations for the conduct of Franchised Stores in the Development Area, including filing any regulatory reports. All costs attributable to such compliance shall be borne by Developer.

11.2. **Indemnification Obligations.** Developer must defend, indemnify, and hold harmless Franchisor and its affiliates, including Franchisor's and its affiliate's successors, assigns, direct and indirect owners, entities under the same ultimate ownership as Franchisor and Franchisor's and their directors, officers, managers, employees, agents, attorneys, and representatives (each an "**Indemnified Party**" and collectively, the "**Indemnified Parties**"), from and against all Losses (defined below) which any of the Indemnified Parties may suffer, sustain, or incur as a result of a claim asserted or threatened or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought, by a third party and directly or indirectly arising out of any Franchised Store's operation, Developer's conduct of business under this Agreement, Developer's breach of this Agreement, or Developer's noncompliance or alleged noncompliance with any law, ordinance, rule, or regulation, including any allegation that Franchisor or another Indemnified Party is a joint employer or otherwise responsible for Developer's acts or omissions relating to Developer's employees. Franchisor will promptly notify Developer of any claim that may give rise to a claim of indemnity under this provision once it becomes aware of such claim, provided, however, that Franchisor's failure to provide such notice will not release Developer from Developer's indemnification obligations under this Section 11.2. Developer has no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, willful misconduct, or willful wrongful omissions, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employment) or Franchisor's failure to compel Developer to comply with this Agreement.

11.3. **Defense of Claims.** Developer must pay all Losses an Indemnified Party incurs pursuant to Developer's obligations of indemnity under this Section 11 regardless of any settlement, actions or defense an Indemnified Party undertakes or the subsequent success or failure of any settlement, actions, or defense. Further, Developer agrees to give Franchisor immediate notice of any action, proceeding, demand or investigation brought against Developer or any Franchised Stores. Any of the Indemnified Parties may, using its own counsel, by notice to Developer, control any matter in which the Indemnified Party is named or directly affected, including specifically any matter that involves a claim relating to the Proprietary Marks or any intellectual property rights or confidential information associated with the System, but this will not affect Developer's liability to pay all Losses, including defense costs, incurred by the Indemnified Party in defending itself, which obligation is part of Developer's indemnification obligation. Developer and each Indemnified Party agree to keep the other reasonably apprised of, and respond to any reasonable requests concerning, the status of the defense of any claim, and Developer and each Indemnified Party agree to cooperate in good faith with each other with respect to the defense of any such claim. If an Indemnified Party does not elect, using its own counsel, to control any matter in which the Indemnified Party is named or directly affected, Developer may not, without the Indemnified Party's prior written consent, (1) settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Indemnified Party and its affiliates, direct and indirect owners, directors, managers, employees, agents and representatives, or (2) settle or compromise any claim in any manner that may adversely affect the Indemnified Party other than as a result of money damages or other monetary payments which will be paid by Developer.

11.4. **Definition of Losses.** For purposes of this Section 11, “Losses” include all obligations, liabilities, damages (actual, consequential, or otherwise), and defense costs that any Indemnified Party incurs. Defense costs include accountants’, arbitrators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, and alternative dispute resolution.

11.5. **Survival.** Developer’s obligations in this Section 11 will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against Developer under this Section 11. Developer agrees that a failure to pursue a recovery or mitigate any Losses will not reduce or alter the amounts that an Indemnified Party may recover from Developer under this Section 11.

12. **DISPUTE RESOLUTION**

12.1. **Non-Binding Mediation.** Before any party may bring an action in arbitration or in court against the other, the parties must first meet to mediate the dispute (except for controversies, disputes, or claims related to or based on improper use of the Proprietary Marks, other intellectual property rights or Confidential Information). Any such mediation shall be non-binding and shall be conducted at a suitable location chosen by the mediator, which is within a five (5) mile radius of Franchisor’s then-current principal place of business, unless Franchisor agrees otherwise in writing. Notwithstanding anything to the contrary, this Section 12.1 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under applicable laws, including the applicable laws for obtaining interim injunctions, without having to engage in mediation. Mediation hereunder shall be concluded within forty-five (45) days of Developer’s receipt of the notice specifying the designated mediator or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Each party shall bear their own costs of mediation, and each shall bear one-half (½) the cost of the mediator or mediation service. This Section 12.1 mandating non-binding mediation shall not be applicable to any claim or dispute arising under this Agreement or any other agreement between the parties which relates to the failure to pay fees or other monetary obligation(s) of either party under said agreement(s).

12.2. **Arbitration.** Developer and Franchisor agree that, subject to Section 12.1, and except for controversies, disputes, or claims related to or based on improper use of the Proprietary Marks, other intellectual property rights or confidential information, all controversies, disputes, or claims between Franchisor and its affiliates, and Franchisor’s and its affiliates’ respective shareholders, members, officers, directors, agents, and/or employees, and Developer (and/or Developer’s owners, guarantors, affiliates, and/or employees) arising out of or related to:

- (1) this Agreement, any Franchise Agreement or any other agreement between Developer and Franchisor;
- (2) Franchisor’s relationship with Developer;
- (3) the validity of this Agreement, any Franchise Agreement or any other agreement between Developer and Franchisor; or
- (4) any System standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one arbitrator and, except as this Section 12 otherwise provides, according to the American Arbitration Association's then current rules. All proceedings will be conducted at a suitable location chosen by the arbitrator, which is within a five (5) mile radius of Franchisor's then-current principal place of business. The arbitrator shall have no authority to select a different hearing locale. Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

12.2.1. The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs (as allowable under this Agreement or applicable law), provided that the arbitrator may not declare any Proprietary Mark generic or otherwise invalid.

12.2.2. The parties agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

12.2.3. The parties agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Franchisor and Franchisor's affiliates, and Franchisor's and its affiliates' respective shareholders, officers, directors, agents, and/or employees, and Developer (and/or Developer's owners, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between Franchisor and any other person.

12.2.4. Despite the parties' agreement to arbitrate, the parties each have the right to seek interim injunctive relief from a court of competent jurisdiction; provided, however, that the parties must contemporaneously submit the applicable dispute for arbitration on the merits as provided in this Section 12.2.

12.2.5. The provisions of this Section 12.2 are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

12.3. **Injunctive Relief.** Nothing herein contained shall bar Franchisor's right to obtain injunctive relief against threatened conduct that will cause it loss or damages, including violations of the terms of Sections 5, 6, and 7 under applicable laws, including applicable laws for obtaining interim injunctions.

12.4. **Attorneys' Fees.** In the event Franchisor is required to employ legal counsel or to incur other expense to enforce any of Developer's obligations hereunder, or to defend against any claim, demand, action or proceeding by reason of Developer's failure to perform any obligation imposed upon Developer by this Agreement, Franchisor shall be entitled to recover from Developer the amount of all reasonable attorneys' fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

13. **ENFORCEMENT**

13.1. **Severable Parts.** Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not

impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

13.2. **Non-waiver.** No failure by Franchisor to exercise any power reserved to Franchisor hereunder, or to insist upon Developer's strict compliance with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Franchisor's waiver of any particular default by Developer shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any of Franchisor's delay, waiver, forbearance, or omission to exercise any power or rights arising out of any breach or default by Developer of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Franchisor's subsequent acceptance of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer of any terms, covenants or conditions of this Agreement.

13.3. **No Rights Exclusive of Other Rights.** No right or remedy conferred upon or reserved to Developer or Franchisor by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

13.4. **Consent to Jurisdiction.** Subject to the mediation and arbitration obligations in Sections 12.1 and 12.2, any judicial action must be brought in a court of competent jurisdiction in the State of Massachusetts. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to such jurisdiction or venue. Notwithstanding the foregoing, Franchisor may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce an arbitration award or judicial decision, in any court in the jurisdiction in which Developer resides or in which any Franchised Store is located.

13.5. **Governing Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. § 1050 et seq.), as amended, this Agreement shall be governed by the laws of the State of Massachusetts.

13.6. **Binding Effect.** This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified except by written agreement signed by both Developer and Franchisor. Except as provided above, this Agreement is not intended, and will not be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

13.7. **Interpretations.** In this Agreement: (i) whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation"; (ii) the attachments to this Agreement will be incorporated into and deemed part of this Agreement and all references to this Agreement will include the attachments to this Agreement; (iii) references to the Background, a Section, or Attachment will be to such Background, Section or Attachment of this Agreement, unless otherwise expressly provided; (iv) words importing the singular shall also include the plural and vice versa where the content requires; (v) each pronoun used herein shall be deemed to include the other number of genders (vi) all captions and paragraph headings in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof; (vii) if Developer consists of two (2) or more individuals, such

individuals will be jointly and severally liable, and references to Developer in this Agreement will include all such individuals; and (viii) unless otherwise provided, any reference to any statute or legislation will be deemed a reference to such statute or legislation as amended from time to time or to a newly adopted statute or legislation replacing a repealed statute or legislation and be deemed to include any subsidiary legislation made thereunder.

13.8. **Interpretation of Rights and Obligations Under this Agreement.** The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement and the relationship between the parties:

13.8.1. **Franchisor's Rights.** Franchisor shall have the right to operate, develop and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right and/or discretion to take or withhold an action, or is deemed to have a right and/or discretion to take or withhold an action, or a right to grant or decline to grant Developer a right to take or omit an action, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and in Franchisor's judgment of what is in Franchisor's best interests and/or in the best interests of Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) Franchisor's decision or action will promote Franchisor's financial or other individual interests; (iii) Franchisor's decision or the action Franchisor takes applies differently to Developer and one or more other developers or Franchisor's company-owned operations; or (iv) Franchisor's decision or the exercise of Franchisor's right or discretion is adverse to Developer's interests. In the absence of an applicable statute, Franchisor will have no liability to Developer for any such decision or action. The parties intend that the exercise of Franchisor's rights or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Developer's rights and obligations hereunder.

13.8.2. **Waiver of Punitive Damages.** Developer and Franchisor and its affiliates agree to waive, to the fullest extent permitted by law, the right to or a claim for any punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained by it.

13.8.3. **Waiver of Jury Trial.** Developer and Franchisor irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of them against the other, whether or not there are other parties in such action or proceeding.

13.8.4. **Limitation of Actions.** Subject to any applicable statute of limitations, Developer and Franchisor agree that neither party will have the right to bring any claim or action against the other party unless the action or claim is commenced within one (1) year after the offended party has knowledge of the facts giving rise to the action or claim.

13.9. **Developer Had Opportunity to Read Agreement and Consult.** Developer acknowledges that it has read and understood Franchisor's Franchise Disclosure Document and this Agreement, the attachments hereto, and agreements relating thereto, if any. In addition, Developer acknowledges and agrees that it and its Principals are informed investors, and that Franchisor has accorded Developer ample time and opportunity to consult with advisors of Developer's own choosing about the potential benefits and risks of entering into this Agreement.

14. **ENTIRE AGREEMENT**

Franchisor and Developer, and any Principal, each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement. Recognizing the costs on both Developer and Franchisor which are uncertain, the parties each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings which have been or may in the future be, exchanged between them, serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, the parties agree and promise each other that this Agreement supersedes and cancels any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements or any other term), between Franchisor or anyone acting on Franchisor's behalf and Developer or anyone acting on Developer's behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such term) with respect to the rights and obligations of the parties or the relationship between them. The parties agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings. In accordance with the foregoing, it is understood and acknowledged that this Agreement, the attachments hereto, and the documents referred to herein constitute the entire Agreement between the parties concerning the subject matter hereof, and supersede any prior agreements, no other representations having induced Developer to execute this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document that Franchisor furnished to Developer.

15. **NOTICES**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

GONG CHA® AREA DEVELOPMENT AGREEMENT

SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Area Development Agreement in duplicate on the Effective Date stated on the cover page.

FRANCHISOR:

DEVELOPER:

GONG CHA USA FRANCHISING, LLC

By:

By:

Name:

Name:

Title:

Title:

Address for Notices:

Address for Notices:

Telephone:

Telephone:

Fax:

Fax:

ATTACHMENT A
TO GONG CHA® AREA DEVELOPMENT AGREEMENT

DEVELOPMENT AREA; DEVELOPMENT SCHEDULE

This Attachment A is attached to and is an integral part of the Gong cha® Area Development Agreement dated _____, 20____ (this “**Agreement**”), between Franchisor and Developer. Capitalized terms not defined in this Attachment A shall have the meanings given them elsewhere in this Agreement.

1. Development Area. The development rights and obligations of Developer under this Agreement to directly develop, open, and thereafter operate new unit Franchised Stores will be within the following described geographic area within the United States (the “**Development Area**”):

[or refer to attached map]

2. Development Fee. For the territorial rights granted to Developer under Section 2.2 of this Agreement, Developer shall pay Franchisor at the time of entering into this Agreement an upfront development fee (the “**Development Fee**”) in the amount of [_____] (\$_____) insert amount (equivalent to one half (1/2) of Franchisor’s current Initial Franchise Fee multiplied by the number of Stores Developer agrees to develop)]. The Development Fee is deemed fully earned by Franchisor upon execution of this Agreement and is nonrefundable, except that certain portions of it may be credited to reduce the Initial Franchise Fees for each Franchised Store Developer establishes under this Agreement, as further described below in this Attachment A.

3. Development Obligations. Developer shall directly develop, open and thereafter operate the cumulative minimum numbers of net new unit Franchised Stores in the Development Area during the Term of this Agreement for each Year (as defined below), in compliance with the development schedule set forth in the table below (the “**Development Schedule**”), and in satisfaction of the annual “**Tier 1 Minimum Development Target**” for each Year (collectively, the “**Tier 1 Minimum Development Targets**”), as set forth in the table below (each also a “**Development Obligation**” and collectively, the “**Development Obligations**”). Where Developer directly develops, opens, and thereafter operates more than the Tier 1: Minimum Development Target in any one Year then, Developer will be eligible for enhanced levels of Growth Incentives (as defined below).

4.

	Year					Total Number of Stores
	1	2	3	4	5	
Tier 1: Minimum Development Target	[X]	[X]	[X]	[X]	[X]	[X]
Tier 2: Development Target	[X]	[X]	[X]	[X]	[X]	[X]
Tier 3: Overachieving Target	[X]	[X]	[X]	[X]	[X]	[X]

As used in this Agreement, the term “**Year**” shall mean a calendar year, and include any partial calendar years at the beginning or the end of the Term of this Agreement. In addition, where it states in this Attachment A that Developer must “directly develop, open, and thereafter operate new unit Franchised Stores,” it shall include new unit Franchised Stores developed, opened, and thereafter operated by Developer’s affiliates in accordance with Section 3.8 of this Agreement.

4. **Types of Growth Incentives.** Under this Agreement, the Growth Incentives are comprised of two (2) components: Initial Franchise Fees; and Development Sales Rebates.

- a. **Initial Franchise Fees.** In order to open up a Franchised Store a standard Thirty-Four Thousand Five Hundred Dollars (\$34,500) (the “**Initial Franchise Fee**”) is payable by Developer to Franchisor.
- b. **Number of Initial Franchise Fees to be Paid Each Year.** As an incentive to encourage development of more net new units of Franchised Stores, Developer shall pay an amount equal to one half (1/2) of the Initial Franchise Fee multiplied by the cumulative number of Franchised Stores Developer still needs to open and continuously operate in order to meet the Tier 1 Minimum Development Target for that Year to Franchisor on [Day, Month e.g., 31 January] each Year of this Agreement. If the total number of Franchised Stores already open and continuously operated by Developer at the beginning of a given Year is equal to or greater than the cumulative Tier 1 Minimum Development Target for that Year, Developer will not be required to make a payment to Franchisor under this Section 4.b.
- c. **Waiver of Initial Franchise Fees.** If Developer achieves the [specified, cumulative Development Target – e.g., cumulative Tier 2 Development Target or cumulative Tier 3 Development Target] for development in a certain Year then, the Initial Franchise Fees above [insert number] shall be waived on all Franchised Stores opened thereafter within the same Year.

- d. **No refund of Initial Franchise Fees.** If Developer has not achieved the [cumulative Tier 1: Minimum Development Target] with required number of new Franchised Stores openings for a specified Year, Developer will automatically forfeit all Initial Franchise Fee amounts paid that Year that do not correspond to any opened Franchised Stores. The forfeited Initial Franchise Fee amounts will not be counted as a credit towards the Initial Franchise Fees that fall due in any subsequent Year nor towards any other payment or other obligation due to Franchisor.
- e. **Franchised Stores Only Counted Once.** For the avoidance of doubt, each Franchised Store opened during the Term of this Agreement will only be counted once for the purposes of the Growth Incentive.
- f. **Development Sales Rebates.** Under the circumstances described below, the following “**Development Sales Rebates**” shall apply:
 - (i) If Developer achieves its [cumulative Tier 2: Development Target] within a Year, then for the new Franchised Store that caused Developer to meet its Tier 2: Development Target for that Year and any additional subsequent Franchised Stores that Developer opens that Year that meet an additional Tier 2 Development Target (but not a Tier 3 Development Target), Franchisor shall pay to Developer [X%] of Net Sales from each of those Franchised Stores for [insert relevant time period] from the date the Franchised Store opened during the Year.
 - (ii) If Developer achieves its [cumulative Tier 3: Overachieving Target] within a Year, then, for the new Franchised Store that caused Developer to meet its Tier 3: Development Target for that Year and any additional subsequent Franchised Stores that Developer opens that Year that meet an additional Tier 3: Overachieving Target, Franchisor shall pay to Developer [X%] of Net Sales from each of those Franchised Stores for [insert relevant time period] from the date the Franchised Store opened during the Year.

5. **Payment of Growth Incentives.** All Growth Incentives payable from Franchisor to Developer pursuant to this Attachment A with respect to a particular Year shall be invoiced and paid prior to the end of the January that immediately follows the relevant Year (subject to Franchisor having received all the information reasonably needed or reasonably requested to calculate the relevant Growth Incentive Payments).

6. **Definition of “Open”.** For the purposes of this Attachment A and the Development Schedule, a Franchised Store shall be considered “**open**” if it is trading and has daily cash sales of at least Two Hundred Fifty Dollars (\$250) (or equivalent) on an ongoing basis (e.g., open during normal business hours without anticipated business interruptions or intermittent closures) and meets the then-current Gong cha® store criteria prescribed under the Manual.

7. **Periodic Business Review:** Every calendar quarter, the representatives of the parties shall meet to discuss Developer’s pipeline for growth including the actual and forecasted:

- a. Numbers of secured site locations for Franchised Stores;

- b. Numbers of fully executed unit Franchise Agreements;
- c. Numbers of opened Franchised Stores; and
- d. Other development and financial related information reasonably requested by Franchisor.

8. **Additional Termination Triggers.** In addition to the grounds for termination described in Section 8 of this Agreement, Developer will be in default, and Franchisor may, in its sole and absolute discretion, terminate this Agreement, as provided herein, if one or more of the events set out below occurs (each such event, an “**Additional Termination Trigger**”):

- a. Developer fails to achieve at least [cumulative Tier 1: Minimum Development Target] as set out in the Development Schedule in any given Year; or
- b. Developer fails to achieve at least [cumulative Tier 2: Development Target] by Year [X (e.g., 3)] as set out in the Development Schedule.

9. **Other Termination Rights.** The contractual right to terminate this Agreement set out in Clause 8 above is without prejudice to any other rights which the parties may have to terminate this Agreement pursuant to its terms or applicable law.

[SIGNATURE PAGE FOLLOWS]

APPROVED:

FRANCHISOR:

DEVELOPER:

GONG CHA USA FRANCHISING, LLC

By:

By:

Name:

Name:

Title:

Title:

ATTACHMENT B
TO GONG CHA® AREA DEVELOPMENT AGREEMENT

GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to GONG CHA USA FRANCHISING, LLC (“**Franchisor**”) to enter into the Gong cha® Area Development Agreement between Franchisor and _____ (“**Developer**”), dated _____, 20__ (the “**Agreement**”), the undersigned hereby unconditionally guarantees to Franchisor and Franchisor’s successors and assigns that all of Developer’s covenants and obligations, including, without limitation, monetary obligations, under the Agreement will be punctually paid and performed. This Guaranty, Indemnification, and Acknowledgment (this “**Guaranty**”) is an unconditional, irrevocable and absolute guaranty of payment and performance and may not be cancelled, terminated, modified, or amended except by written agreement executed by both Developer and Franchisor.

Upon demand by Franchisor, the undersigned hereby agrees to immediately make each payment required of Developer under the Agreement and waive any right to require Franchisor to: (a) proceed against Developer for any payment required under the Agreement; (b) proceed against or exhaust any security from Developer; (c) pursue or exhaust any remedy, including, without limitation, any legal or equitable relief, against Developer; or (d) give notice of demand for payment by Developer. Without affecting Developer’s obligations under this Guaranty, Franchisor may, without notice to Developer, extend, modify, or release any indebtedness or obligation of Developer, or settle, adjust, or compromise any claims against Developer, and Developer waives notice of the same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, without limitation, reasonable attorneys’ fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Developer to perform any obligation of Developer under the Agreement, any amendment thereto, or any other agreement executed by Developer referred to therein.

The undersigned hereby acknowledges and expressly agrees to be personally bound by all of the covenants contained in the Agreement, including, without limitation, those covenants contained in Sections 5, 6, 7, and 10. Signature by the undersigned on this Guaranty constitutes the undersigned’s signature on the Agreement related to all covenants. The undersigned asserts that he or she has read such covenants, been advised by counsel regarding their effect, and hereby affirmatively agree to them in order to secure the rights granted to Developer by Franchisor under the Agreement. The undersigned further acknowledges and agrees that this Guaranty does not grant the undersigned any right to use the “Gong cha” marks or System.

This Guaranty shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors, if any, will continue in full force and effect.

The undersigned, if more than one, shall be jointly and severally liable hereunder and the term “undersigned” shall mean the undersigned or any one or more of them. Anyone signing this Guaranty shall

be bound thereto at any time. Any married person who signs this Guaranty hereby expressly agrees that recourse may be had against his/her community and separate property for all obligations under this Guaranty.

The undersigned represent and warrant to Franchisor that neither the undersigned (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this Guaranty shall be in writing and shall be personally delivered, in the manner provided under the Agreement.

Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with the Agreement. This Guaranty shall be governed by the dispute resolution provisions of the Agreement, and shall be interpreted and construed under the laws of Massachusetts. In the event of any conflict of law, the laws of Massachusetts shall prevail (without regard to, and without giving effect to, the application of conflict of law rules).

IN WITNESS WHEREOF, the undersigned has executed this Guaranty, Indemnification and Acknowledgement as of the date of the Agreement.

GUARANTOR(S):

Print Name: _____

Print Name: _____

Print Name: _____

Print Name: _____

Print Name: _____

ATTACHMENT C
TO GONG CHA® AREA DEVELOPMENT AGREEMENT

LEASE TERMS

In accordance with the terms of Franchisor's then-current Franchise Agreement, Developer's lease or sublease for the premises of each Franchised Store shall contain terms acceptable to Franchisor, which may include (but are not limited to) the following:

1. The initial term of the lease, or initial term together with renewal terms, will be for not fewer than five (5) years.
2. A provision stating that the lessor consents to Franchisee's use and display of the Proprietary Marks and signage as Franchisor may prescribe from time to time for the Franchised Store, subject only to the provisions of applicable law.
3. A provision that Franchisee shall have the right to alter, renovate, add, remodel, modify, and/or change the Premises (as defined in the Franchise Agreement) and/or other improvements upon the Premises as Franchisee may deem desirable, provided that if any such alterations, renovations, additions, modifications, remodeling and/or changes to the Premises and/or improvements upon the Premises affect the exterior, structural elements or foundation of the Premises, Franchisee shall first obtain the consent of the lessor, which consent shall not be unreasonably withheld, conditioned or delayed.
4. A provision that the Premises be used solely for the operation of a franchised Gong cha® store, which is currently: a retail business offering tea, coffee and juice, along with related products and services, under the name "Gong cha," all as may be permitted under the relevant Franchise Agreement signed for the Franchised Store.
5. A provision that requires the lessor to concurrently provide Franchisor with a copy of any written notice of deficiency under the lease sent to Franchisee, and that the lessor will provide Franchisor with written notice specifying deficiencies that Franchisee did not cure.
6. A provision that grants to Franchisor, in its sole discretion, the right (but not obligation) to cure any deficiency under the lease within thirty (30) days after the expiration of the period in which Franchisee had to cure any such default should Franchisee fail to do so.
7. A provision acknowledging that, in the event the Franchise Agreement for the Franchised Store expires or is terminated: (a) Franchisee is obligated under the Franchise Agreement to take certain steps to de-identify the location as a Gong cha® store operated by Franchisee; and (b) the lessor will cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement against the Franchisee, including allowing Franchisor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any Proprietary Marks, designs or logos of Franchisor, provided that the lessor shall not be required to bear any expense thereof.
8. A provision that expressly states that the termination of the Franchise Agreement shall constitute a default under the lease.
9. A provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest upon termination or expiration of the franchise grant and/or upon the Franchisee's deficiency under the lease.

10. A provision that expressly requires that, if requested by Franchisor, the lessor of the Premises will provide Franchisor all sales and other information the lessor may have related to the operation of the Franchised Store.

11. Franchisee is restricted from accepting any requirement under the lease that seeks to impose any restrictions (territorial or otherwise) on the development or operation of other Gong cha® stores by Franchisee, Franchisor, or any other person or entity.

12. A provision that the lessor agrees that Franchisee may not assign the lease or sublease all or any part of its occupancy rights thereunder without Franchisor's prior written consent.

13. A provision that the lessor's consent to an assignment of the lease or subletting of the Premises will not be required in connection with an assignment or subletting to Franchisor, or any parent, subsidiary or affiliated corporation of Franchisor or Franchisee, or another operator that has been approved by Franchisor to be the franchisee for the Franchised Store.

14. A provision that prohibits the lessor from selling or leasing, or allowing the sublease of, space in the building or on the property to any person or entity for the operation of a retail store offering tea, coffee and juice. Additionally, the lessor shall not sell and shall prohibit any other tenant or subtenant in the building, or on the property, from engaging in operation of a retail store offering tea, coffee and juice. In the event lessor does not comply with these restrictions, Franchisor will have the right to seek an injunction prohibiting the occupancy by the new competing business or against the existing tenant as the case may be.

ATTACHMENT D
TO GONG CHA® AREA DEVELOPMENT AGREEMENT

SELECTION CRITERIA

This Attachment D is attached to and is an integral part of the Gong cha® Area Development Agreement dated _____, 20____ (this “**Agreement**”), between Franchisor and Developer. Capitalized terms not defined in this Attachment D shall have the meanings given them elsewhere in this Agreement. This Attachment D sets out a non-exhaustive list of characteristics, capabilities and criteria required of Developer.

Developer is required to satisfy and provide evidence of the following requirements:

1. General Requirements

- 1.1. shall be able to meet the financial, operating and other technical standards to perform the obligations under the Area Development Agreement and its relevant Franchise Agreements;
- 1.2. Developer’s Principal Owners have undergone a clear and thorough background check (considering in particular liabilities, credit and reputational issues) using a reputable third-party agency and any other KYC-related checks which Franchisor may require from time to time.

2. Core Commitments

Developer should demonstrate:

- 2.1 Gong cha values and a passion for the Brand and Business;
- 2.2 business, commercial, and financial acumen;
- 2.3 evidence of access to sufficient funds to execute the obligations under the Area Development Agreement, including its:
 - 2.3.1 Net Debt/EBITDA ratio;
 - 2.3.2 Debt/Equity ratio;
 - 2.3.3 minimum amount of liquid assets of [_____] (\$_____); and
 - 2.3.4 assets and liabilities of a prospective Developer.
- 2.4 an understanding of and willingness to undertake the administrative and legal requirements associated with operating a Gong cha® store;
- 2.5 citizenship or permanent residency status (as applicable) of Developer and/or its Principal Owner;
- 2.6 satisfactory character and/or trade references of Developer owner.

3. Demonstrated Intentions

Developer should:

- 3.1 understand that it will be permitted to only grow to such number of Gong cha® stores that Franchisor in its reasonable opinion concludes from time to time as being the optimum number of Gong cha® stores;
- 3.2 demonstrate commitment to devote full-time attention to its respective Businesses (such term having the meaning given to it in the Franchise Agreements) on a daily basis;
- 3.3 demonstrate understanding, capacity, commitment and intention to comply with the terms of the Franchise Agreement and the Manual.

4. Non-favorable characteristics

Franchisor is unlikely to approve a Developer where any of the characteristics set out below is evident:

- 4.1 Developer demonstrates an inability or unwillingness to or is otherwise unlikely to be able to comply with the Franchise Agreement and the Manual;
- 4.2 Developer has a prior criminal record; or
- 4.3 Developer has a record of bankruptcy or insolvency.

ATTACHMENT E
TO GONG CHA® AREA DEVELOPMENT AGREEMENT
STATE-SPECIFIC ADDENDA

**ADDENDUM TO
GONG CHA® AREA DEVELOPMENT AGREEMENT
FOR THE
STATE OF CALIFORNIA**

Notwithstanding anything to the contrary set forth in the Gong cha® Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Gong cha franchises offered and sold or operated in the State of California.

1. The California Franchise Relations Act (Business and Professions Code Section 20000 through 20043) provides franchisees with additional rights concerning termination, transfer and non-renewal of the Area Developer Agreement and certain provisions of the Area Development Agreement relating to termination, transfer and non-renewal may be superseded by the Act. There may also be court decisions which may supersede the Area Developer Agreement and your relationship with Franchisor, including the areas of termination, transfer and renewals of Developer's franchise(s). If the Area Development Agreement is inconsistent with the law, the law will control.

2. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (business and Professions Code Section 20000 through 20043).

3. California Corporations Code Section 31512.1 voids any provision in a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing that disclaims or denies: any representations made to Developer by Franchisor or its personnel or agents; Developer's reliance on any such representations, the franchise disclosure document, and any exhibit thereto; or any violations of the Franchise Investment Law (California Corporations Code Sections 31000 through 31516).

4. The Area Development Agreement requires application of the laws and forum of Massachusetts. These provisions may not be enforceable under California law.

5. California Civil Code Section 1671 has statutes which restrict or prohibit the imposition of liquidated damages provisions.

6. The Area Development Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).

7. The Area Development Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

8. Background paragraph E, and Section 13.9 of the Area Development Agreement are hereby deleted in their entirety and replaced with the following: "INTENTIONALLY OMITTED".

9. 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.

Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law are met independently without reference to this addendum.

IN WITNESS WHEREOF, the undersigned have executed this addendum as of the date the Area Development Agreement was executed.

PARTNERSHIP:
FRANCHISOR:
GONG CHA USA FRANCHISING, LLC

By: _____
Name: _____
Title: _____

IF CORPORATION, LLC, OR

DEVELOPER:

By: _____
Name: _____
Title: _____

IF INDIVIDUAL:
DEVELOPER:

Name: _____

**ADDENDUM TO
GONG CHA® AREA DEVELOPMENT AGREEMENT
FOR THE
STATE OF HAWAII**

Notwithstanding anything to the contrary set forth in the Gong cha® Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Gong cha® franchises offered and sold in the State of Hawaii:

The Hawaii Addendum is only applicable if you are a resident of Hawaii or if your business will be located in Hawaii.

1. Notwithstanding anything to the contrary contained in the Area Development Agreement, to the extent that the Area Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

No release language set forth in the Area Development Agreement shall relieve the franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii.

2. Background paragraph E, and Section 13.9 of the Franchise Agreement are hereby deleted in their entirety and replaced with the following: “INTENTIONALLY OMITTED”.

3. 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.

4. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

5. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

6. This Addendum is being entered into in connection with the Area Development Agreement. In the event of any conflict between this Addendum and the Area Development Agreement, the terms and conditions of this Addendum shall apply.

Each provision of this Addendum shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this Addendum.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date the Area Development Agreement was executed.

FRANCHISOR:

GONG CHA USA FRANCHISING, LLC

By: _____
Name: _____
Title: _____

**IF CORPORATION, LLC, OR PARTNERSHIP:
DEVELOPER:**

By: _____
Name: _____
Title: _____

IF INDIVIDUAL:

DEVELOPER:

Name: _____

**ADDENDUM TO
GONG CHA® AREA DEVELOPMENT AGREEMENT
FOR THE
STATE OF MINNESOTA**

Notwithstanding anything to the contrary set forth in the Gong cha® Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Gong cha® franchises offered and sold in the State of Minnesota:

The Minnesota Addendum is only applicable if you are a resident of Minnesota or if your business will be located in Minnesota.

1. Notwithstanding anything to the contrary contained in the Area Development Agreement, to the extent that the Area Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

With respect to franchises governed by Minnesota Franchise Law, Franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that Developer be given 180 days' notice for non-renewal of this Area Development Agreement.

To the extent required by the Minnesota Franchise Act, Franchisor will protect Developer's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols related to the trademarks or indemnify Developer from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the trademarks, provided Developer is using the names in marks in accordance with the Area Development Agreement.

Developer will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

With respect to franchises governed by Minnesota Franchise Law, Franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, Developer be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the Franchisor shall be effective immediately upon receipt by Developer of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the Developer; (2) the conviction of the Developer of an offense directly related to the business conducted according to the Area Development Agreement; or (3) failure of the Developer to cure a default under the Area Development Agreement which materially impairs the goodwill associated with the Franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the Developer has received written notice to cure of at least twenty-four (24) hours in advance thereof.

Minnesota Statutes, Section 80C.21, and Minnesota Rules 2860.4400(J) prohibit Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Developer to consent to liquidated damages, termination penalties, or judgment notes. In addition, nothing in the Area Development Agreement can abrogate or reduce (a) any of Developer's rights as provided for in Minnesota Statutes, Chapter 80C; or (b) Developer's rights to any procedure, forum, or remedies provided for

by the laws of the jurisdiction. Developer cannot consent to Franchisor obtaining injunctive relief. Franchisor may seek injunctive relief.

Any claims Developer may have against Franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

Developer consents to Franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

2. 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.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

4. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

5. This Addendum is being entered into in connection with the Area Development Agreement. In the event of any conflict between this Addendum and the Area Development Agreement, the terms and conditions of this Addendum shall apply.

Each provision of this Addendum shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the Minnesota Franchise Act are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date the Area Development Agreement was executed.

FRANCHISOR:
GONG CHA USA FRANCHISING, LLC

By: _____
Name: _____
Title: _____

IF CORPORATION, LLC, OR PARTNERSHIP:
DEVELOPER:

By: _____
Name: _____
Title: _____

IF INDIVIDUAL:
DEVELOPER:

Name: _____

**ADDENDUM TO
GONG CHA® AREA DEVELOPMENT AGREEMENT
FOR THE
STATE OF NORTH DAKOTA**

Notwithstanding anything to the contrary set forth in the Gong cha® Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Gong cha® franchises offered and sold in the State of North Dakota:

The North Dakota Addendum is only applicable if you are a resident of North Dakota or if your business will be located in North Dakota.

1. Covenant Not to Compete. Section 7.3 of the Area Development Agreement is amended to provide that covenants not to compete upon termination or expiration of the Area Development Agreement may be unenforceable, except in certain circumstances provided by law.

2. Waiver. Any references in the Area Development Agreement and to any requirement to consent to a waiver of exemplary and punitive damages are deleted.

3. Release. The North Dakota Securities Commissioner has determined that it is unfair and inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to sign a general release upon renewal of the Area Development Agreement. Therefore, the requirement that the franchisee signs a release upon renewal of the Area Development Agreement is deleted from any place it appears in the Area Development Agreement.

4. Jury Trial. Any references in the Area Development Agreement to any requirement to consent to a waiver of trial by jury are deleted.

5. Governing Law. Any claims arising under the North Dakota franchise law will be governed by the laws of the State of North Dakota.

6. Venue. To the extent North Dakota laws prohibit a franchisor from requiring a North Dakota franchisee to litigate outside North Dakota, Sections 12.2 and 13.4 of the Area Development Agreement are amended to provide that any litigation involving claims arising under the North Dakota franchise law will be brought in federal district court in North Dakota.

7. 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.

8. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

9. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

10. This Addendum is being entered into in connection with the Area Development Agreement. In the event of any conflict between this Addendum and the Area Development Agreement, the terms and conditions of this Addendum shall apply.

Each provision of this Addendum shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date the Area Development Agreement was executed.

FRANCHISOR:
GONG CHA USA FRANCHISING, LLC

By: _____
Name: _____
Title: _____

IF CORPORATION, LLC, OR PARTNERSHIP:
DEVELOPER:

By: _____
Name: _____
Title: _____

IF INDIVIDUAL:
DEVELOPER:

Name: _____

**ADDENDUM TO
GONG CHA® AREA DEVELOPMENT AGREEMENT
FOR THE
STATE OF WISCONSIN**

To the extent the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07 applies, the terms of this addendum apply.

1. Notwithstanding anything to the contrary contained in the Area Development Agreement, to the extent that the Area Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

To the extent any of the provisions regarding notice of termination or change in dealership are in conflict with Section 135.04 of the Wisconsin Fair Dealership Law, the Wisconsin law shall apply.

2. Any capitalized terms that are not defined in this addendum shall have the meaning given them in the Area Development Agreement.

3. Except as expressly modified by this addendum, the Area Development Agreement remains unmodified and in full force and effect.

This addendum is being entered into in connection with the Area Development Agreement. In the event of any conflict between this addendum and the Area Development Agreement, the terms and conditions of this addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this addendum as of the date the Area Development Agreement was executed.

FRANCHISOR:
GONG CHA USA FRANCHISING, LLC

By: _____
Name: _____
Title: _____

**IF CORPORATION, LLC, OR PARTNERSHIP:
DEVELOPER:**

By: _____
Name: _____
Title: _____

**IF INDIVIDUAL:
DEVELOPER:**

Name: _____

EXHIBIT I
FORM OF GENERAL RELEASE

RELEASE OF CLAIMS

THIS IS A CURRENT RELEASE FORM THAT GENERALLY WILL BE USED WITH OR INCORPORATED INTO A SEPARATE AGREEMENT. THIS FORM IS SUBJECT TO CHANGE OVER TIME.

For and in consideration of the Agreements and covenants described below, Gong cha USA Franchising, LLC (“Franchisor”) and _____ (“you”) enter into this Release of Claims (“Agreement”).

RECITALS

- A. Franchisor and you entered into a Gong cha Franchise Agreement dated _____, ____.
- B. [NOTE: Describe the circumstances relating to the release.]

AGREEMENTS

- 1. **Consideration.** [NOTE: Describe the consideration paid.]
- 2-3. [NOTE: Detail other terms and conditions of the release.]
- 4. **Release.** You hereby release Franchisor, its officers, directors, shareholders, and agents, and their respective successors, assigns, heirs, and personal representatives, from all debts, representations, agreements, liabilities, actions, and causes of action of every kind and nature arising out of or relating to the Franchise Agreement between Franchisor and you, the offer and sale of that franchise and the franchise relationship between the parties.
- 5. **General.** No amendment to this Agreement or waiver of the rights or obligations of either party shall be effective unless in writing signed by the parties. This Agreement is governed by the laws of the _____ State of _____ without regard to conflicts of laws principles. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. This Agreement contains the entire agreement and understanding of the parties concerning the subject matter of this Agreement. The general release above does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

[NOTE: Detail other miscellaneous provisions.]

YOU:

GONG CHA USA FRANCHISING, LLC

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

EXHIBIT J
FRANCHISEE QUESTIONNAIRE

FRANCHISE QUESTIONNAIRE

Do not sign this Questionnaire if you are a resident of California or Hawaii or if the franchise is to be operated in California or Hawaii. If signed or otherwise completed, this Questionnaire does not apply to residents of California or Hawaii or if the franchise is to be operated in California or Hawaii.

The purpose of this **FRANCHISE QUESTIONNAIRE** is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate, or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Have you received and personally reviewed our Franchise Agreement and any attachments to it?
Yes: **No:**

2. Have you received and personally reviewed our Franchise Disclosure Document (“FDD”)?
Yes: **No:**

3. Did you sign a Receipt for the FDD indicating the date you received it?
Yes: **No:**

4. Have you discussed the benefits and risks of purchasing a Gong cha® franchise with an attorney, accountant, or other professional advisor?
Yes: **No:**

If “No,” do you wish to have more time to do so?
Yes: **No:**

5. Do you understand that the success or failure of your Gong cha® franchise will depend in large part upon your skills and abilities, competition from others, and other economic and business factors?
Yes: **No:**

6. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits, or operating costs of a Gong cha® franchise?
Yes: **No:**

7. Has any employee or other person speaking on our behalf made any statement (other than the information contained in Item 19 of the FDD), or any promise regarding the amount of money you may earn in operating a Gong cha® franchise?
Yes: **No:**

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	Pending
Hawaii	Pending
Illinois	<i>Separate FDD</i>
Indiana	Pending
Minnesota	Pending
North Dakota	Pending
South Dakota	Pending
Wisconsin	March __, 2023

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Gong cha USA Franchising, 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. Michigan requires that Gong cha USA Franchising, LLC gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or 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 Gong cha USA Franchising, 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, DC 20580, and the appropriate state agency identified on Exhibit B.

The franchisor is Gong cha USA Franchising, LLC, 200 Clarendon St., Suite #5600 Boston, Massachusetts, 02116. Its telephone number is (775) 799-0070. The franchise sellers involved in offering and selling the franchise to you include Kassia Trumbull, who can be reached at 200 Clarendon Street, Suite #5600, Boston, Massachusetts 02116; (775) 799-0070. Any other franchise sellers involved in offering and selling the franchise to you are listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement: _____

Issuance Date: March 29, 2024

Gong cha USA Franchising, LLC authorizes the respective parties identified on Exhibit B to receive service of process for us in the particular state.

I have received a disclosure document with an Issuance Date of March 29, 2024, that included the following Exhibits:

- Exhibit A. State Specific Addenda to Disclosure Document
- Exhibit B. List of State Agencies and Agents for Service of Process
- Exhibit C. Table of Contents of the Manuals
- Exhibit D. Existing and Former Unit Franchisees of Franchisor
- Exhibit E. Existing and Former Third-Party Subfranchisees / Sublicensees of Franchisor's US Master Franchisees
- Exhibit F. Financial Statements
- Exhibit G. Franchise Agreement with exhibits: Data Sheet; List of Principals and Designated Principal; Guaranty, Indemnification, and Acknowledgment; Authorization Agreement for Prearranged Payments; Non-Disclosure and Non-Compete for Franchisee's Employees; Lease Terms; state-specific addenda; Data Protection; and Form of Profit and Loss Statement; Special Licensed Products Application Form
- Exhibit H. Area Development Agreement and attachments: Development Area; Development Schedule; Guaranty, Indemnification, and Acknowledgment; Lease Terms; Selection Criteria; and state-specific addenda
- Exhibit I. Form of General Release
- Exhibit J. Franchisee Questionnaire

Indicate the date on which you received this disclosure document, sign, indicate the date you signed this Receipt, and promptly return one completed copy of the Receipt to Gong cha USA Franchising, LLC, at 200 Clarendon St., Suite #5600 Boston, Massachusetts, 02116 or kassia.trumbull@gong-cha.com. Keep the second copy of the Receipt for your records.

Date Disclosure Document Received

Prospective Franchisee's Signature

Date Receipt Signed

Print Name

Address: _____

RECEIPT

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Date Disclosure Document Received

Prospective Franchisee's Signature

Date Receipt Signed

Print Name

Address: _____
