

FRANCHISE DISCLOSURE DOCUMENT



Chatime Franchise, LLC

a Delaware limited liability company

6000 Sepulveda Blvd.

Culver City, CA 90230

Tel. +61 92830880

Email: companysecretaryusa@chatime.com

Website: www.chatime.com

We offer franchises to operate a Chatime beverage service establishment (a “Chatime Store”) offering gourmet teas, smoothies, iced beverages, other coffee and tea-based beverages, bubble tea, compatible food products, and related supplies, accessories, and gifts at a specified location within a designated geographic territory.

The total investment necessary to begin operation of your Chatime Store is between \$280,600 to \$493,900. This includes \$86,900 to \$100,400 that must be paid to us or our affiliates.

We also offer multi-unit development agreements under which you agree to open and operate an agreed number of Chatime Stores within a specific geographic area according to an agreed development schedule. If you sign a multi-unit development agreement, you will pay us a multi-unit development fee when you sign the multi-unit development agreement, which will serve as a full credit toward the initial franchise fee for each unit to be developed. The number of locations in a multi-unit development agreement will normally range from three to ten locations. The estimated initial investment when signing a multi-unit development agreement for three to ten locations is \$360,600 to \$713,900, which includes the multi-unit development fee and the estimated initial investment for the first location. This includes \$166,900 to \$320,400 that must be paid to us or our affiliates.

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 fourteen (14) days before you sign a binding agreement with, or making any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different format, contact Chatime Franchise, LLC, at 6000 Sepulveda Blvd., Culver City, CA 90230, tel.+61 92830880, companysecretary@chatime.com.

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

Buying a franchise is a complex investment. The information in this Franchise 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 Franchise 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: April 19, 2024

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Chatime business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Chatime franchisee?	Item 20 or Exhibit G lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in New York. 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 New York than in your own state.
2. **Financial Condition.** The franchisor's financial condition, as reflected in the financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Spousal Liability.** Your spouse may be required to sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
5. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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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Item 1: The Franchisor, and Any Parents, Predecessors, and Affiliates

The Franchisor is Chatime Franchise, LLC, which will be referred to as “Chatime,” “we,” or “us.” The term “you” or “Franchisee” means the person or legal entity that is granted the franchise and the direct and indirect owners of any legal entity that becomes a franchisee. Our affiliates license franchised Chatime Stores and operate company-owned Chatime Stores both in the U.S. and internationally. We do not conduct any business activity other than franchising Chatime Stores and other Stores under different marks.

The Franchisor

We are a Delaware limited liability company organized on July 12, 2022. Our principal place of business is 6000 Sepulveda Blvd., Culver City, CA 90230. We currently conduct business under our organizational name “Chatime Franchise LLC” and the marks “Chatime®,” “*Chatime 奶茶*®”, “*Cha time*®”, “*夏地*®” and “Duan Chun Zhen.” We do not conduct business or intend to do business under any other names. We have no predecessor required to be included in this Item 1.

Our affiliates own and operate three company-owned Chatime Store locations in Southern California, which opened in 2023. We began offering Chatime franchises in April 2023.

Our agents for service of process are disclosed in Exhibit D. Our agent for service of process in Delaware is A Registered Agent, Inc., 8 The Green, Suite A, Dover, Delaware 19901. We do not have a physical office in Delaware.

Our Parent and Affiliates

Our parent company, Chatime Global LLC (“Chatime Global”), is a Delaware limited liability company organized on July 12, 2022. Chatime Global’s principal place of business is SE702 66 Goulburn Street, Sydney NSW 2000, Australia.

Chatime Global is owned fifty percent by Chatime International Corp (“Chatime International”), a Delaware corporation incorporated on July 7, 2022. Chatime International’s principal place of business is SE702 66 Goulburn Street, Sydney NSW 2000, Australia.

Chatime International is owned by Chatime Group Pty Ltd (“Chatime Group”), an Australian company incorporated in July 2018. Chatime Group’s principal place of business is SE702 66 Goulburn Street, Sydney NSW 2000, Australia. Chatime Group has offered Chatime franchises in Australia since 2009, and currently has 168 franchised and corporate run Chatime outlets in Australia.

Chatime Global is owned fifty percent by Chatime NorthStar LLC (“Chatime North Star”), a Delaware limited liability company organized on January 18, 2022. Chatime North Star’s principal place of business is No. 98, Gaotie Ninth Road, Zhubei City, Hsinchu County 30274, Taiwan.

Chatime North Star is owned by La Kaffa International Co., Ltd. (“La Kaffa”), a corporation

formed under the laws of Taiwan in March 2004. La Kaffa's principal place of business is No. 98, Gaotie Ninth Road, Zhubei City, Hsinchu County 30274, Taiwan.

La Kaffa licenses us the right to use and sublicense the use of the Chatime® and 綠茶 trade names and related marks. La Kaffa does business under the names "Chatime®", "Chatime 綠茶®", "綠茶", "zenQ®", "La Kaffa®", " ", and "綠茶". La Kaffa has operated businesses similar to the one you will operate since January 2008. La Kaffa currently operates approximately 1256 Chatime Stores worldwide by itself or through franchisees. La Kaffa has offered franchises for Chatime Stores since April 2009. As of December 31, 2023, La Kaffa had nine franchised or licensed Chatime Stores in the United States similar to the business you will operate as a franchisee, and had sold in excess of 100 Chatime Store franchises worldwide.

La Kaffa also offers franchises for a number of other Store concepts by itself or through its subsidiaries. La Kaffa has offered franchises for businesses offering specialty coffees, teas, and meals under the trade name "La Kaffa Coffee" since July 2010. As of December 31, 2023, La Kaffa has sold one La Kaffa Coffee franchise worldwide. La Kaffa has offered franchises for businesses offering Taiwanese traditional desserts under the trade name "ZenQ Dessert" since January 2012. As of December 31, 2023, La Kaffa has sold one ZenQ Dessert franchise worldwide. La Kaffa has offered franchises for businesses offering specialty baked goods under the trade name "Bake Code" since November 2014. As of December 31, 2021, La Kaffa has sold approximately five Bake Code franchises worldwide. La Kaffa has offered franchises for businesses offering high-end tea-based beverages under the trade name "Chatime Lounge" since October 2016. As of December 31, 2023, La Kaffa has not sold any Chatime Lounge franchises worldwide. La Kaffa has offered franchises for businesses offering Sichuan folk beef noodles under the name "Duan Chun Zhen" since July 2019. As of December 31, 2023, La Kaffa has sold five Duan Chun Zhen franchises worldwide.

La Kaffa's affiliate Chatime USA, LLC ("Chatime USA"), a Delaware limited liability company, formed in January 2014, offered Chatime franchises for businesses similar to the one you will operate as a franchisee, in the United States, from February 2014 to June 2022. As of December 31, 2023, Chatime USA had ten operating franchised and licensed Chatime Stores in the United States. From 2016 to 2020, Chatime USA operated one company-owned Chatime Store in New York, New York similar to the business you will operate as a franchisee. From 2017 to 2018, Chatime USA operated one additional company-owned Chatime Store in New York, New York similar to the business you will operate as a franchisee.

Our affiliate Chatime Wholesale LLC, a Delaware limited liability company, formed in July 2022, sells products and branded supplies to our franchisees. Chatime Wholesale LLC's principal place of business is 6000 Sepulveda Blvd., Culver City, CA 90230.

Our affiliate Chatime Los Angeles LLC, a Delaware limited liability company, formed in September 2022, owns and operates a company-owned Chatime Store location in Torrance, California. Our affiliate Chatime Los Angeles West, LLC, formed in September 2022, owns and operates Chatime Store locations in Culver City and Sherman Oaks, California. The principal place of business for Chatime Los Angeles, LLC and Chatime Los Angeles West, LLC is 6000 Sepulveda Blvd., Culver City, CA 90230.

Other than La Kaffa we have no parents or affiliates that offer franchises in any line of business in the United States or provide products or services to our franchisees in the United States. We do not have any predecessors during the 10-year period immediately before the close of our most recent fiscal year.

The Franchised Business

We have spent considerable time, effort, and resources to develop the Chatime franchise system (the “System”) that includes, without limitation, producing, merchandising, and selling Chatime coffee, tea, bubble tea, compatible food products, and other products and merchandise that we approve. The distinguishing characteristics of the System include, without limitation, (i) proprietary trademarks (the “Trademarks”), (ii) distinctive exterior and interior design, decor, color and identification schemes and furnishings, (iii) special menu items, (iv) standards, specifications, requirements, and procedures for operations, manufacturing, distribution, and delivery, (v) the quality and safety of products and services offered, (vi) management systems and programs, (vii) training and assistance, and (viii) marketing, advertising, and promotional programs, all of which we may change, supplement, and further develop.

We offer franchises to qualified persons to own and operate food service businesses offering gourmet coffees and teas, other coffee and tea-based beverages, bubble tea, compatible food products, coffee and tea makers, and related supplies, accessories, and gifts at a specified location within a designated geographic territory (a “Territory”). If we grant you a franchise, you will execute our standard form of Chatime Franchise, LLC Franchise Agreement attached as Exhibit B (the “Franchise Agreement”) and be granted the right to develop and operate one Chatime Store.

We also offer multi-unit development agreement franchises to qualified persons who must establish certain minimum numbers of Chatime Stores within a designated geographic territory (a “Development Territory”). If we grant you a multi-unit development agreement franchise, you will execute our standard form of multi-unit development agreement attached as Exhibit C (the “Multi-Unit Development Agreement”) and be granted the right to begin opening Chatime Stores in your Development Territory (the “Development Rights”). Your master franchise business includes the obligation to open a certain number of Chatime Stores in your Development Territory in accordance with a specified schedule (the “Development Quota”). Upon establishing each additional outlet under the Multi-Unit Development Agreement, you will be required to sign our then-current Franchise Agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document. If you fail to meet your Development Quota or fail to comply with any financial obligation relating to the Development Rights, we may terminate your Development Rights, reduce or eliminate your Development Territory or the territorial protections provided under your Multi-Unit Development Agreement, or take other action we deem appropriate in our discretion.

We may periodically make changes to the System including, without limitation, our menu, operating standards, and facility, signage, equipment, and fixture requirements. You may need to make additional investments if we make System changes or if your Chatime Store’s equipment or facilities become worn or obsolete, or for other reasons (for example, to comply with changes to applicable laws or regulations). Your Chatime Store must be developed and operated to our

specifications and standards. Uniformity of products sold in Chatime Stores is important to the overall integrity and reputation of the System; accordingly, you have no discretion regarding the products sold or other System standards.

You must execute the Acknowledgment Addendum attached as Exhibit F before your Franchise Agreement becomes effective.

Market Competition

Your Chatime Store will offer products and services to the general public throughout the year and compete with other beverage and food product service business. The market for this type of products and services generally is developed and very competitive in the United States. You will compete with locally-owned businesses and national and regional chains that sell similar products. The market for gourmet coffees and teas, coffee or tea-based beverages, bubble tea, and related products is well-established and highly competitive. Your Chatime Store will compete on the basis of factors such as price, service, location, convenience, and food quality. You may find that there is competition for a suitable location. Principal factors that vary but impact our brand's competitive position are name recognition (which is stronger in some regions than in others), product quality, variety, appearance, location, and advertising. Your Chatime Store may also be affected by other factors such as changes in consumer taste, seasonal weather changes, economic conditions, population, and travel patterns.

You may also compete with other existing Chatime Stores and with new Chatime Stores that we may operate, franchise, or license in the future. Your competition may also include other outlets selling coffee, tea, and food items, grocery stores, convenience stores, and specialty coffee shops.

Industry-Specific Law and Regulations

Your Chatime Store will be subject to various federal, state, and local laws and regulations applicable to Store businesses including, without limitation, laws and regulations regarding state and local licensing, zoning, land use, construction, environmental protocols and various health, sanitation, safety, and fire standards. For example, federal, state, and local laws and regulations regulate businesses handling food and food products (in particular, refrigerated and frozen food items), and these laws and regulations will apply to your business. Local county health departments generally reserve the right to inspect Stores to ensure compliance with safe food handling practices and adequacy of kitchen facilities. Your Chatime Store must comply with all federal and state laws requiring disclosure of nutritional information on menus and menu boards.

In addition to laws pertaining specifically to the Store industry, your Chatime Store will be subject to laws or regulations that apply to businesses generally. For example, your Chatime Store will be subject to employment laws such as the Fair Labor Standards Act, Title VII of the Civil Rights Act of 1964, the Family and Medical Leave Act, and various state laws governing such matters as minimum wage, overtime, and working conditions. The Americans with Disabilities Act may require you to expend certain amounts to ensure compliance by your Chatime Store.

Item 2: Business Experience

Director: Yao-Hui (Henry) Wang (also known as 王耀輝)

Mr. Wang has been a director in us and our parent Chatime Global LLC since our inception in July 2022 until the present. Mr. Wang founded La Kaffa and has been La Kaffa's Chairman and President since February 2004 until the present. Mr. Wang has been the chairman of Chatime USA since January 2014 until the present, and was the President of Chatime USA from January 2014 to December 2019. All of these positions are or were located in Zhubei City, Taiwan.

Director: Li-Yu (Teresa) Wang (also known as 王麗玉)

Ms. Wang has been a director in us and our parent Chatime Global LLC since our inception in July 2022 until the present. Ms. Wang has been a founder and director in La Kaffa since February 2004 until the present. Ms. Wang has been a director of Chatime USA since January 2022 until the present. All of these positions are or were located in Zhubei City, Taiwan.

Director and Chairperson: Chen (Charley) Zhao

Mr. Zhao has been a director and chair of the board in us and our parent Chatime Global LLC since our inception in July 2022 until the present. Mr. Zhao has been the Managing Director of Chatime Group Pty Ltd. since April 2009 until the present. All of these positions are or were located in Sydney, Australia.

Chief Executive Officer: Carlos Antonius

Mr. Antonius has been chief executive officer in us and our parent Chatime Global LLC since our inception in July 2022 until the present. Mr. Antonius has been chief executive officer in Chatime Group Pty Ltd. since June 2015 until the present. All of these positions are or were located in Sydney, Australia.

Chief Financial Officer: David Prince

Mr. Prince has been chief financial officer in us and our parent Chatime Global LLC since our inception in July 2022 until the present. Mr. Prince has been chief financial officer in Chatime Group Pty Ltd. since July 2020 until the present. All of these positions are or were located in Sydney, Australia.

Item 3: Litigation

Investigation by Letitia James, Attorney General of the State of New York, of La Kaffa International Co., Ltd., Chatime USA, LLC, and Yao-Hui Wang. In December 2018, the Attorney General of the State of New York (the "NYOAG") began to inquire into the activities of our affiliate Chatime USA LLC and La Kaffa pursuant to New York General Business Law, Article 33, §680 *et seq.*, also known as the New York State Franchise Sales Act (the "NY Franchise Sales Act"). The inquiries were made in connection with the issues of whether our affiliate Chatime USA LLC and La Kaffa sold franchises from or in New York without satisfying the pre-requisite of registering the franchise offerings with the NYOAG or otherwise having a franchise registration exemption. The NYOAG found that our affiliate Chatime USA LLC and La Kaffa sold franchises from or in New York without being registered or exempt from registration. On November 25,

2019, our affiliate Chatime USA LLC, La Kaffa, and Yao-Hui Wang entered into an Assurance of Discontinuance with the NYOAG (the “Assurance of Discontinuance”) prohibiting our affiliate Chatime USA LLC and La Kaffa from engaging in, or attempting to engage in, conduct in violation of the NY Franchise Sales Act. Further, pursuant to the Assurance of Discontinuance, (i) our affiliate Chatime USA LLC and La Kaffa were required to offer rescission to franchisees that were sold franchises in violation of the NY Franchise Sales Act, and (ii) our affiliate Chatime USA LLC and La Kaffa were required to pay \$25,000 in penalties and costs to New York.

In re Chatime USA, LLC, State of Washington, Department of Financial Institutions, Securities Division, Consent Order No. S-19-2701-19-0001. On or about August 4, 2016, our affiliate Chatime USA LLC entered into a five-year Master Franchise Agreement with a Canadian company based in Edmonton, Alberta (the “Alberta Master Franchisee”) pursuant to which our affiliate Chatime USA LLC granted the Alberta Master Franchisee master franchise rights in Washington. In 2019, the Washington Department of Financial Institutions (the “Department”) began an investigation into our affiliate Chatime USA LLC’s prior franchising activities in connection with its application for franchise registration. The Department concluded that the sale to the Alberta Master Franchisee violated Washington franchise law because (i) Chatime USA LLC granted master franchise rights to the Alberta Master Franchisee in Washington without first obtaining franchise registration in Washington, and (ii) Chatime USA LLC did not provide the Alberta Master Franchisee with a U.S. disclosure document. Under the terms of a consent order dated September 16, 2019, our affiliate Chatime USA LLC agreed to cease and desist from the sale of franchises in Washington in violation of Washington franchise law and paid the Department \$2,500 for the costs of its investigation.

No other litigation is required to be disclosed in this Item 3.

Item 4: Bankruptcy

No bankruptcy is required to be disclosed in this Item.

Item 5: Initial Fees

Franchise Fees

You will pay us a nonrefundable “Initial Franchise Fee” of \$54,900 when you sign the Franchise Agreement. If you give us notice of termination within seven days after execution of your Franchise Agreement, we will return the Initial Franchise Fee within 14 days after receiving your notice of termination.

We also offer multi-unit development agreements under which you agree to open and operate an agreed number of Chatime Stores within a specific geographic area according to an agreed development schedule. If you enter into a multi-unit development agreement, you will pay us a non-refundable multi-unit development fee at the time of signing the multi-unit development agreement. The amount of the multi-unit development fee will depend on the number of locations to be opened. For each location, you will have to sign a separate individual unit franchise

agreement in our then-current form of franchise agreement, which may be different than our current form of franchise agreement. The multi-unit development fee (“Multi-Unit Development Fee”) will serve as a full credit against the initial franchise fees for each location (including the first location), so that you will not be required to pay an Initial Franchise Fee at the time you sign each Franchise Agreement for each location.

The Multi-Unit Development Fee is as follows: For two locations, the fee is \$98,900. For three locations, the fee is \$134,900. For more than three locations, the fee is \$134,900 plus \$20,000 for each additional location. For ten locations, the fee is \$274,900. The multi-unit development fee is fully-earned by us upon receipt and is not refundable under any circumstances, regardless of the number of units you open.

Number of Chatime Stores	Multi-Unit Development Fee Due at Signing
2	\$98,900
3	\$134,900
Additional Stores	\$20,000 each (For ten locations, the total is \$274,900)

Opening Inventory and Supplies

You must purchase from our affiliates an initial inventory of food products, supplies and equipment before opening your Chatime Store. The assortment and number of these items will vary depending on the size, configuration, and storage capacity of the Chatime Store, the specifics of the location, the season of the year, and other factors. The estimated cost of the opening inventory is \$15,000 to \$20,000. The cost is non-refundable.

Technology Systems

You must purchase from us or suppliers approved by us our then designated point of sale system and associated operating technology stack. The estimated cost of these technology systems is \$11,500 to \$19,000. The cost is non-refundable.

Uniforms

You must also purchase from us or suppliers approved by us the required uniforms for your Chatime Store personnel, the number of which will vary depending on the size of your Chatime Store and your staffing needs. The estimated cost of uniforms is \$500 to \$1,500. The cost is non-refundable.

Initial Training

We will provide two weeks of initial training for up to four attendees, to be conducted by one or two of our representatives. You must pay us a non-refundable initial training fee of \$5,000 for each Franchise Agreement. You will pay for you and your employee’s reasonable accommodations, meal and related travel expenses. We estimate that the amount of travel and

living expenses you will spend on you and your employees will be \$200 per person per day.

Initial Fees Payable to Franchisor or Affiliates	Single Unit Franchise Agreement	Three Unit Multi-Unit Development Agreement	Ten Unit Multi-Unit Development Agreement
Franchise Fee	\$54,900	\$134,900	\$274,900
Opening Inventory and Supplies for First Location	\$15,000 to \$20,000	\$15,000 to \$20,000	\$15,000 to \$20,000
Technology Systems for First Location	\$11,500 to \$19,000	\$11,500 to \$19,000	\$11,500 to \$19,000
Uniforms for First Location	\$500 to \$1,500	\$500 to \$1,500	\$500 to \$1,500
Initial Training for First Location	\$5,000	\$5,000	\$5,000
Total	\$86,900 to \$100,400	\$166,900 to \$180,500	\$306,900 to \$320,400

Item 6: Other Fees

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Royalty	5.0% of Gross Sales	Tenth day of the month calculated based on the Gross Sales of the previous month	“Gross Sales” means the total actual gross charges for all products, merchandise, and services sold to your Store’s customers for cash or credit, whether such sales are made at or from the premises of your Store or any other location or other channels of distribution if approved in writing in advance by us and including proceeds from any business interruption or similar insurance coverage, but excluding (i) sales, use, service, or excise taxes collected from customers and paid to the appropriate taxing authority and (ii) all customer refunds, adjustments and promotional discounts including any senior citizens discount.
Local Marketing Expenditure	At least 2.0% of Gross Sales	As incurred	We require you to spend at least 2.0% of Gross Sales on local marketing. See Item 11.
Brand Marketing Fee ⁽²⁾	2.0% of Gross Sales ⁽²⁾	Tenth day of the month calculated based on the	“Gross Sales” means the total actual gross charges for all products, merchandise, and services sold to your Store’s customers for cash or credit, whether such sales are made at

		Gross Sales of the previous month	or from the premises of your Store or any other location or other channels of distribution if approved in writing in advance by us and including proceeds from any business interruption or similar insurance coverage, but excluding (i) sales, use, service, or excise taxes collected from customers and paid to the appropriate taxing authority and (ii) all customer refunds, adjustments and promotional discounts including any senior citizens discount.
Additional Training Fee	Current rates are \$250 - \$500 per person per day, in addition to transportation, accommodation, and meals estimated to be \$200 per person per day.	Before the additional training begins	If you request additional training or assistance, or we deem additional training necessary, such additional training will be provided by us at our designated training center, on-site or otherwise at a place and time we determine. We may charge a reasonable fee for any additional training based on the scope of the training and you will pay the fee upon receipt of our invoice. The current fee is \$300 per day per trainer. You will be responsible for the costs of our trainers' travel, meal and accommodation expenses. You will bear the full costs and risk of all trainees' attendance including, without limitation, costs for travel, accommodations, meals, employee wages and entitlements, uniforms, workers' compensation insurance, and personal expenses.
Renewal Outlet Fee	No more than 25% of the then-current New Outlet Fee	No later than 30 days before the Store is renewed	We determine the amount of the Renewal Outlet Fee based on your compliance with your Franchise Agreement (e.g., whether you make timely payments, comply with System standards, etc.).
Transfer Fee	\$10,000	Prior to transfer approval	Payable if we approve a transfer of your Franchise Agreement.
Audit Fee	Cost of audit	As invoiced	Payable if (i) we find that you have understated any amount you owe to us by more than 2%, or (ii) you fail to furnish reports, supporting records, other information or financial statements as required on a timely basis and we believe an audit is necessary. The Audit Fee includes accountants' fees, legal fees, and associated travel and accommodation expenses for our employees.

Interest Rate	The lesser of 1.5% per month or the highest rate allowed by law	As invoiced	If you fail to pay us any amount when due, you will pay interest on that amount at the Interest Rate from the time the amount should have been paid until it is paid. Interest accrues daily and may be capitalized by us.
Alternate Supplier Testing Fee	Costs incurred	As invoiced	You will reimburse us for our costs to test a proposed alternate supplier regardless of whether such supplier is approved.
Temporary Management Fee	Commercially reasonable fee not less than \$30 per hour plus costs of travelling, accommodation, meals, and other expenses for operating and managing the Store	As invoiced	If you cease to conduct operations or abandon your franchise business, we or our nominee may, but are not required to, enter your business premises and operate and manage your franchise business until you comply with our direction or notice requiring you to recommence operations. You will pay us a reasonable Temporary Management Fee we determine and our associated expenses including, without limitation, costs for employee wages and entitlements, travel, accommodations, and meals.
Taxes	Amount imposed by your state, local, and federal governments	As incurred	You will pay all applicable taxes. If any laws are changed, new laws are introduced or courts, or any relevant authority interprets laws differently so as to require us to pay a tax, duty, excise, or levy (impost) on amounts we receive from you (other than income tax) or on goods or services we supply, you will pay us an additional amount so that our net yield is unchanged.
Additional Marketing Assistance Fee	Current rates are \$250 to \$500 per person per day	As invoiced	If you request any additional marketing assistance from us that is not within the scope of assistance provided for by the Brand Marketing Fee, you will pay us any additional fees we charge for such additional marketing assistance.
Meetings and Conference Fees	Attendance fee not more than \$400 per person per day, plus your associated expenses for attending	As invoiced	We may convene meetings and conferences (including regional meetings and conferences) from time to time for you and your key personnel as we deem necessary or appropriate. You will pay any associated fees not more than \$400 per person per day plus your associated expenses including, without limitation, costs for travel, accommodation, meals, employee wages and entitlements, uniforms, workers' compensation insurance and personal expenses.

Legal Expenses	All legal expenses incurred by us to enforce your agreements if you default	Upon demand	If you default under your Franchise Agreement or any other agreement with us, you will reimburse us for our associated legal expenses for the enforcement of the applicable agreements including, without limitation, attorneys' fees and investigation costs.
Indemnification	All costs and damages incurred by us for claims arising from your operation of the business	Upon demand	You will reimburse us for our costs and damages arising from your operation of your Chatime Stores.

Notes:

(1) **Type of Fee.** All fees paid to us or our affiliates are uniform and non-refundable under any circumstances once paid.. If you give us notice of termination within seven days after execution of your Franchise Agreement, we will return the Initial Franchise Fee within 14 days after receiving your notice of termination. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers.

(2) **Brand Marketing Fee.** You will pay us 2.0% of Gross Sales of your Chatime Store on the tenth day of each month based on the Gross Sales for the previous month (the "Brand Marketing Fee"). In our discretion, we may use the Brand Marketing Fee to pay the costs of (i) developing and conducting international or regional advertising and promotional campaigns including advertising in international or regional publications, (ii) engaging advertising agencies and marketing and research consultants, (iii) providing you with samples of brochures and marketing materials used by us or our affiliates for amendment and use by you in your Territory, (iv) coordinating and administering the activities described in (i) to (iii) including reasonable overhead, administrative, and employee expenses, (v) materials and printing, and (vi) any other marketing activity for the purpose of developing the Chatime brand internationally, regionally, or in your Territory.

We may combine the Brand Marketing Fee with other marketing fees provided by other franchisees. If you request any additional marketing assistance that is not within the scope of assistance provided for by the Brand Marketing Fee, then you will pay any additional fees we charge for such additional marketing assistance upon demand. You will not use any marketing or promotional materials unless such marketing or promotional materials have been first approved in writing by us.

Item 7: Estimated Initial Investment

YOUR ESTIMATED INITIAL INVESTMENT

TABLE A: Franchise Agreement Estimated Initial Investment

The figures below assume the opening of one Chatime Store by you under a Franchise Agreement and

operation of the Chatime Store for an initial phase of three months, unless otherwise indicated:

Type of Expenditure	Estimated Amount Range	Method of Payment	When Payable	Payable to Whom
Initial Franchise Fee ⁽¹⁾	\$ 54,900	Lump sum	Upon signing Franchise Agreement	Us
Initial Training, Opening Support and Related Personnel Cost ⁽²⁾	\$5,000	As arranged	As incurred	Us
Rent ⁽³⁾	\$6,000 to \$33,000	As arranged	As specified in lease	Landlord
Lease Security Deposit ⁽³⁾	\$4,000 to \$22,000	As arranged	As specified in lease	Landlord
Storage Space Deposit ⁽³⁾	\$0 to \$1500	As arranged	As specified in lease	Third party
Leasehold Improvements ⁽⁴⁾	\$105,000 to \$189,000	As arranged	As incurred	Third party or Us
Equipment ⁽⁵⁾	\$50,000 to \$81,000	As arranged	As incurred	Third party
External Signage	\$4,200 to \$10,500	As arranged	As incurred	Third party
Opening Inventory and Supplies ⁽⁶⁾	\$15,000 to \$20,000	As arranged	As incurred	Our affiliates
Grand opening marketing ⁽⁷⁾	\$5,000 to \$10,000	As arranged	As incurred	Third parties
Licenses, Permits, and Utility Deposits ⁽⁸⁾	\$3,500 to \$5,500	As arranged	Lump sum	Third party
Technology Systems ⁽⁹⁾	\$11,500 to \$19,000	As arranged	As incurred	Third party or us
Uniforms	\$500 to \$1,500	As arranged	As incurred	Us or third party
Insurance ⁽¹⁰⁾	\$3,000 to \$6,000	As arranged	As incurred	Third party
Professional Fees	\$1,000 to \$5,000	As arranged	As incurred	Third party
Additional Funds – Three Months ⁽¹¹⁾	\$12,000 to \$30,000	As arranged	As incurred	Third party
Total Estimated Initial Investment	\$ 280,600 to \$493,900			

Notes:

(1) Initial Franchise Fee and Other Fees. You will pay us a non-refundable \$54,900 Initial Franchise Fee. All of the fees paid to us are non-refundable except that, if you give us notice of termination within seven days after execution of your Franchise Agreement, we will return the

Initial Franchise Fee within 14 days after receiving your notice of termination. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers.

(2) Initial Training and Related Personnel Cost. We conduct an initial training program for your benefit (the “Initial Training Program”). Prior to and during the period of your Chatime Store opening under your Franchise Agreement, we will provide any on-site portion of the Initial Training Program (the “Initial Training”) to you and your employees, up to four persons. The Initial Training will be conducted by one or two Franchisor representatives. You must pay us a fee of \$5,000 for each Franchise Agreement. Please note that the complete Initial Training Program generally lasts two weeks and any additional follow-up training (if applicable) generally lasts approximately five to ten days. You will pay for you and your employee’s reasonable accommodations, meal and related travel expenses. If you are required to attend the Initial Training Program at our designated training center, we estimate that the amount of travel and living expenses you will spend on you and your employees will be \$200 per person per day.

The above estimated costs are for up to four people to attend Initial Training, to be conducted by one or two Franchisor representatives. If additional persons are required to attend Initial Training, the costs will increase proportionately. There may also be additional training time needed to achieve required competency levels. The amount of time required is a function of each individual’s ability to personally demonstrate the competencies. This may increase your costs for travel, hotels, and meals for you and your designated representatives. Any wages or salaries you pay trainees while they attend training are not included in these estimates.

(3) Rent. Rental costs vary considerably according to the type of Chatime Store, real estate values in your area, your real estate interest (leasehold or ownership), location, size of the site, labor rates, code requirements, and other factors. We recommend that you secure commercial property of at least 300 square feet. You may also need to secure warehouse storage space for excess inventory. Factors that typically affect your rental costs include, without limitation, costs to lease or buy the property, fair market values, general local lease terms, costs to renovate or develop the site, and other site improvements. Lease terms are individually negotiated and may vary materially from one location or transaction to another. Commercial leases are typically “triple net” leases that require you to pay rent, taxes, insurance, maintenance, repairs, common area maintenance costs, merchants’ association fees, and all other costs associated with the property. Rent will likely exceed the landlord’s cost of leasing or financing the purchase of the location. You may also have to pay percentage rent. The estimate for the security deposit assumes that the landlord requires you to pay a security deposit equal to eight weeks’ rent. This note applies to leases for your Chatime Store and any additional storage space.

(4) Leasehold Improvements. Leasehold improvement costs include, without limitation, architectural, project management, design, construction, engineering, and legal fees. These estimates do not include extraordinary costs due to extensive redesign, permitting, variances, environmental issues, legal obstacles, etc.

(5) Equipment. Equipment includes, without limitation, blenders, tea brewers, refrigerator, sealing machines, and ingredient dispensers.

(6) Opening Inventory and Supplies. You will purchase an initial inventory consisting of

products and supplies from our affiliates or suppliers we approve before opening your Chatime Store. Our affiliates are currently the only approved suppliers. The assortment and number of these items will be based upon the size and configuration of your Chatime Store. The estimated cost for the opening inventory of these products and supplies is \$15,000 to \$20,000 depending on the type of Chatime Store, the specifics of the location, and the storage capacity of your Chatime Store.

(7) Initial Local Marketing. This represents the estimated costs of your activities for marketing and advertising before your franchise is open and during the grand opening phase.

(8) Licenses, Permits, and Utility Deposits. These are the estimates for business licenses, business permits, and utility deposits that may be required by local, state, and other governmental authorities, or any utility providers.

(9) Technology Systems

Components of our technology stack currently include: Revel point of sale system, customer facing self-serve kiosk, Stratos digital menu board and supporting software, Olo delivery aggregator middleware, Como Chatime digital application (app) and CRM for customer ordering and communication, and Deputy time and attendance and rostering software. Fees are payable for each element of the technology stack either to the designated supplier directly or to us if so designated.

(10) Insurance. We currently require that you maintain the following insurance coverages: A) general liability coverage with minimums of \$1 million per occurrence, \$2 million general and products/completed operations aggregate, \$1 million personal/advertising injury, \$50,000 rented premises damage, and \$5,000 medical expenses; B) franchisee commercial auto insurance with a \$1 million combined single limit; C) workers compensation insurance with coverage limits of \$1 million for bodily injury by disease per accident, \$1 million policy limit, and \$1 million per employee, regardless of state laws and cannot exclude owner-operators; D) property/business interruption coverage business personal property, tenant improvements, equipment, business interruption, and franchisor royalties, for a minimum of 12 months' actual loss sustained; E) cyber liability insurance with minimum coverage limits of \$250,000 per occurrence and \$250,000 aggregate; F) employment practices liability insurance with minimum coverage limits of \$500,000 per occurrence and \$500,000 aggregate, which includes third party liability and wage & hour coverage of at least \$25,000, with a maximum deductible that does not exceed \$25,000; G) crime insurance with a minimum coverage of \$100,000 for each claim. We recommend that you maintain build-out insurance coverage. You must also maintain workers' compensation insurance coverage for your employees during training. Premiums are payable to the insurance provider.

(11) Additional Funds – Three Months. This is an estimate of the funds needed for business (not personal) expenses during the first three months of operation of your Chatime Store and includes the estimated costs of sales and operating expenses incurred during the initial month of operation (such as payroll, utilities, taxes and, other expenses). This estimate excludes owners' salaries or draws and non-Chatime Store management expenses. Your actual costs may be higher. Cash flow from your operations may not be adequate to cover operating and other costs during the initial phase

of business. Your costs will depend on factors such as how well you follow our recommended method and procedures, your management, marketing, and general business skills, local economic conditions, the local market for your products and services, competition, local cost factors, and your Chatime Store's sales levels. There is no guarantee that the amounts specified are adequate or that additional investment by you will not be necessary during the first three months of initial operation or afterwards. We have relied on our affiliate Chatime USA LLC's experience operating a Chatime Store in New York, New York since 2016, La Kaffa's experience operating Chatime Stores in various jurisdictions since 2008, and our experience in developing three affiliate-owned locations in Southern California in 2023. We have also considered information from existing franchisees of our affiliate Chatime USA LLC, regarding local market conditions, seasonal preferences, etc.

TABLE B: Multi Unit Development Agreement Estimated Initial Investment

To calculate the figures below, we have added the costs of entering into the Multi-Unit Development Agreement (for three to ten locations) to the estimate above for a single Chatime Store.

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Multi-Unit Development Fee for three to ten locations	\$134,900 to \$274,900	Lump Sum	At signing of Multi-Unit Development Agreement	Us
Estimated Initial Investment to Open Initial Chatime Store	\$225,700 to \$439,000	This is the total estimated initial investment for a single Chatime Store in Table A above (not including the initial franchise fee which is covered by the multi-unit development fee).		
Total Estimated Initial Investment for a three to ten location Multi-Unit Development Agreement	\$360,600 to \$713,900			

Explanatory notes to Multi-Unit Development Agreement chart above:

1. If you sign a multi-unit development agreement, you will pay us, when you sign that agreement, a non-refundable fee for the right to development multiple franchise units. You agree to open and operate the agreed number of Chatime Stores within a specific geographic area according to an agreed development schedule. The amount of the multi-unit development fee will depend on the number of locations to be opened. For each location, you will have to sign a separate

individual unit franchise agreement in our then-current form of franchise agreement, which may be different than our current form of franchise agreement. The multi-unit development fee will serve as a full credit against the initial franchise fee for each location (including the first location), so that you will not be required to pay an initial franchise fee at the time you sign each Franchise Agreement for each location.

The Multi-Unit Development fee is as follows: For two locations, the fee is \$98,900. For three locations, the fee is \$134,900. For more than three locations, the fee is \$134,900 plus \$20,000 for each additional location. The multi-unit development fee is fully-earned by us upon receipt and is not refundable under any circumstances, regardless of the number of units you open.

2. This estimate assumes that you will not require separate office space to operate the multi-unit development business. Typically, the multi-unit development business will initially be operated from your home, and then, after you have opened your first Chatime Store, the multi-unit development business will be operated in the office space of one of your Chatime Stores.

3. The total initial investment for a multi-unit development agreement for three to ten locations is \$360,600 to \$713,900.

The low-end figure of \$360,600 is the low-end estimated initial investment for a multi-unit development agreement for three locations. This figure includes the Multi-Unit Development Fee for three locations, namely \$134,900, plus the low-end estimated initial investment for the first location, namely \$225,700 (calculated based on the expenses listed in Item 7 not including the Initial Franchise Fee which is not included because the Multi-Unit Development Fee serves as full credit against the initial franchise fees for each location including the first location).

The high-end figure of \$713,900 is the high-end estimated initial investment for a multi-unit development agreement for ten locations. This figure includes the Multi-Unit Development Fee for ten locations, namely \$274,900 plus the high-end estimated initial investment for the first location, namely \$439,000 (calculated based on the expenses listed in Item 7 not including the Initial Franchise Fee which is not included because the Multi-Unit Development Fee serves as full credit against the initial franchise fees for each location including the first location).

Item 8: Restrictions on Sources of Products and Services

The System's reputation and goodwill are based upon the sale of high quality products and the provision of high quality service. You will conform to our standards of quality, safety, cleanliness, appearance and service. We anticipate that our standards will change over time and you will adhere to these changes.

You must operate all aspects of your Chatime Store in strict conformance with the methods, standards and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing through our confidential Operations Manual and other proprietary guidelines and writings that we prepare for your use in connection with the Chatime Store and System. We may periodically change our System standards and specifications from time to time,

as we deem appropriate or necessary in our sole discretion, and you will be solely responsible for costs associated with complying with any modifications to the System.

You may only market, offer, sell and provide the approved products and services at your Chatime Store in a manner that meets our System standards and specifications. We will provide you with a list of our then-current approved products and services, along with their standards and specifications, as part of the Operations Manual or otherwise in writing prior to the opening of your Chatime Store. We may update or modify this list in writing at any time.

If you wish to offer any product or service in your Chatime Store other than our approved Products and services, or use any item in connection with your Chatime Store that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item.

We have the right to require you to purchase any items or services necessary to establish and operate your Chatime Store from a supplier that we approve or designate, which may include us or one of our affiliates. You are required to purchase our then designated point of sale system and associated operating technology stack from an approved supplier. We will provide you with a list of our approved suppliers in writing as part of the Operations Manual or otherwise in writing, and we may update or modify this list as we deem appropriate.

We currently require that you maintain the following insurance coverages: A) general liability coverage with minimums of \$1 million per occurrence, \$2 million general and products/completed operations aggregate, \$1 million personal/advertising injury, \$50,000 rented premises damage, and \$5,000 medical expenses; B) franchisee commercial auto insurance with a \$1 million combined single limit; C) workers compensation insurance with coverage limits of \$1 million for bodily injury by disease per accident, \$1 million policy limit, and \$1 million per employee, regardless of state laws and cannot exclude owner-operators; D) property/business interruption coverage business personal property, tenant improvements, equipment, business interruption, and franchisor royalties, for a minimum of 12 months' actual loss sustained; E) cyber liability insurance with minimum coverage limits of \$250,000 per occurrence and \$250,000 aggregate; F) employment practices liability insurance with minimum coverage limits of \$500,000 per occurrence and \$500,000 aggregate, which includes third party liability and wage & hour coverage of at least \$25,000, with a maximum deductible that does not exceed \$25,000; and G) crime insurance with a minimum coverage of \$100,000 for each claim.

We have the right to require you to purchase any items or services necessary to operate your Chatime Store. Currently, we have approved suppliers for the following items: (i) food products and ingredients; (ii) real estate and construction management services; (iii) construction due diligence (unless proposed site does not require such due diligence); (iv) architectural, engineering and design services related to the establishment of your Chatime Store; (v) construction site visits; (vi) signage; (vii) furniture and equipment that must be used in connection with the operation of the Chatime Store; (viii) technology set-up and ongoing services; (ix) branded and proprietary ingredients, inventory and supplies; (x) payroll and rostering services; (xi) human resource services; and (xii) initial local marketing and location launch events. Certain food products that easily spoil (e.g., fresh fruits and milk) may be purchased by you locally with our prior approval.

Our current approved suppliers for construction services are Consolidated Development Services and Build'M, our current sole approved supplier for real estate services is Morrow Hill, and our current sole approved supplier for initial marketing activities is Slique Media.

We may grant you approval to obtain food products, supplies, equipment (including point-of-sale and back office computer systems), and materials for your Chatime Store and services to your Chatime Store from other sources as long as they meet our specifications, standards, and requirements. Every supplier must demonstrate that it can meet all System specifications, standards, and requirements and has adequate capacity to supply our franchisees' quantity and delivery needs to our satisfaction. Before approving any supplier, we may take into consideration, without limitation (i) consistency with products or name brands already in the System, (ii) economies of scale achieved by larger volumes, and (iii) certain other benefits that a supplier may offer such as new product development capability. When approving a supplier, we take into consideration the System as a whole; some franchisees may pay higher prices to an approved supplier than they might pay to an unapproved supplier. We may withhold approval of a supplier for any reason. A list of approved suppliers is available on request. Suppliers are required to share shipping, distribution, and all other relevant information with us.

Our criteria for approving suppliers is not available to you or your proposed suppliers. You or the supplier may request approval by submitting a written request to us. We may require that samples from the supplier be delivered to us or to a designated independent testing laboratory for testing prior to approval. All requests will be reviewed in accordance with our then-current procedures and subject to our available resources for review. You or the supplier will be required to reimburse us for all costs that we incur in the testing and approval process whether the supplier is approved or not. The supplier must meet our then-current specifications, standards, and requirements, which may include signing a non-disclosure agreement or a performance guarantee. We may change our specifications, standards, and requirements at any time and there is no limit on our right to do so. If the supplier that you propose is initially approved or disapproved, we will notify you and the supplier within 30 to 60 days depending on the nature of the products or services. We may withdraw our approval at any time if the supplier's performance does not meet our criteria, we change our specifications, standards or requirements, or for other reasons. If an approved supplier's approval is revoked, we will inform you of the revocation and you will cease to use that supplier.

We may limit the number of potential suppliers that we consider for approval. For some categories of products, we may designate a third party or ourselves as an exclusive supplier. We currently have exclusive supplier arrangements for some categories of products or services.

You must offer for sale the complete range of approved products. The approved products are listed in the Operations Manual (or as otherwise notified by the Franchisor). You are required to purchase an adequate and balanced quantity of stock of approved products. Inventory/stock requirements will be detailed in the Operations Manual or directly communicated to you. Inventory/stock requirements will be predominantly influenced by historical data and experience across the franchised network. There is an obligation to purchase an inventory of stock for opening the franchised business.

Our policy for approved products and approved suppliers is intended to ensure the consistency and quality of product standards and branding of the System and to protect the intellectual property of the Franchisor and to assist the Franchisee to comply with all laws and regulations. which you must purchase.

You must obtain and maintain such insurance coverage that we require and satisfy other insurance-related obligations as provided in your Franchise Agreement at your own expense. Insurance premiums will depend on the insurance carrier's charges, terms of payment and your history. All insurance policies will name us and our affiliates as an additional insured party.

You must send us samples of all advertising, promotional, and marketing materials that we have not prepared or previously approved for our approval before use. If you do not receive written approval within 30 days after we receive the materials, they will be deemed rejected. You may not use any advertising, promotional, or marketing materials that we have not approved.

Except as described above, neither we nor our affiliates currently derive revenue or other material consideration from your required purchases.

We must approve your proposed Chatime Store location. You will submit any proposed lease or purchase agreement for our review and approval. We will use commercially reasonable efforts to inform you of our approval or disapproval within a reasonable time after our receipt of your proposed lease or purchase agreement.

We currently have no purchasing or distribution cooperatives. We may negotiate purchase arrangements with suppliers for the benefit of the System. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or your use of particular suppliers.

We and our affiliates will derive revenue from your purchase of products, supplies, signs, uniforms, and other products and services that we or our affiliates provide to you. In addition, we may receive promotional allowances, volume discounts, commissions, rebates, and other payment from suppliers, vendors, accounting services, and insurance providers. Our affiliates negotiate purchase arrangements with suppliers or vendors for the benefit of the System, which often include volume discounts. Some suppliers, vendors, accounting services, or insurance providers will pay fees to us and/or our affiliates for products or services purchased through these negotiated agreements, and willingness to pay us and/or our affiliates fees may be a condition for approving a supplier, vendor, accounting services, or insurance provider. We and our affiliates may use all amounts received from suppliers or vendors, whether or not based on you and other franchisees' prospective or actual dealings with them, without restriction for any purposes that we and our affiliates deem appropriate. The commissions, rebates, or fees which we may receive from your purchase of products or services from suppliers, vendors, payroll service, real estate and project management services, and accounting services, or insurance providers, may cause the price for such products or services to be higher than market value.

You are required to purchase or lease all of your products, ingredients, goods, supplies, equipment, inventory, insurance, payroll service, real estate and project management services, and accounting

services, from us or one of our approved suppliers which may be one of our affiliates.

Our affiliates La Kaffa and Chatime Wholesale LLC are currently the only approved suppliers for certain products and supplies such as ingredients, supplies, and equipment. Officers of the franchisor own an indirect ownership interest in La Kaffa and Chatime Wholesale LLC.

Except for La Kaffa and Chatime Wholesale LLC, there are no approved suppliers in which any of our officers own an interest.

We estimate that your required purchases from approved suppliers will represent approximately 85% of the total purchases for establishing and operating your Chatime Store. We did not have any revenue in 2023 from required purchases and leases of products and services by franchisees. Our affiliates had revenue of \$16,468.35 from required purchases and leases of products and services by franchisees in 2023.

Item 9: Franchisee's Obligations

This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other Items of this FDD.

Obligation	Article in Franchise Agreement (FA) or Multi-Unit Development Agreement (MDA)	FDD Item
a. Site selection and acquisition/lease	FA: Articles 2 and 4 MDA: Articles 3 and 4	Items 1, 11, and 12
b. Pre-opening purchase/lease	FA: Articles 4 and 6 MDA: Articles 3 and 4	Items 1, 6, 7, 8, and 11
c. Site development and other pre-opening requirements	FA: Articles 2, 3, 4, and 6 MDA: Articles 3 and 4	Items 1, 6, 7, and 11
d. Initial and ongoing training	FA: Articles 3 and 4 MDA: Not applicable	Items 5 and 11
e. Opening	FA: Articles 2, 3, 4, and 5 MDA: Not applicable	Item 11
f. Fees	FA: Article 6 MDA: Article 5	Items 5 and 6
g. Compliance with standards and policies/Operations Manual	FA: Articles 3, 5, 6, 7, 17, and 25 MDA: Article 4	Item 11
h. Trademarks and Proprietary information	FA: Articles 4, 8, and 11 MDA: Article 9	Items 13 and 14
i. Restrictions products/services offered	FA: Articles 2, 3, 4, and 5 MDA: Article 4	Item 16
j. Warranty and customer service requirement	FA: Article 4 MDA: Article 4	Item 11
k. Territorial development and sales quotas	FA: Article 2 MDA: Article 2 and	Items 1 and 12

	Schedule 1	
l. Ongoing product/service purchases	FA: Articles 4 and 5 MDA: Not applicable	Item 8
m. Maintenance, appearance and remodeling requirements	FA: Articles 3, 4, and 5 MDA: Not applicable	Item 11
n. Insurance	FA: Article 5 MDA: Not applicable	Items 7 and 8
o. Advertising	FA: Article 7 MDA: Not applicable	Items 6 and 11
p. Indemnification	FA: Article 10 MDA: Article 8	Item 6
q. Owner's participation/management/staffing	FA: Articles 5, 8, and 9 MDA: Articles 3 and 4	Items 11 and 15
r. Records and reports	FA: Article 5 MDA: Article 4	Item 6
s. Inspections and audits	FA: Article 5 MDA: Article 4	Items 6 and 11
t. Transfer	FA: Articles 12 and 13 MDA: Articles 10 and 11	Item 17
u. Renewal	FA: Articles 2 and 6 MDA: Article 2	Item 17
v. Post-termination obligations	FA: Article 17 MDA: Articles 6, 7 and 15	Item 17
w. Non-competition covenants	FA: Article 9 MDA: Articles 7 and 15	Item 17
x. Dispute resolution	FA: Article 16 MDA: Article 14	Item 17
y. Other	FA: Article 25 MDA: Article 23	None

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 Obligations

The following are our obligations before the opening of your franchised Chatime Store:

1. Training

We will provide to you, your senior managers designated by us, and any guarantors with a minimum of two weeks continuous training in English ("Initial Training"), described in more detail below.

The Initial Training will be conducted at any place we designate, for a fee of \$5,000 per Franchise Agreement. You will ensure that the Initial Training is commenced by the designated persons no earlier than two months prior to your Chatime Store's opening and completed no later than your Chatime Store's opening. (Clause 3.1(1) of the Franchise Agreement).

If you fail the Initial Training program, you will be required to complete an additional training following the Initial Training at a place and time we determine. We may charge you a prorated fee for such additional training and you will pay that fee upon receipt of our invoice prior to opening the outlet. (Clause 3.1(2) of the Franchise Agreement).

We will provide you with additional on-site advice, guidance, and support in connection with the opening of your Chatime Store for a fee. You will pay us reasonable compensation and reimburse us for all associated costs and expenses including, without limitation, costs for compensation, travel, accommodations, and meals, upon your receipt of our invoice. (Clauses 3.2 and 3.3 of the Franchise Agreement).

2. Operations Manual

We will provide an electronic copy of our Operations Manual for your franchise business and your Chatime Store. Each Operations Manual contains mandatory and suggested standards, operating procedures and rules that we prescribe for the System. The Operations Manual is confidential, copyrighted, and not to be reproduced or distributed to any unauthorized person. We may change the Operations Manual at any time in our discretion. Our current Operations Manual consists of 397 pages. The sections and number of pages in each section are detailed in Exhibit H. (Clause 3.4 of the Franchise Agreement).

3. Site and Lease Approval

We will provide you with our site selection criteria and we will designate a geographic area in which you must select the site. We do not select the site. We will review your proposal for the site location. Your site must be approved by us and developed by you in accordance with our requirements. If you sign a Multi-Unit Development Agreement, you must find a suitable location for each additional location in time to meet the development schedule. We will approve each additional location under the Multi-Unit Development Agreement using our then-current site criteria. We will not reimburse you for any costs you incur for any location you submit to us for review and approval. (Clauses 4.7, 4.8 and 4.9 of the Franchise Agreement).

The time limit for us to approve or disapprove a proposed site is within 30 days of your submission. If we do not approve a proposed site, we will provide a written notice to you (i) specifying that approval is withheld, and (ii) setting out the reasons approval is withheld. If any additional information is requested by us for a proposed site, the 30 day-period will restart on the date of our receipt of any such additional information. (Clauses 4.7, 4.8 and 4.9 of the Franchise Agreement). If we cannot agree on a site, we may terminate your franchise agreement and your initial fee will be forfeited.

We may approve or disapprove a proposed site in our discretion. Factors affecting our approval

generally include location, occupancy costs, proximity to major retail activity, traffic volume and speed, density of nearby population (resident or daytime), competition and potential for encroachment on other Chatime Stores, site configuration, parking, accessibility, visibility, signage permitted by the landlord and local governmental authorities, and other factors. (Clauses 4.7, 4.8 and 4.9 of the Franchise Agreement). You will not begin any construction on a site without our prior approval. (Clause 4.11 of the Franchise Agreement).

You will provide us with all required information about a site you propose. You will provide a copy of the site lease for our record. We do not pay “finders’ fees” for sites. We do not generally own or take a prime lease on real estate and then lease it to our franchisees. We are not required to provide you with assistance in negotiating the purchase or lease of a site, but we may do so in some cases by providing certain supporting data on the site. (Clauses 4.8, 4.9, and 5.4 of the Franchise Agreement).

We will review your lease to ensure that you have obtained a lease addendum, in substantially the form attached to the Franchise Agreement, which must give us the option but not the obligation to assume the lease if you default on the lease, and which must require the landlord to give written notice to us of any defaults by you. (Clause 4.9 of the Franchise Agreement).

4. Construction

We will provide you with standard, generic plans and specifications for the improvements, furnishings, fixtures, and decor of your Chatime Store. You will then have specific plans and specifications for construction or conversion of the space for your Chatime Store prepared by an approved licensed architect at your expense. These plans and specifications must be approved by us in writing before you begin construction. We must approve any changes made during construction in writing. (Clause 4.11 of the Franchise Agreement).

You must use our approved suppliers for real estate and construction management services, construction due diligence, architectural, engineering and design services, construction permit acquisition and management services, and construction site visits. All construction will be at your expense. (Clause 4.11 of the Franchise Agreement).

You will ensure that your Chatime Store is accessible to and usable by persons with disabilities and meets the Standards for Accessible Design for new construction or any more stringent accessibility standard under federal, state, or local law prior to opening your Chatime Store. (Clause 4.11 of the Franchise Agreement).

The typical length of time between the earlier of the signing of a Franchise Agreement or the first payment of consideration for a Chatime Store and the opening of the Chatime Store is 6 to 12 months. Factors that may affect this time period include, without limitation, your ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, Covid restrictions, or the delayed installation of equipment, fixtures, and signage.

5. Computer and Electronic Cash Register Systems

You must purchase and operate all technology systems (also known as “Technology Stack”) that we designate from time to time in order to optimize the operations of your Chatime location and customer engagement. Components of our technology stack currently include:

- Revel point of sale system,
- Customer facing self-serve kiosk,
- Stratos digital menu board and supporting software,
- Olo delivery aggregator middleware,
- Como Chatime digital application (app) and CRM for customer ordering and communication, and
- Deputy time and attendance and rostering software.

The cost of purchasing or leasing the systems is estimated to be \$11,500 to \$19,000. Fees are payable for each element of the technology stack either to the designated supplier directly or to us if so designated.

Your digital systems will collect sales data and information about your customers, including names, contact information and purchase history, as well as information about purchases, payments, transactions, receipts, refunds, discounts, expenses, and inventory. We will have independent unlimited access to the data collected on your computer and digital system and there are no contractual limits imposed on our access.

We will own all data that you and/or we collect relating to your customers. We will grant you a license to use this data solely for purposes of operating your Chatime location and this license will exist only while you remain an approved franchisee. You must protect all customer data with a level of control proportionate to the sensitivity of data. You must comply with all applicable data protection laws relevant to your, state, county, territory and region as well as our data processing and data privacy policies set forth in the Operations Manual from time to time. You must also comply with the standards established by PCI-DSS to protect the security of credit card information. Full liability for PCI compliance and data protection is your sole responsibility.

You will ensure that connectivity include notation on type of connection speed at your Chatime Store is maintained and available at all times to allow all data generated by the point-of-sale system to be captured by our central polling server. We will have independent access to this information. You will be responsible for the payment of all initial and ongoing costs associated with the technology stack and with any associated payment procedures we specify from time to time in the Operations Manual or our Global Policies and Procedures. (Clause 4.14 of the Franchise Agreement).

Neither we nor our affiliates have any obligation to provide ongoing maintenance, repairs, upgrades, or updates to the point-of-sale systems or other computer systems you. You may negotiate terms with a third-party supplier that we approve. We may require you to upgrade or update any point-of-sale system or computer system to one we designate if we decide that such upgrade or update will be in the best interests of the brand and our franchise network. There are no contractual limitations on the frequency or cost of this obligation.

We may change the components of the technology stack from time to time in order to optimize in

location operations and customer experience. We may require you to upgrade or update any point-of-sale system or computer system to one we designate if we decide that such upgrade or update will be in the best interests of the brand and our franchise network. There are no contractual limitations on the frequency or cost of this obligation.

Fees are payable for each element of the technology stack either to the designated supplier directly or to us if so designated.

We estimate the monthly license fees payable for the technology stack to range from \$700 to \$1,200. The specific fee can vary further if you elect to utilize certain additional optional extras, features or touchpoints.

Post-Opening Obligations

The following are our obligations during the operation of your franchised Chatime Store:

(1) We will provide you with a required series of ongoing competency based training, for you, your senior managers, and any guarantors throughout the term of your agreement. Training will be conducted either in person, digitally or a combination of blended learning. All such training will be conducted in English. If you fail to meet the approved training programs in a timely manner, we will provide additional training at your cost at a location within your Territory or at such other location we determine. You will pay us reasonable compensation and reimburse us for all associated costs and expenses including, without limitation, costs for compensation, travel, accommodations, and meals, upon your receipt of our invoice. (Clause 3.3 of the Franchise Agreement).

(2) We will provide you with additional on-site advice, guidance, and support in connection with the initial operations of your Chatime Store, for a fee. You will pay us reasonable compensation and reimburse us for all associated costs and expenses including, without limitation, costs for compensation, travel, accommodations, and meals, upon your receipt of our invoice. (Clauses 3.3 and 3.4 of the Franchise Agreement).

(3) We will provide ongoing training advice and guidance to you concerning the development and operation of your Chatime Store to the extent and in the manner that we deem necessary and appropriate. (Clause 3.3 and 3.4 of the Franchise Agreement).

(4) We may develop and conduct international or regional advertising and promotional campaigns at our discretion. (Clause 7.3 of the Franchise Agreement).

(5) We will grant you a license to use our intellectual property in your Territory. (Clause 11.1 of the Franchise Agreement).

Advertising Expenditures

We require you to spend at least 2.0% of Gross Sales on local marketing (“Local Marketing Expenditure”). You will spend the Local Marketing Expenditure on advertising for your Chatime

Store in your local defined territory. The Local Marketing Expenditure is paid to third parties. You may use your own local advertising materials including, without limitation, directory advertising, newspaper ads, digital including social channels, flyers, brochures, coupons, direct mail pieces, specialty and novelty items, and radio and television advertising; provided, however, that you follow our brand guidelines and obtain our prior written approval of all proposed advertising materials at your expense. We will endeavour to approve or disapprove the advertising materials within 10 days after we receive it from you. You are not required to participate in a local or regional advertising cooperative. (Clause 7.1 of the Franchise Agreement).

You must contribute to our system-wide advertising and promotional fund called the Brand Marketing Fund by paying a fee of Two Percent (2 %) of your gross sales. You will pay the Brand Marketing Fund Fee to us on the tenth day of each month based on your Gross Sales for the previous month. (Clause 7.2 of the Franchise Agreement).

The fund will be used to support and pay for advertising, marketing and promotion efforts we designate, and associated administrative expenses with the management of the fund. All marketing materials will be prepared by us or our advertising/public relations/promotional agencies. The fund may be used to pay for the costs of researching, preparing, maintaining, administering and directing advertising and promotional materials and programs in the manner that we decide. We will not use the fund for the costs of soliciting prospective franchisees. In addition, the fund may be used to pay for the costs of the personnel who manage the advertising and promotional programs for the fund and for reasonable administrative costs and overhead incurred in the activities related to the fund. Company-owned and affiliate-owned locations, if any, will contribute to this fund, at the same rate as that required of franchisees. There is no assurance that any portion of your Brand Marketing Fee or the Brand Marketing Fund will be allocated or spent for advertising in your Territory or region of the country. (Clause 7.3 of the Franchise Agreement).

We will administer the fund. The financial statements of the fund will not be audited and will be made available to you for your review, at your written request, within six months after the end of our fiscal year. Other than reimbursement for reasonable costs and overhead incurred in activities for the administration or direction of the fund, neither we nor any affiliate will receive any payment for providing services or products to the fund. If we spend more than the contributions accumulated in the fund during any fiscal year, we may receive, on demand, reimbursement in later years to the extent of the excess expenditure. We will not be required to spend any amount from the fund on advertising or promotions in your area. Any local, regional or national advertising efforts may not equitably reach all markets. If any contributions to the fund, including any associated earnings, are not spent in the fiscal year in which they accrue, they will remain in the fund for use in following years. We may terminate the fund at any time, but we will not do so until all monies in the fund have been spent for the purposes described in the franchise agreement or returned to contributors on a prorated basis. (Clause 7.3 of the Franchise Agreement). As of December 31, 2023, we had not yet collected or received any advertising funds from any franchisees.

There is no advertising council comprised of franchisees that advises us on advertising policies. We are not required to spend any amount on advertising in your Territory or geographic area. (Clause 7.3 of the Franchise Agreement).

If you request any additional marketing assistance from us, you will pay us any additional fees we charge for such additional marketing assistance including but not limited to media and any additional personnel related costs. You will not use any marketing or promotional material unless that marketing or promotional material has our previous written approval. (Clause 7.3 of the Franchise Agreement).

TRAINING

The Initial Training Program includes, without limitation: (i) sales and Chatime Store operations management, (ii) staff training and scheduling, (iii) local area marketing, (iv) Chatime Store management, (v) raw material inventory and controls, and (vi) basic Chatime Store maintenance. We may offer special training courses such as service competency staff training, promotional training, other pre-opening support, and continuous organizational support in our discretion. (Clause 3.1 of the Franchise Agreement).

Training may be conducted at our headquarters, virtually, at a designated training site in the United States, or at the location of your Chatime Store in our discretion.

INITIAL TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Corporate and Training Overview and Introduction	6 to 8		Our headquarters, virtually, a designated training facility, or your Store
Front of House Counter Operation		6 to 8	Our headquarters, virtually, a designated training facility, or your Store
Back of House Kitchen Operation		6 to 8	Our headquarters, virtually, a designated training facility, or your Store
Outlet Opening and Closing Procedures		6 to 8	Our headquarters, virtually, a designated training facility, or your Store
Point Of Sale Training		2 to 4	Our headquarters, virtually, a designated training facility, or

			your Store
Inventory and Stock Controls		6 to 8	Our headquarters, virtually, a designated training facility, or your Store
Food Safety		2 to 4	Our headquarters, virtually, a designated training facility, or your Store
Customer Service		2 to 4	Our headquarters, virtually, a designated training facility, or your Store
Marketing Plans		4 to 6	Our headquarters, virtually, a designated training facility, or your Store
Basic Maintenances		4 to 6	Our headquarters, virtually, a designated training facility, or your Store
Soft Opening and Grand Opening Support		20 to 24	
TOTAL	6 to 8	58 to 80	

Initial Training is mainly conducted in our company-owned location in Southern California, or at one of our Chatime approved training locations or Chatime Stores or at your Chatime location. Training will be led by Josephine Eager, Chatime's people, training and culture manager. Josephine has been with the Chatime brand for three years . Josephine has more than ten years' experience leading people and training functions across various franchise operations.

The Initial Training program is mandatory for all franchisees. You, your General Manager(s), and key management personnel, (as defined in your Franchise Agreement) must complete the Initial Training Program to our satisfaction. Initial training must be commenced by the designated persons no earlier than two months prior to the opening date of your Chatime Store, and prior to the opening dated of your Chatime Store. Scheduling of the Initial Training Program is based on the projected opening date for your franchise business or your Store. (Article 3 and Clause 5.1 of the Franchise Agreement).

The Initial Training Program is designed to address all phases of the operation of a franchise business and your Chatime Store. The Initial Training Program involves approximately two weeks

of instruction for up to a maximum of four persons trained together at the same time. We will provide additional Initial Training Programs for any additional personnel at your cost. (Article 3 of the Franchise Agreement).

The Initial Training Program must be successfully completed to our satisfaction. If you do not complete all training and certification requirements in a timely manner and in line with training benchmarks and to our satisfaction, you will be liable for all additional training costs and your opening will be delayed, all costs incurred due to the delay will be borne by you. In the event you don't complete the approved training programs within a reasonable time, or as agreed to in writing with the franchisor, we retain the right to terminate your Franchise Agreement. (Article 3 of the Franchise Agreement).

We may require to you complete additional training or refresher courses. This includes a series of ongoing competency based training, for you, your senior managers, and any guarantors throughout the term of your agreement. Training will be conducted either in person, digitally or a combination of blended learning. All such training will be conducted in English. All such training must be successfully completed to our satisfaction. If you fail to complete the approved training programs in a timely manner and to our satisfaction, we will provide additional training at your cost at a location within your Territory or at such other location we determine. You will pay us reasonable compensation and reimburse us for all associated costs and expenses including, without limitation, costs for compensation, travel, accommodations, and meals, upon your receipt of our invoice. (Clause 3.3 of the Franchise Agreement).

You and your managers must have sufficient literacy and fluency in the English language to satisfactorily complete the Initial Training Program and communicate with your employees, customers, and suppliers. (Article 3 and Clause 5.1 of the Franchise Agreement).

For the Initial Training, you must pay us a fee. In addition, you must pay for the costs for your own employees to attend the training, including your employees' uniforms, salaries, accommodations, meals, and travel expenses. If you attend the Initial Training Program or later training programs in a location other than one of our training centers, you may be charged certain additional costs such as your portion of the costs for the meeting room which will be required to be paid in full prior to the opening of your location. (Article 3 of the Franchise Agreement).

At your request and in our discretion, we may provide additional technical and orientation personnel to assist you with developing your franchise business or operating your Chatime Store. You will be invoiced the associated expenditures of such personnel. (Article 3 of the Franchise Agreement).

Our training programs are regularly reviewed and updated.

Item 12: Territory

Your Franchise Agreement grants you the right to operate a single Chatime Store in a location approved by us in a designated territory ("Territory") identified in your Franchise Agreement. You

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

The designated territorial rights to the protected territory granted to you under the Franchise Agreement are contingent upon complying with your obligations under the Franchise Agreement. We have the right to terminate or reduce your designated territorial rights or to terminate your Franchise Agreement if you fail to comply with your obligations under the Franchise Agreement.

There is no minimum Territory. Your Territory will typically be a two-mile radius around your approved location, unless your approved location is located in a major metropolitan downtown area or similarly-situated/populated central business district (a “Central Business District”). If your approved location is located in a Central Business District, your Territory may be limited to a geographic area comprised of anywhere from a radius of two blocks to two miles around your approved location, as we deem appropriate in our discretion. The size of your Territory may vary from the territory granted to other franchisees based on the location and demographics surrounding your approved location.

The boundaries of your Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map. The sources we use to determine the population within your Territory will be publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources).

You do not have the right to distribute products through alternative channels of distribution. We may use alternative channels of distribution for our products and trademarks and we may expand our sale of products on a local, regional, national, or international basis. We have the absolute right to sell, distribute or license others to distribute products identified by the Trademarks (or by any other name or trademark) anywhere and in any form (e.g., in packaged form or otherwise), regardless of the proximity to your location, through any alternative distribution methods or channels (such as grocery stores, the internet, or other alternative distribution methods or channels). These other sources of distribution may compete with you. We reserve the absolute right to distribute goods or services through the use of the Internet or other electronic communications, telephone, mail, or similar methods, under our trademarks or any other marks, regardless of the destination of the products or services. If we elect to distribute goods or services in your Territory through alternative distribution methods or channels, we are under no obligation to compensate you for conducting business, or soliciting or accepting orders, inside your Territory through such means.

There are no restrictions on your soliciting or accepting orders outside your Territory. However, we retain the sole right to use our trademarks on the Internet, including in connection with websites, domain names, directory addresses, metatags, as graphic images on webpages, linking, advertising, co-branding, and other arrangements. You may not maintain a website or social media accounts without our prior written consent. If we do ever approve of a website that you promote and develop, we have the right to condition our approval on the terms that we determine are necessary, such as requiring that your domain name and home page belong to us and be licensed to you for your use during the term of your agreement.

You do not have the right to relocate your Chatime Store without our permission. If you request relocation, you must obtain our prior written approval for the site and meet our then-current criteria for relocation. Our approval process is substantially the same process we use in approving a new location. You must comply with all your obligations to us and sign our then-current form of Franchise Agreement with all then-current ongoing fees, for a term equal to the term remaining on your Franchise Agreement for the previous location or to align with the new lease term being no greater than 10 years on the new location, at a pro rata fee of the initial Franchise Fee entered into. The then-current Franchise Agreement may contain materially different terms and conditions than your original Franchise Agreement. There is no additional Initial Franchise Fee paid to us for relocation unless we grant you a term greater than the term remaining on the Franchise Agreement for the previous location.

Regardless of either proximity to your Territory, or your Chatime Store, or any actual or threatened impact on sales of your franchise business, we may (i) use the Trademarks and System in connection with establishing and operating Chatime Stores at any location outside your Territory, (ii) use the Trademarks or other marks in connection with selling or distributing any goods or services anywhere in the world through alternative channels of distribution such as the Internet or other electronic communications, telephone, mail, or similar channels regardless of the destination of the products or services, and we may expand our sale of products on a local, regional, national, or international basis; you may not distribute products through alternative channels of distribution and we are under no obligation to compensate you for our soliciting or accepting orders within your Territory through alternative channels of distribution, (iii) use the Trademarks or System in connection with establishing and operating Chatime Stores in any non-traditional or special distribution channel (i.e., airports, train stations, gas/convenience stores, limited-access highway food facilities, hospitals, convention centers, schools, universities and colleges, hotels, casinos and resorts, stadiums, arenas, ballparks, movie theaters, entertainment and sports complexes, department stores and “big box” superstores, supermarkets, festivals, fairs and other mass gathering locations or events, offices, factories, military facilities, and any government buildings or other institutional facilities), including special distribution channels located within your Territory, (iv) without using the Trademarks, acquire, establish, or operate any business of any kind at any location anywhere in the world, or (v) use the Trademarks in connection with soliciting or directing advertising or promotional materials to customers anywhere in the world.

As part of your review of a proposed Territory, we may, but are not required to, provide you with certain information such as (i) maps indicating existing Chatime Stores’ and/or competitors’ locations and may highlight potential areas of interest to us, and (ii) demographic reports (including population and median household income) generated by third parties. It is important you validate the information we provide to you.

If you sign a Multi-Unit Development Agreement, you are obligated to open a certain minimum number of Chatime Stores (“Outlets”) in your Development Territory in accordance with a specified schedule. (“Development Quota”). You will negotiate the size of your designated Development Territory with us based on your Development Quota.

Your Multi-Unit Development Agreement sets out one or more protected geographic areas

(“Development Territory”) identified specifically for the development of new Outlets. This does not mean that you have any exclusive right to any potential customer base for your Outlets. You have no rights relating to the distribution or competitive brands that we control. You have no rights relating to the alternative distribution channels referenced above. Under certain conditions, you will have the first opportunity for special distribution opportunities inside your Development Territory. This first opportunity is conditioned upon your compliance with all material provisions of your agreements with us and our affiliates, your meeting our criteria for your Multi-Unit Development expansion schedule, and the permission of the party that controls the special distribution opportunities. You do not have any other rights to pursue special distribution opportunities.

Unless we have terminated the exclusivity of your Development Rights, we will not establish or operate, nor license any other person to establish or operate, an Outlet under the System and the Trademarks at any traditional location in your Development Territory during the term of your Multi-Unit Development Agreement except for Outlets already established or permitted by us prior to the execution of your Multi-Unit Development Agreement, and except for any non-traditional or special distribution channel (i.e., airports, train stations, gas/convenience stores, limited-access highway food facilities, hospitals, convention centers, schools, universities and colleges, hotels, casinos and resorts, stadiums, arenas, ballparks, movie theaters, entertainment and sports complexes, department stores and “big box” superstores, supermarkets, festivals, fairs and other mass gathering locations or events, offices, factories, military facilities, and any government buildings or other institutional facilities), including special distribution channels located within your Development Territory.

You will not receive an exclusive development 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.

Each Outlet’s location in your Development Territory must be approved by us in writing and meet our then-current real estate, brand and design standards. We will approve each additional location under the Multi-Unit Development Agreement using our then-current site criteria. For each Outlet, you must comply with all your obligations to us and sign our then-current form of the Franchise Agreement with all then-current ongoing fees. The then-current Franchise Agreement may contain materially different terms and conditions than your original Franchise Agreement.

If you do not continue to meet our then-current guidelines for multi-unit development and ownership, we may terminate your Development Rights, vary your Development Territory, and/or terminate the exclusivity attached to the Development Rights in our discretion (following which we may ourselves develop and operate franchises in your Development Territory or may grant a right to a third party to develop and operate franchises in your Development Territory).

We do not require minimum sales quotas for each individual Outlet; provided, however, that you must have open and operating no fewer than the number of Outlets specified in your Development Quota.

There are no restrictions on our right or the right of our affiliates to sell goods or services that are the same as or similar to those that you will sell.



Item 13: Trademarks

Your Franchise Agreement gives you the non-exclusive right to operate your Chatime Store under the Trademarks. You may also be authorized to use other current or future trademarks to operate your Chatime Store.

We have a license from La Kaffa to use and to sublicense the use of the Trademarks in the continental United States and Hawaii. This license is set forth in a certain Trademark License Agreement dated September 23, 2022, between La Kaffa and our parent company Chatime Global (including its subsidiaries). It has a term of thirty years and a renewal term of an additional ten years unless terminated earlier by us upon 90 days' notice to La Kaffa. It grants us the right to freely use and display the Trademarks in connection with the operation of our business in the continental United States and Hawaii. The license may not be assigned by us. All rights in and goodwill from the use of the Trademarks accrue to us and our affiliates. There are no other agreements that significantly limit our right to use or license the use of the Trademarks.

Except as otherwise noted, the Trademarks and service marks listed below are filed or registered on the Principal Register of the United States Patent and Trademark Office (the "USPTO") on the date shown and all affidavits required to preserve and renew these Trademarks have been timely filed.

Trademark	Registration Number	Registration Date
CHATIME	Registration No. 5,321,339	Registered October 31, 2017
"Chatime Ri Chu Cha Tai"  (and design)	Registration No. 4,178,239	Registered July 24, 2012
 (design only)	Registration No. 6,310,008	Registered March 30, 2021
"Chatime"  (and design)	Registration No. 6,817,092	Registered August 16, 2022

	Registration No. 7,078,475	Registered June 13, 2023
	Registration No. 7,208,570	Registered October 31, 2023

There are no material determinations, proceedings, or litigation that may affect your right to use the Trademarks other than as may be stated in this FDD. We do not know of any superior prior rights or any infringing use that could materially affect your use of the Trademarks other than as stated in this FDD. There are no effective material determinations of the USPTO Trademark Trial and Appeal Board or any state trademark administrator or any court relating to the Trademarks. There is no pending infringement, opposition, or cancellation of any of the Trademarks and no pending material litigation involving the principal Trademarks.

You must immediately notify us when you learn of the use of, or claims of right to, a trademark identical to or confusingly similar to any of the Trademarks. While we are not required to defend you against claims of infringement or unfair competition arising out of your use of the Trademarks, participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving any of the Trademarks or if the proceeding is resolved unfavorably to you, or take any other affirmative action when notified of the use of or claim of right to a trademark identical to or confusingly similar to any of the Trademarks, we will pay for the costs incurred in commencing or defending legal proceedings relating to these uses or claims if we authorize the taking of any such action. We and La Kaffa have the right to control all administrative proceedings or litigation involving the Trademarks. If we undertake the defense or prosecution of any such legal proceeding, you are required to execute any documents and do such acts as may be necessary in our counsel's opinion to carry out such defense or prosecution.

You will modify or discontinue the use of any Trademark if we modify or discontinue it. We are not required to reimburse you for your tangible costs of compliance (for example, changing signage). You will not directly or indirectly contest our rights to the Trademarks, our trade secrets, or the business techniques that are part of our business.

Item 14: Patents, Copyrights, and Proprietary Information

No patents or registered copyrights are material to the franchise. We claim copyright interests in our Operations Manual, advertising materials, the content and format of our products, and all other printed and pictorial materials that we produce (and any translations of them produced by us or others), although these materials have not been registered with the Copyright Office of the Library

of Congress. These materials are proprietary and confidential and considered our property. These materials may be used by you only as long as you are a franchisee and as provided in your Franchise Agreement. Any rights granted to you as a user of any copyright are subject to our ownership, rights, and interests in the copyright.

We and La Kaffa have the right to control all administrative proceedings or litigation involving our copyrights. We will pay all costs you incur to commence or defend legal proceedings relating to our copyrights provided that we have authorized your actions. If we undertake the defense or prosecution of any such legal proceeding, you will execute any documents and do such acts as may be necessary in our counsel's opinion to carry out such defense or prosecution. If we require you to modify or discontinue using the subject matter covered by the copyright, you must do so immediately.

You do not receive the right to use an item covered by a patent or copyright unless it is expressly incorporated as proprietary information in our Operations Manual. You may use these materials in the manner we approve in the operation of your Chatime Store during the term of your Franchise Agreement. 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, without limitation, trade secrets, knowledge, know-how, confidential information, advertising, marketing, designs, plans, methods of operation, information about our sources of supply, and our pricing recommendations. You may disclose this information to your employees only to the extent necessary to operate the business, and only while your Franchise Agreement is in effect. You will promptly notify us when you learn of unauthorized use or challenges to our use of this proprietary information. We are not obligated to take any action, but will respond to this information as we deem appropriate. There are no infringing uses known to us that could materially affect your use of the copyrights.

There is no effective decision, ruling or order of the USPTO, the Copyright Office of the Library of Congress, or any court that could materially affect the ownership or use of any patents or copyrighted materials. Our right to use or license these patents and copyrighted items is not materially limited by any agreement or known infringing use.

There are no agreements currently in effect that significantly limit our rights to use or license the use of patents or our copyrights in any manner material to you. We may use and incorporate changes and improvements that you or your employees or contractors develop into the System. We do not have any obligation to you or the developer of these changes or improvements in connection with such use and incorporation.

Item 15: Obligation to Participate in the Actual Operation of the Franchise Business

Your operating manager must devote his or her full time, attention and effort to the franchised business and provide direct, day-to-day supervision of the operation, in accordance with the terms and conditions of your Franchise Agreement and the Operations Manual. Under the current requirements of the Operations Manual, each manager must devote at least 38 hours per week in the day-to-day operation of your Chatime Store. The operating manager may not take on other business responsibilities that would be inconsistent with the operational requirements of the

franchised business or contrary to its best interest. Your managing owner is responsible for overseeing and supervising the operation of the franchised business, but we do not require your managing owner to devote his or her full time to the franchised business unless the managing owner is also the operating manager. The managing owner and operating manager may be the same person.

Before your Chatime Store opens for business, we require that your managing owner and operating manager attend and complete our initial training program to our satisfaction. As a general matter, subject to the successful completion of training, we do not have restrictions on who you may hire as an on-site supervisor, however they must complete all training and be certified as the manager of the location by the Franchisor. You or your approved managers will supervise, train, and evaluate the performance of your employees so that they provide competent and efficient service to customers.

If at any time your Chatime Store is not being managed by an operating manager who has attended and completed our initial training program to our satisfaction, we are authorized, but not required, to appoint a manager to maintain operations on your behalf. Our appointment of a manager does not relieve you of your obligations under the franchise agreement. We will not be liable for any debts, losses, costs or expenses incurred during any period in which we manage the franchised business. We have the right to charge a reasonable service fee for such management services, and we may cease providing such services at any time.

A franchise business requires personal attention and it is important that you personally be involved in all facets of the business. You will operate your franchise business so that our standards of service, quality, and cleanliness are maintained and you will set standards for your employees to follow. Because this is primarily a cash business, you must have effective, vigilant cash management procedures to avoid employee theft. You may minimize these demands on you personally by attracting, motivating, and retaining capable development, supervisory, production, transportation, and sales personnel. Recruiting, training, motivating, and supervising your employees is your responsibility.

Each owner of your company must sign a guaranty and assumption of obligations in a form acceptable to us. We may also require the spouse of any signatory to sign, in our discretion. Any breach of this guaranty by any such owner or spouse will be deemed a breach of this Agreement.

Each manager of your franchised business and each person who receives training from us or otherwise has access to our confidential information must sign a written confidentiality and noncompetition agreement with your company in a form acceptable to us. Any breach of such undertaking by any such person will be deemed a breach of the franchise agreement.

We do not impose any other restrictions on your managers.

Item 16: Restrictions on What the Franchisee May Sell

You will confine your business to the operation of your Chatime Store within your Territory. You may not conduct any other business or activity at your Chatime Store without our prior written

approval. You may only offer or sell products we approve and you will offer for sale the full menu we prescribe.

We may add, delete, or change approved products that you are required to offer at your Chatime Store at any time in our discretion. There are no limits on our right to add, delete, or change approved products. You may only use products, materials, ingredients, supplies, paper goods, uniforms, fixtures, furnishings, signage, and equipment we approve and you will follow methods of product preparation and delivery that meet our requirements.

Your franchise is limited to your specified Territory and all product sales must be made from your Store. You are not permitted to sell or distribute our goods or services through the use of the Internet or other electronic communications, except for digital transactions via our approved loyalty, delivery aggregator and brand platforms as designated from time to time. We may require you to participate in a gift card and loyalty program in accordance with our policies and brand procedures.

Item 17: Renewal, Termination, Transfer, and Dispute Resolution

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this FDD.

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement (FA) and Multi-Unit Development Agreement (MDA)	Summary
a. Length of the franchise term	FA: §1.1(27)	The term is ten years.
	MDA: §1.1(34)	The period ending the end date of the agreed Development Period.
b. Renewal or extension of the term	FA: §1.1(40); §2.6	At the end of the initial term of your Franchise Agreement, we may grant you the option to continue operating as a franchisee in your Territory and to enter into a new Franchise Agreement for a renewal term of ten years.
	MDA: § 2.7	At the end of the initial term of your Franchise Agreement, you may request to enter into an additional term of ten years under the terms of our then-current form of multi-unit development agreement, which may contain different terms
c. Requirements for franchisee to renew or extend	FA: §2.6	Provided you satisfy all the following conditions, we will grant you the option to continue operating as a franchisee for a renewal term of ten years: (i) give written notice between eight and twelve months before

		the end of the initial term, (ii) execute a new franchise agreement that may contain materially different terms and conditions than your initial Franchise Agreement, (iii) have substantially complied with all material provisions of your Franchise Agreement, (iv) not be in default of your Franchise Agreement or any other agreements with us or our affiliates, (v) pay us a Renewal Outlet Fee, (vi) undertake any additional training at your expense that we require, (vii) execute the new Franchise Agreement and all other documents we require within 28 days of receipt, (viii) execute a General Release of us and our affiliates, and (ix) renovate and refurbish your Store as we may require. This provision is subject to state law.
	MDA: § 2.7	Provided you satisfy all the following conditions, we will grant you the option to continue operating as a franchisee for a renewal term of ten years: (i) give written notice between eight and twelve months before the end of the initial term, with a proposed development schedule for the new term, which we accept; (ii) execute a new MDA that may contain materially different terms and conditions than your initial MDA, (iii) have substantially complied with all material provisions of your MDA; (iv) not be in default of your MDA, Franchise Agreements or any other agreements with us or our affiliates, (v) pay us a Renewal Development Fee, (vi) undertake any additional training at your expense that we require, (vii) execute the new MDA and all other documents we require within 28 days of receipt, (viii) execute a General Release of us and our affiliates, and (ix) ensure that all of your Chatime Store locations which have been in operation for 5 or more years are renovated and refurbished as we may require. This provision is subject to state law.
d. Termination by franchisee	FA: §15.1; §15.2	You may terminate your Franchise Agreement if (i) you give us written notice of termination within seven days after execution, or (ii) you are in substantial compliance with the Franchise Agreement, we materially breach the Franchise Agreement, you notify us of such breach and give us at least 60 days to remedy the breach, we do not timely remedy the breach or we fail to show continuing efforts to correct the breach, and you provide 60 days' written notice of termination. These provisions are subject to state law.
	MDA: § 13.1 and 13.2	You may terminate your MDA if (i) you give us written notice of termination within seven days after execution, or (ii) you are in substantial compliance with the MDA,

		we materially breach the MDA, you notify us of such breach and give us at least 60 days to remedy the breach, we do not timely remedy the breach or we fail to show continuing efforts to correct the breach, and you provide 60 days' written notice of termination. These provisions are subject to state law.
e. Termination by franchisor without "cause"	FA: Not applicable	Not applicable.
	MDA: Not applicable	Not applicable
f. Termination by franchisor with "cause"	FA: §15.3	We have the right to terminate your Franchise Agreement with cause. Depending upon the reason for termination, we may not provide you with an opportunity to cure.
	MDA: § 13.3	We have the right to terminate your MDA with cause. Depending upon the reason for termination, we may not provide you with an opportunity to cure.
g. Curable defaults	FA: §15.3(1)	All defaults must be cured within 30 days after notice.
	MDA: § 13.3(1)	All defaults must be cured within 30 days after notice.
h. Non-curable defaults	FA: §15.3(4)	We may terminate your Franchise Agreement immediately upon written notice to you if (i) you or a guarantor breach any provision under Clauses 6, 9.2, or 9.3 of your Franchise Agreement, (ii) a <i>force majeure</i> event continues for more than 180 days, (iii) you no longer hold a license required to carry on your franchise business, (iv) you voluntarily abandon your franchise business, (v) you or a guarantor are convicted of a serious offense, (vi) your operations endanger public health or safety, (vii) you are fraudulent in connection with your operations or commit a fraud upon us, or (viii) you voluntarily petition in bankruptcy, are adjudicated a bankrupt or insolvent, or a receiver, manager, liquidator, or other person is appointed for a substantial part of your assets.
	MDA: §13.3(4)	We may terminate your MDA immediately upon written notice to you if (i) you or a guarantor breach any provision under Clauses 6, 7.2, or 7.3 of your MDA, (ii) a force majeure event continues for more than 180 days, (iii) you no longer hold a license required to carry on your franchise business, (iv) you voluntarily abandon your multi-unit development business, (v) you or a guarantor are convicted of a serious offense, (vi) your operations endanger public health or safety, (vii) you are fraudulent in connection with your operations or commit a fraud upon us, or (viii) you voluntarily petition in bankruptcy, are

		adjudicated a bankrupt or insolvent, or a receiver, manager, liquidator, or other person is appointed for a substantial part of your assets.
i. Franchisee's obligations on termination/non-renewal	FA: §17	Upon expiration or termination of your Franchise Agreement, you will immediately (i) cease directly or indirectly identifying yourself as a current or former franchisee, (ii) deliver to us all copies of the Operations Manual and Global Policies and Procedures, all forms of stationery, business cards, all advertising materials, original and all copies of databases and supplier lists, and all other property of ours, (iii) discontinue and forever cease use of the System name, the Trademarks, any trade name, trademark, or commercial symbol that suggests any association with us, and any of our confidential information and other Intellectual Property, (iv) remove all signage containing any of our trademarks or any marks deceptively similar to them, (v) execute all documents we require to transfer, assign, or cancel any trademarks, service marks, domain names, or other commercial symbols or intellectual property you applied for registration for or registered, (vi) provide us with all records, files, and other materials we require pertaining to your Franchise Agreement, and (vii) pay all unpaid monies owed to us or any affiliate within ten business days
	MDA: § 15	Upon expiration or termination of your MDA, you will immediately (i) cease directly or indirectly identifying yourself as a current or former developer, (ii)) pay all unpaid monies owed to us or any affiliate within ten business days, and (iii) cease all development efforts.
j. Assignment of contract by franchisor	FA: §12	We may transfer any of our rights, interests, obligations, or liabilities under your Franchise Agreement to any person or entity. Upon transfer, we will have no further obligation under your Franchise Agreement except for any accrued liabilities.
	MDA: §10	We may transfer any of our rights, interests, obligations, or liabilities under your MDA to any person or entity. Upon transfer, we will have no further obligation under your MDA except for any accrued liabilities.
k. "Transfer" by franchisee – defined	FA: §1.1(16); §13	Defined as a "Disposal." Disposal includes any voluntary, involuntary, direct, or indirect sale, assignment, pledge, bequeath, trade, or transfer. In relation to a business entity, Disposal includes entering into a transaction in relation to an ownership interest that results in a person other than the registered holder

		of the ownership interest (i) acquiring any legal or equitable interest in the ownership interest including an equitable interest arising from a declaration of trust, an agreement for sale and purchase or an option agreement or an agreement creating a charge or other encumbrance in the ownership interest, (ii) acquiring any right to directly or indirectly receive any dividends payable from the ownership interest, (iii) acquiring any rights of pre-emption, first refusal, or like control over the ownership interest, (iv) acquiring any rights of control over the exercise of any voting rights or rights to appoint directors attaching to the ownership interest, or (v) otherwise acquiring legal or equitable rights against the registered holder of the ownership interest which have the effect of placing the person in the same position as if the person had acquired a legal or equitable interest in the ownership interest.
	MDA: §1.1(24)	Same as above.
l. Franchisor approval of transfer by franchisee	FA: §13.2	You may only transfer a direct or indirect interest in your Franchise Agreement with our prior written consent, which will not be unreasonably withheld.
	MDA: §11.2	You may only transfer a direct or indirect interest in your MDA with our prior written consent, which will not be unreasonably withheld.
m. Conditions of franchisor approval of transfer	FA: §13.3	We may impose any of the following conditions on our approval of your proposed transfer: (i) you establish to our reasonable satisfaction that the transferee meets our standards, (ii) you pay us a Transfer Fee and any other legal and administrative costs we incur related to the transfer, (iii) you are not in default of any agreement between us or our affiliates, (iv) the transferee signs our then-current form of Franchise Agreement, or you and the transferee execute an assignment in the form we require, (v) the transferee provide a guarantee and indemnity in our favor in a form we require, (vi) the transferee successfully completes our training programs, (vi) the transferee's owners sign a personal guaranty, (vii) the transferee's owners and managers sign a confidentiality and non-competition agreement, (viii) you provide us with the purchase agreement between you and transferee and any other documents related to the transfer, and (ix) you establish to our reasonable satisfaction that the transfer would not lead to or have any adverse effect on the System or the Chatime network. This provision is subject to state law.

	MDA: §11.3	We may impose any of the following conditions on our approval of your proposed transfer: (i) you establish to our reasonable satisfaction that the transferee meets our standards, (ii) you pay us a Transfer Fee and any other legal and administrative costs we incur related to the transfer, (iii) you are not in default of any agreement between us or our affiliates, (iv) the transferee signs our then-current form of MDA, or you and the transferee execute an assignment in the form we require, (v) the transferee provide a guarantee and indemnity in our favor in a form we require, (vi) the transferee's owners sign a personal guaranty, (vii) the transferee's owners and managers sign a confidentiality and non-competition agreement, (viii) you provide us with the purchase agreement between you and transferee and any other documents related to the transfer, and (ix) you establish to our reasonable satisfaction that the transfer would not lead to or have any adverse effect on the System or the Chatime network. This provision is subject to state law.
n. Franchisor's right of first refusal to acquire franchisee's business	§13.4	You may not sell your franchise or otherwise transfer any ownership interest without first offering to sell the ownership interest to us on the same terms and conditions offered by a third party.
	MDA: §11.4	You may not sell your MDA or otherwise transfer any ownership interest without first offering to sell the ownership interest to us on the same terms and conditions offered by a third party.
o. Franchisor's option to purchase franchisee's business	Not applicable	Not applicable.
	Not applicable	Not applicable
p. Death or disability of franchisee	Section 13.7	Upon the death or permanent incapacity of any person with an interest in the franchisee, such interest must be transferred to a third party approved by us within one year following the death or incapacity. We have the right to terminate the agreement if an approved transfer is not completed within the designated period of time.
	MDA: §11.7	Upon the death or permanent incapacity of any person with an interest in the development business, such interest must be transferred to a third party approved by us within one year following the death or incapacity. We have the right to terminate the agreement if an approved transfer is not completed within the designated period of time.

q. Non-competition covenants during the term of the franchise	§9.2(1)	During the term of your Franchise Agreement, you, your owners and any guarantors will not finance, invest in, or have a financial interest in any other business without our prior written consent. This provision is subject to state law.
	MDA: §7.2(1)	During the term of your MDA, you, your owners and any guarantors will not finance, invest in, or have a financial interest in any other business without our prior written consent. This provision is subject to state law.
r. Non-competition covenants after the franchise is terminated or expires	§9.2(2)	Defined as a “Restraint Period” which is a period of two years following the expiration or termination of your Franchise Agreement in the “Restraint Area” which is (i) your Territory, or (ii) any area within twenty five miles of any Store. During the Restraint Period, you and any guarantors will not (i) engage or be concerned or interested in any business within the Restraint Area that supplies products or services the same or similar to those at any time supplied by your franchise business or that could be reasonably regarded as a market competitor of the Chatime network or any Chatime Store, (ii) canvass or solicit any person who was a customer, employee, or prospective franchisee of ours in the twelve months prior to the termination or expiration of your Franchise Agreement, or (iii) employ any person who was employed by us or any other franchisee without first obtaining our written consent. These provisions are subject to state law.
	MDA: §7.2(2)	Defined as a “Restraint Period” which is a period of two years following the expiration or termination of your Franchise Agreement in the “Restraint Area” which is (i) your Territory, or (ii) any area within twenty five miles of any Chatime Store. During the Restraint Period, you and any guarantors will not (i) engage or be concerned or interested in any business within the Restraint Area that supplies products or services the same or similar to those at any time supplied by your franchise business or that could be reasonably regarded as a market competitor of the Chatime network or any Store, (ii) canvass or solicit any person who was a customer, employee, or prospective franchisee of ours in the twelve months prior to the termination or expiration of your MDA, or (iii) employ any person who was employed by us or any other franchisee without first obtaining our written consent. These provisions shall not apply to your continued operation of individual Chatime Stores under valid Franchise Agreements which have not been terminated and are not in default. These provisions are

		subject to state law.
s. Modification of agreement	§25.13	Your Franchise Agreement may only be modified by the parties in writing.
	MDA: §23.12	Your MDA may only be modified by the parties in writing.
t. Integration/merger clause	§25.12	Only the terms of your Franchise Agreement are binding. Any representations or promises outside of this FDD and your Franchise Agreement may not be enforceable. This provision is subject to state law. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
	MDA: §23.11	Only the terms of your MDA are binding. Any representations or promises outside of this FDD and your MDA may not be enforceable. This provision is subject to state law. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	§16	Except as otherwise provided, all disputes and claims relating to your Franchise Agreement or the relationship of the parties must be settled by mediation or arbitration in New York in accordance with the rules of the American Arbitration Association (“AAA”) mediation and arbitration service. These provisions are subject to state law.
	MDA: §14	Except as otherwise provided, all disputes and claims relating to your MDA or the relationship of the parties must be settled by mediation or arbitration in New York in accordance with the rules of the AAA mediation and arbitration service. These provisions are subject to state law
v. Choice of forum	§16	Arbitration in New York in accordance with the rules of the AAA service. These provisions are subject to state law.
	MDA: §14	Arbitration in New York in accordance with the rules of the AAA service. These provisions are subject to state law.
w. Choice of law	§25.1	Delaware law. These provisions are subject to state law.

	MDA: §23.16	Delaware law. These provisions are subject to state law.
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Applicable state law might require additional disclosures related to the information contained in this Item 17. These additional disclosures appear in Exhibit E.

Item 18: Public Figures

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

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: (i) a franchisor provides the actual records of an existing outlet you are considering buying, or (ii) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting David Prince, Company Secretary, at 6000 Sepulveda Blvd., Culver City, CA 90230, tel. +61 292830880, email: david.prince@chatime.com or companysecretary@chatime.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20: Outlets and Franchisee Information

The tables below list all of the outlets operated by us, our affiliates, or our affiliates’ franchisees, licensees, subfranchisors, or subfranchisees.

Table 1
System-wide Outlet Summary for Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	10	12	+2
	2021	12	12	0
	2023	12	10	-2
Company- Owned	2021	0	0	0
	2022	0	0	0
	2023	0	3	+3

Total Outlets	2021	10	12	+2
	2022	12	12	0
	2023	12	13	+1

Notes:

The franchised outlets listed in this Table 1 and in Table 3 below for the years 2021 to 2023 were operated by the franchisees, licensees, subfranchisors, or subfranchisees of our affiliates Chatime USA LLC or La Kaffa. These outlets are included in this table because they are outlets of a type substantially similar to that offered to you.

In Maryland, our affiliate Chatime USA LLC issued a master franchise agreement to Lucky Leaf LLC, which, as of December 31, 2023, operated two Chatime outlets in Maryland. As of December 31, 2023, Lucky Leaf LLC had issued two Chatime subfranchise agreements to subfranchisees in Maryland.

Table 2
Transfer of Franchise Outlets from Franchisees to New Owners
(Other than the Franchisor) for Years 2021 to 2023

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

Table 3
Status of Franchise Outlets for Years 2021 to 2023

State	Year	Outlets at Start or the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
CA	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	2	1
	2023	1	0	0	0	0	1	0
FL	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1**
GA	2021	2	0	0	0	0	1	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2021	0	1	0	0	0	0	1

KS	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
MD*	2021	2	1	0	0	0	0	3
	2022	3	3	0	0	0	0	6
	2023	6	0	0	0	0	2	4
MI	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
NY	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
ND	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
OH	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	1	1
	2023	1	0	0	0	0	0	1**
WA	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
Total	2021	10	3	0	0	0	1	12
	2022	12	4	0	0	0	4	12
	2023	12	1	0	0	0	3	10

See Notes above at Table 1.

* The outlets in Maryland were developed by area developer Lucky Leaf LLC.

** The outlets in Florida and Ohio had signed a franchise agreement but their outlet was not yet open as of December 31, 2023.

Table 4
Status of Company-Owned and Affiliate Owned Outlets for Years 2021 to 2023

State	Year	Outlets at Start or the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
CA	2021	0	0	0	0	0	0	0

	2022	0	0	0	0	0	0	0
	2023	0	3	0	0	0	0	3
Total	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	3	0	0	0	0	3

Table 5
Projected Openings as of December 31, 2023

State	Franchise Agreements Signed but Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama*	1	1	0
Tennessee	1	1	0
Florida	1	1	0
Texas	1	1	0
Total	4	4	0

Notes:

*Franchise agreements signed for Alabama in this table were issued by our affiliates Chatime USA LLC or La Kaffa. All other locations listed in this table have Franchise agreements issued by us in 2023.

A list of the current franchisees, subfranchisees, or licensees of us and our affiliates Chatime USA LLC and La Kaffa as of December 31, 2023 and their contact information, is provided in Exhibit G. In addition, Exhibit G contains a list of all franchisees, subfranchisees, or licensees of our affiliates Chatime USA LLC and La Kaffa that had an outlet transferred, terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased doing business in our last fiscal year, or that had not communicated with us or our affiliates within ten weeks of the date of this FDD.

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

No franchisees have signed confidentiality clauses during the last three fiscal years that restrict their ability to speak with you about their franchised business. There are currently no trademark-specific franchisee organizations that have been created, sponsored, or endorsed by us. No trademark-specific franchisee organizations associated with the System have asked us to include information about them in our current FDD.

Item 21: Financial Statements

Attached as Exhibit A are our audited financial statements, as of December 31, 2023, and unaudited financial statements as of March 31, 2024. We have not been in business for three years or more and cannot include all the financial statements required by the FTC Rule for our last three fiscal years. Our fiscal year end is December 31.

Item 22: Contracts

The following agreements are exhibits to this FDD:

- | | |
|-----------|---|
| Exhibit B | Franchise Agreement |
| Exhibit C | Multi-Unit Development Agreement |
| Exhibit E | Addenda Required by State(s) |
| Exhibit F | Acknowledgment Addendum to Chatime Franchise, LLC Franchise Agreement |

Item 23: Receipts

Exhibit J contains detachble documents acknowledging your receipt of this FDD.

Exhibit A to the Franchise Disclosure Document

FINANCIAL STATEMENTS

CHATIME FRANCHISE LLC
(A Limited Liability Company)
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

CHATIME FRANCHISE LLC
(A Limited Liability Company)
FOR THE YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Member
Chatime Franchise LLC

Opinion

We have audited the accompanying financial statements of Chatime Franchise LLC (a limited liability company) as of December 31, 2023, which comprise the balance sheet as of December 31, 2023, and the related statements of operations and member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chatime Franchise LLC as of December 31, 2023, and the results of its operations and its cash flows for the year then ended 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 Chatime Franchise 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 the 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 Chatime Franchise LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

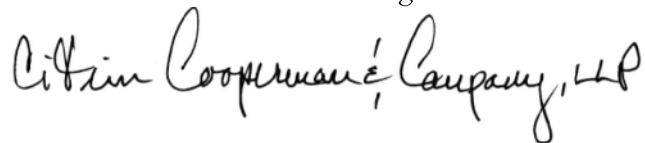
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is 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 Chatime Franchise 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 Chatime Franchise 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.



New York, New York
April 18, 2024

CHATIME FRANCHISE LLC
(A Limited Liability Company)
BALANCE SHEET
DECEMBER 31, 2023

ASSETS

Current assets:	
Cash	\$ 5,287
Prepaid commissions, current portion	6,992
Prepaid expense - other	11,950
Due from member	<u>300,000</u>
Total current assets	324,229
Other assets:	
Prepaid commissions, net of current portion	<u>151,506</u>
TOTAL ASSETS	<u>\$ 475,735</u>

LIABILITIES AND MEMBER'S EQUITY

Current liabilities:	
Accounts payable and accrued expenses	\$ 4,015
Deferred revenue, current portion	<u>23,983</u>
Total current liabilities	27,998
Long-term liabilities:	
Deferred revenue, net of current	<u>303,012</u>
Total liabilities	331,010
Commitments and contingencies (Notes 4, 7 and 8)	
Member's equity	<u>144,725</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 475,735</u>

See accompanying notes to financial statements.

CHATIME FRANCHISE LLC
(A Limited Liability Company)
STATEMENT OF OPERATIONS AND MEMBER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

Revenues	\$ 2,706
Selling, general and administrative expenses	<u>57,981</u>
Net loss	(55,275)
Member's equity- beginning	-
Member's contributions	200,000
Member's distribution	<u>-</u>
MEMBER'S EQUITY - ENDING	<u>\$ 144,725</u>

See accompanying notes to financial statements.

CHATIME FRANCHISE LLC
(A Limited Liability Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

Cash flows from operating activities:	
Net loss	\$ (55,275)
Adjustments to reconcile net loss to cash provided by operating activities:	
Changes in operating assets and liabilities:	
Prepaid commission	(158,498)
Prepaid expense - other	(11,950)
Accounts payable and accrued expenses	4,015
Deferred revenue	<u>326,995</u>
Cash provided by operating activities	<u>105,287</u>
Cash flows from investing activities:	
Due from member	<u>(300,000)</u>
Net cash used in investing activities	<u>(300,000)</u>
Cash flows from financing activities:	
Member's contributions	<u>200,000</u>
Net cash provided by financing activities	<u>200,000</u>
Net increase in cash	5,287
Cash - beginning	<u>-</u>
CASH - ENDING	\$ <u>5,287</u>

See accompanying notes to financial statements.

CHATIME FRANCHISE LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Chatime Franchise LLC (the "Company") was formed on July 12, 2022, as a wholly-owned subsidiary of Chatime Global LLC (the "Member"), as a Delaware limited liability company to sell franchises pursuant to a license agreement dated September 23, 2022, between the Company's sole member, Chatime Global LLC, and its subsidiaries ("Licensee Parties") and La Kaffa International Co., Ltd. (the "Licensor"). The Licensor has 100% ownership interest in Chatime Northstar which has 50% ownership interest of the Member. Pursuant to the Company's standard franchise agreement, franchisees will operate a Chatime food service offering gourmet coffees and teas, other coffee and tea-based beverages, bubble tea, compatible food products, coffee and tea makers, and related supplies, accessories, and gifts at a specified location within a designated geographic territory.

Except for the activity related to its formation, the Company had no operations from the date of its formation on July 12, 2022 through the date of initial funding by its Member on April 4, 2023.

The Company is a limited liability company and, therefore, the Member 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 has 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, uncertain tax positions and contingencies. Actual results could ultimately differ from these estimates.

Revenue and cost recognition

The Company derives its revenues from franchise fees, royalties, transfer fees, technology fees, advertising fees and brand development fund revenue.

Franchise fees, royalties and other franchise related fees

Contract consideration from franchisees consists primarily of initial or renewal franchise fees, multi-unit development agreement fees ("MUDAs"), sales-based royalties, sales-based marketing and promotional fund fees, technology fees and transfer fees payable by a franchisee for the transfer of their franchise unit to another franchisee. The Company also may enter into MUDAs which grant a franchisee the right to develop two or more franchise territories. The Company collects an up-front fee for the grant of

CHATIME FRANCHISE LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
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)

such rights. The initial franchise fees are nonrefundable and collectible when the underlying franchise agreement or MUDA is signed by the franchisee. Sales-based royalties, sales-based marketing and promotional fees, and technology fees are payable on a monthly 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.

The Company's primary performance obligation under the franchise agreement mainly includes granting certain rights to access the Company's intellectual property and a variety of activities relating to opening a franchise unit, including site selection, training and other such activities commonly referred to collectively as "pre-opening activities." The Company has determined that rights to access its intellectual property and the pre-opening activities are highly interrelated and interdependent and therefore are accounted for as a single performance obligation, which is satisfied by granting certain rights to use the Company's intellectual property over the term of each franchise agreement.

Initial and renewal franchise fees allocated to the right to access the Company's intellectual property are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. MUDAs generally consist of an obligation to grant the right to open two or more units. These development rights are not distinct from franchise agreements; therefore, upfront fees paid by franchisees for development rights are deferred and apportioned to each franchise agreement signed by the franchisee. The pro-rata amount apportioned to each franchise agreement is recognized as revenue in the same manner as the initial and renewal franchise fees.

Royalties are earned as a percentage of franchisee gross revenues. Franchise royalties represent sales-based royalties that are related entirely to the use of the Company's intellectual property and are recognized as franchisee sales occur and the royalty is deemed collectible.

Marketing and promotional fund

The Company maintains a marketing and promotional fund to collect and administer funds contributed for use in advertising and promotional programs for the benefit of franchise units. Marketing and promotional 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 marketing and promotional fund and therefore will recognize the revenues and expenses related to the marketing and promotional fund on a gross basis. The Company has determined that the right to access its intellectual property and administration of the brand fund are highly interrelated and therefore will be accounted for as a single performance obligation. As a result, revenues from the marketing and promotional 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.

CHATIME FRANCHISE LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and cost recognition (continued)

Other revenues

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

Incremental costs of obtaining a contract

The Company capitalizes direct and incremental costs, principally consisting of commissions, associated with the sale of franchises and amortizes them over the term of the franchise agreement and MUDAs. In the case of costs paid related to MUDAs for which no signed franchise agreement has been received, these costs are deferred until the signed franchise agreement is received.

Accounts receivable

Accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of some of its franchisees to make required payments. The Company assesses collectibility by reviewing accounts receivable 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 franchisees based on credit evaluations. Current market conditions and reasonable and supportable forecasts of future economic conditions are considered in adjusting the historical losses to determine the appropriate allowance for doubtful accounts. Uncollectible accounts are written off when all collection efforts have been exhausted.

Income taxes

As a limited liability company, the Company is treated as a partnership for federal and state income tax purposes. Accordingly, no provision has been made for income taxes in the accompanying financial statements, since all the items of income or loss are required to be reported on the income tax return of the Member, who is responsible for any taxes thereon.

Uncertain tax positions

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.

The Member files income tax returns in the U.S. federal jurisdiction and in various state jurisdictions.

CHATIME FRANCHISE LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated subsequent events through April 18, 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 the financial statements.

NOTE 3. FRANCHISED OUTLETS

The following data presents the status of the Company's franchised outlets as of and for the year ended December 31, 2023:

	<u>2023</u>
Franchises sold	1
Franchises purchased	-
Franchised outlets in operation	-

The following data represents the status of the Company's multi-unit development agreements as of and for the year ended December 31, 2023:

	<u>2023</u>
Development agreements sold	2
Multi-unit developments in operation	-
Terminated outlets	-

NOTE 4. LIQUIDITY

The Company has sustained a net loss from operations for the year ended December 31, 2023. The Company is incurring expenditures in the near term to benefit the future as it looks to sell franchises. As such, certain expenses could be reduced or eliminated in order to improve operating cash flows as needed in the future.

As of the date these financial statements were available to be issued, the Company continues to focus on selling franchises. The Company believes that it will meet its funding requirements for one year from the date these financial statements were available to be issued. If necessary, management of the Company has been advised that the Member will continue to provide any financial assistance needed by the Company should its cash flows from operations combined with its available cash balances not be sufficient to meet its working capital needs. Management believes that the Member has the intent and ability to provide the funds needed, if any, to continue to fund the operations of the Company for at least one year from the date these financial statements were available to be issued.

CHATIME FRANCHISE LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5. REVENUES AND RELATED CONTRACT BALANCES

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 and 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 year ended December 31, 2023:

<i>Point in time:</i>	
Franchise fees	\$ -
Termination fees	-
Transfer fees	-
Royalties and advertising fund fees	<u>-</u>
Total point in time	-
<i>Over time:</i>	
Franchise fees	<u>2,706</u>
Total revenues	<u><u>\$ 2,706</u></u>

Contract balances

Contract liabilities are comprised of unamortized initial franchise and MUAs fees received from franchisees, which are presented as "Deferred revenue" in the accompanying balance sheet. A summary of significant changes in deferred revenues during the year ended December 31, 2023, is as follows:

Deferred revenue - beginning of year	\$ -
Revenue recognized during the year	(2,706)
Additions for initial franchise fees	<u>329,701</u>
Deferred revenue - end of year	<u><u>\$ 326,995</u></u>

Deferred revenues are expected to be recognized at December 31, 2023, as revenue over the remaining term of the associated franchise and MUAs agreements as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2024	\$ 23,983
2025	13,983
2026	13,983
2027	13,983
2028	13,983
Thereafter	<u>247,080</u>
Total	<u><u>\$ 326,995</u></u>

CHATIME FRANCHISE LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)

Contract balances (continued)

Deferred revenue consisted of the following at December 31, 2023:

Franchise units not yet opened	\$ 326,995
Opened franchise units	<u>-</u>
Total	<u>\$ 326,995</u>

The direct and incremental costs, principally consisting of commissions, are included in "Prepaid commissions" in the accompanying balance sheet. The direct and incremental costs expected to be recognized over the remaining term of the associated franchise agreements at December 31, 2023, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2024	\$ 6,992
2025	6,992
2026	6,992
2027	6,992
2028	6,992
Thereafter	<u>123,538</u>
Total	<u>\$ 158,498</u>

NOTE 6. CONCENTRATION OF CREDIT RISK

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

NOTE 7. BRAND FUND

Pursuant to the structured form of the franchising arrangement, the Company reserves the right to collect marketing fund fees of up to 2% of franchisees' gross sales. These funds are to be spent solely on advertising and related expenses for the benefit of the franchisees with a portion designated to offset the Company's administrative costs to administer the funds, all at the discretion of the Company. There have been no contributions to the marketing fund as of the date these financial statements were available to be issued.

CHATIME FRANCHISE LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8. RELATED-PARTY TRANSACTIONS

License agreement

On September 23, 2022, the Licensee Parties entered into a 30-year non-exclusive license agreement with the Licensor for the use of the registered name "Chatime Restaurant" (the "license agreement"). Pursuant to the license agreement, the Licensee Parties acquired the rights to sell "Chatime Restaurant" franchises, and the right to earn franchise fees, royalties and other fees from franchisees. The license agreement will be renewed as long as a request for renewal has been submitted at least six months prior to the expiration term, for successive terms of 10 years, unless one party provides the other party with notice of its intention not to renew the license agreement at least 90 days before the end of the then-current term. There is no license fee pursuant to the license agreement.

Due to/from Member

In the ordinary course of business, the Company receives advances and loans funds to the Member. The amount due from the Member at December 31, 2023, was \$300,000. No interest is charged on these advances. Advances to and from the Member are unsecured and have no specific repayment terms. Management expects balances due to and from the Member to be settled within the next year.

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Chatime Franchise LLC
(A Limited Liability Company)
Balance Sheet
March 31, 2024
Management Accounts

Assets		
Cash		28,464
Receivables		8,449
Pre paid commissions		258,845
Pre paid expense other		9,820
Due from Member		200,000
Total Assets	\$	505,578
Liabilities and Member Equity		
Liabilities		
Accounts Payable and accrued expenses		15,766
Deferred revenue		456,531
Total Liabilities		472,297
Members Equity		33,281
Total Liabilities and Member Equity	\$	505,578

Note: Management accounts are unaudited and prepared as part of total Group accounts

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Chatime Franchise LLC
(A Limited Liability Company)
Statement of Profit and Loss
For the Quarter ended March 31,2024
Management Accounts

Revenues	24,155
Gross Profit	21,916
Marketing and Brand Expenses	65,424
General Admin Expenses	67,936
Total Expense	133,360
Net Income	(\$111,444)

Note: Management accounts are unaudited and prepared as part of total Group accounts

Exhibit B to the Franchise Disclosure Document

CHATIME FRANCHISE AGREEMENT



Dated

Chatime Franchise Agreement (United States of America)

Parties

Chatime Franchise, LLC (Franchisor)

Franchisee specified in Schedule 1 (Franchisee)

Guarantors specified in Schedule 1 (Guarantor)

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Agreement is made and entered into by and between:

Parties **Chatime Franchise, LLC** being a Delaware limited liability company located at
6000 Sepulveda Blvd.
Culver City, CA 90230
(**"Franchisor" or "we"**)

The party identified as Franchisee in Section 1 of Schedule 1
(**"Franchisee" or "you"**)

Introduction

- A** Franchisor's indirect parent company, La Kaffa International Co, Ltd., has developed a business and proprietary know-how, information, systems, and procedures including distinctive business formats, specifications, and the Marks for the establishment and operation of retail businesses offering for sale gourmet coffees, teas, other beverages, and certain complementary products (including food products), accessories, and services.
- B** Franchisor has been licensed by La Kaffa International Co., Ltd. to use the System and has the right to grant third parties the right to establish and operate Outlets.
- C** Franchisee and Guarantor have requested, and Franchisor has agreed, to grant Franchisee a Franchise on the terms and conditions set out in this Agreement.
- D** In consideration of Franchisor complying with Guarantor's request, Guarantor has agreed to give a guarantee and indemnity to Franchisor for the performance of Franchisee's obligations under this Agreement.

It is Agreed

1 Definitions and Interpretation

1.1 Definitions

The following words have these meanings in this Agreement unless the contrary intention appears:

- (1) **Affiliate** means any Person that directly or indirectly Controls, that is directly or indirectly Controlled by, or that is under Common Control or Controlling Interest with, a specified Person.
- (2) **Agency** means any governmental entity or agency.
- (3) **Agreement** means this document, including any schedule or annexure to it.
- (4) **Alternative Methods of Distribution** means any alternative distribution methods or channels (such as sales to grocery stores, sales via direct mail, subscriptions, or the internet, or other alternative distribution methods or channels).
- (5) **Approved Supplier** means Franchisor or a supplier or suppliers approved in writing by Franchisor for the supply of Products and equipment to Franchisee.
- (6) **Brand Marketing Fee** means two percent (2.0%) of Gross Sales, to be paid by Franchisee to Franchisor.

- (7) **Business Day** means a day that is not a Saturday or Sunday or any other day which is a public holiday in the place where an act is to be performed or a payment is to be made.
- (8) **Business Hours** means the hours of operation of each Outlet pursuant to any Legal Requirements and/or the terms of any lease or other document conferring a right to occupy the premises at which an Outlet is located.
- (9) **Chatime Menu** means the food and beverage items specified in the Operations Manual or otherwise in writing by Franchisor which must be offered for sale by Franchisee from the Outlet and includes, as relevant, any specifications in relation to those products.
- (10) **Chatime Network** means the network of Chatime Outlets in the Territory.
- (11) **Chatime Store** means a full service retail store that:
- (a) Offers Products listed on the Chatime Menu for sale;
 - (b) Meets Franchisor's standards and specifications;
 - (c) Operates under the Marks and the System; and
 - (d) Is operated pursuant to a valid franchise agreement.
- (12) **Collateral Agreement** means any agreement between Franchisor and Franchisee or any agreement between Franchisee and an Affiliate of Franchisor in connection with this Agreement and The Franchised Business.
- (13) **Confidential Information** means:
- (a) Plans and specifications for the development of the Outlet;
 - (b) Recipes, training materials, programs and systems, methods, techniques, formats, specifications, standards, procedures, sales and marketing techniques, computer software programs, statistical data, and knowledge of and experience relating to the development and operation of the Outlet;
 - (c) Marketing and advertising programs;
 - (d) Knowledge of specifications for and suppliers of Raw Materials and certain other Products, materials, supplies, equipment, fixtures, furnishings, and services and knowledge of operating results and financial performance of the Outlet;
 - (e) The Operations Manual (as applicable from time to time), Operations Manual Addendum, and all other materials;
 - (f) Global Policies and Procedures;
 - (g) Information concerning the business and financial affairs of Franchisor and their Affiliates including, without limitation, the identity of prospective franchisees and Franchisees;
 - (h) The System Standards;
 - (i) Any information which is provided by Franchisor or any of its Affiliates and marked "confidential" or any information which is provided by Franchisor or any of its Affiliates pursuant to this Agreement or which Franchisee learns or gains access to by reason of this Agreement; and

- (j) Any information that would at law be considered secret or confidential information of Franchisor or any Affiliate of Franchisor.
- (14) **Control, Controlled by, or under Common Control or Controlling Interest** means direct or indirect possession of the power to direct or cause the direction of the management or policies of any other Person, whether through more than 50% of the ownership of voting interest, by contract, or otherwise.
- (15) **Cost** means any cost charge, expense, outgoing payment, or other expenditure of any nature and where appropriate includes fees and disbursements payable to contractors, consultants, lawyers, and other advisers (including Legal Costs).
- (16) **Dispose** includes, in relation to a share or a unit, entering into a transaction in relation to the share or the unit (or any interest in the share or the unit), which results in a person other than the registered holder of the share or the unit:
- (a) Acquiring any legal or equitable interest in the share or the unit, including an equitable interest arising from a declaration of trust, an agreement for sale and purchase or an option agreement or an agreement creating a charge or other encumbrance in the share or the unit;
 - (b) Acquiring any right to receive directly or indirectly any dividends payable in respect of the share or the unit;
 - (c) Acquiring any rights of pre-emption, first refusal, or like control over the disposal of the share or the unit;
 - (d) Acquiring any rights of control over the exercise of any voting rights or rights to appoint directors attaching to the share or the unit; or
 - (e) Otherwise acquiring legal or equitable rights against the registered holder of the share or the unit which have the effect of placing the person in the same position as if the person had acquired a legal or equitable interest in the share or the unit itself.
- (17) **Dollars** means the legal currency of United States of America unless the contrary intention appears.
- (18) **Domain Name** means the domain name controlled or under license by Franchisor for which registration has been applied for, or which is specified for use by Franchisor and which Franchisor authorizes Franchisee to use.
- (19) **Financial Year** means a year commencing on January 1 and finishing on December 31.
- (20) **Franchise** means the right to develop and operate an Outlet at a specified location within the Territory and to use the Marks and the System in the operation of that Outlet pursuant to a franchise agreement.
- (21) **Franchised Business** means the Chatime Store business conducted by Franchisee under this Agreement.
- (22) **Franchisee Parties** means Franchisee and Guarantor.
- (23) **Franchisee's Improvements** means any works, marks, designs, ideas, know-how, or trade secrets developed by Franchisee which are derived from or incorporate the Intellectual Property or which are otherwise developed by Franchisee during the operation of Franchised Business from which Franchisee obtains any intellectual property rights.

- (24) **General Manager** means the sufficiently experienced, skilled, and qualified person employed by Franchisee who, after attending and successfully completing to Franchisor's satisfaction, the training referred to in clause 3.1, is responsible for the day-to-day supervision and management of Franchised Business.
- (25) **Global Policies and Procedures** means the written policies and procedures issued by Franchisor from time to time in relation to the conduct of Franchised Business or operational issues concerning the Outlet.
- (26) **Gross Sales** means the total actual gross charges for all products (including the Products), merchandise, and services sold to customers of each Outlet for cash or credit, whether such sales are made at or from the premises of an Outlet or any other location or other channels of distribution if approved in writing in advance by Franchisor but excluding:
- (a) Sales, use, service, or excise taxes collected from customers and paid to the appropriate taxing authority; and
 - (b) All customer refunds, adjustments, and promotional discounts including any senior citizen's discount.
- (27) **Initial Term** shall be ten (10) years.
- (28) **Initial Training Fee** means the fee, payable to Franchisor for the initial training program, specified in Section 6 of Schedule 1.
- (29) **Insurance Policies** means the insurance policies then required by Franchisor, which may be changed and updated from time to time in the future, in order to address changing exposures and evolving risk factors. Franchisee will be notified of any changes to the insurance requirements, and Franchisee must comply with the updated coverage standard. Some property owners may require higher levels of commercial general liability insurance or other insurance coverage under their leases.

We currently require that you maintain the following insurance coverages:

- (a) general liability coverage with minimums of \$1 million per occurrence, \$2 million general and products/completed operations aggregate, \$1 million personal/advertising injury, \$50,000 rented premises damage, and \$5,000 medical expenses;
- (b) franchisee commercial auto insurance with a \$1 million combined single limit;
- (c) workers compensation insurance with coverage limits of \$1 million for bodily injury by disease per accident, \$1 million policy limit, and \$1 million per employee, regardless of state laws and cannot exclude owner-operators;
- (d) property/business interruption coverage business personal property, tenant improvements, equipment, business interruption, and franchisor royalties, for a minimum of 12 months' actual loss sustained;
- (e) cyber liability insurance with minimum coverage limits of \$250,000 per occurrence and \$250,000 aggregate;
- (f) employment practices liability insurance with minimum coverage limits of \$500,000 per occurrence and \$500,000 aggregate, which includes third party liability and wage & hour coverage of at least \$25,000, with a maximum deductible that does not exceed \$25,000; and
- (g) crime insurance with a minimum coverage of \$100,000 for each claim.

We also currently recommend that you obtain build-out insurance coverage including hard costs and soft costs, business interruption. Hard costs should be \$125,000 or higher, or the full replacement value, whichever is greater.

- (30) **Intellectual Property** means:

- (a) The Marks, the Network Name, copyright in the Operations Manual, Operations Manual Addendum and any advertising or promotional materials provided by Franchisor to Franchisee, data collected via any point of sale system used by Franchisee in the Territory and includes all intellectual property rights in the software, records, documents, specifications, plans, programs, menus, recipes, or drawings;
 - (b) Any trade secrets, proprietary processes or know-how relating to the System, Franchised Business or Franchises;
 - (c) All Confidential Information necessary for or which may be used in connection with the administration, operation, and marketing of Franchised Business or Franchises; and
 - (d) The Domain Name.
- (31) **Interest Rate** means interest at the rate of the lesser of 1.5% per month or the highest rate allowed by law.
- (32) **Interested Party** means any of the following persons designated by Franchisor:
 - (a) Any person with a direct or indirect legal or beneficial interest in Franchisee, including an interest in any entity directly or indirectly controlling Franchisee (**Controlling Entity**), or in Franchisee's assets and any person who is an officer, as defined in the applicable domestic legislation, of Franchisee or any Controlling Entity; and
 - (b) A spouse, child or person with an existing or former relationship of cohabitation, lineal relatives by blood or by marriage or collateral relatives by blood or by marriage of any person specified in clause 1.1(21).
- (33) **Legal Costs** means all fees, costs, and disbursements actually paid or payable by Franchisor or its Affiliates to its own legal representatives (whether or not assessed under a retainer or costs agreement in place between Franchisor and its legal representatives) and other expenses incurred by Franchisor or its Affiliates in connection with a demand, action, arbitration, or other proceeding (including mediation, compromise, out of court settlement, or appeal).
- (34) **Legal Requirements** means all applicable laws, ordinances, regulations, rules, administrative orders, decrees, and policies of any government, governmental agency, or department including, without limitation, the municipal, city, county, state and federal governments of the Territory, unless otherwise stated in this Agreement.
- (35) **Local Marketing Expenditure** means two percent (2.0%) of Gross Sales to be spent by Franchisee.
- (36) **Marks** means the trademarks, service marks, logos, and other commercial symbols or indicia owned or controlled under license by Franchisor, which Franchisor authorizes Franchisee to use in accordance with this Agreement including those marks listed in Schedule 2.
- (37) **Month** means a calendar month.
- (38) **Network Name** means the name "Chatime" and "日出茶太" or such variation to "Chatime" and "日出茶太" or such additional or replacement name as Franchisor may from time to time use as the name under which Outlets are operated.

- (39) **New Outlet Fee** means the fee payable by Franchisee to Franchisor for each new Outlet opened in the Territory in the amount specified in Section 5 of Schedule 1.
- (40) **New Term** shall be ten (10) years.
- (41) **Occupancy Right** means any right to occupy the premises of an Outlet including as lessee, sublessee, licensee, or as the holder of some other interest in the premises conferring an enforceable right to use or occupy them.
- (42) **Opening Date** means the date of opening of the Outlet which is anticipated to be the date specified in Section 11 of Schedule 1.
- (43) **Operations and Training Manager** means the sufficiently experienced, skilled, and qualified person employed by Franchisee on a full-time basis, who after attending and successfully completing to Franchisor's satisfaction the training referred to in clause 3.1, must oversee all aspects of the operation of the Outlet and ensure the Outlet complies with the operational standards of the System and that the staff of the Outlet are fully trained.
- (44) **Operations Manual** means individually and collectively Franchisor's manuals and written materials (as amended from time to time) including, without limitation, papers, books, binders, videos, CD-ROMs and other methods of transfer of information such as electronic formats containing specifications, standards and operating procedures prescribed by Franchisor from time to time for Outlets.
- (45) **Operations Manual Addendum** means an addendum to the Operations Manual including specific operating procedures, standards and specifications relevant for the Territory.
- (46) **Outlets** means Chatime Stores operated under the Chatime System.
- (47) **Owners** means all Persons holding Ownership Interests exceeding 10% of the total Ownership Interests in Franchisee and all Persons who have other direct or indirect interests in Franchisee or this Agreement (the Persons or entities who are Owners as at the date of this Agreement are listed in Section 2 of Schedule 1 to this Agreement).
- (48) **Ownership Interest** means a direct or indirect, disclosed or undisclosed, legal or beneficial ownership interest or voting right, including, without limitation:
- (a) In relation to a corporation, the ownership of shares or other equity interests in the company;
 - (b) In relation to a limited liability company, the ownership of membership interests or other equity interests in the company;
 - (c) In relation to a partnership, the ownership of a general or limited partnership interest;
 - (d) In relation to a trust, the ownership of the beneficial interest of such trust; or
 - (e) The right to cast some or all of the votes associated with such shares or interests.
- (49) **Person** means an individual, corporation, general or limited partnership, limited liability company, trust, association, or other legal entity.
- (50) **Premises** refers to the location of the Franchised Business agreed and approved by Franchisor, specified in Section 4 of Schedule 1.
- (51) **Products** means all Raw Materials, products, food items, and merchandise which

Franchisor from time to time authorizes for sale by Franchisee at the Outlet, and includes products on the Chatime Menu and all products ancillary to the supply and service of products on the Chatime Menu such as cups, utensils, and ingredients as specified in the Operations Manual or any Operations Manual Addendum. This clause specifically exclude those Franchisor does not authorize for sale by Franchisee at the Outlet and those for sale outside of the Outlet including, without limitation, instant drink mix packets.

- (52) **Quarter** means 3 successive Months commencing on each of January 1, April 1, July 1, and October 1 of the respective year.
- (53) **Raw Materials** means the raw materials used to produce Products included on the Chatime Menu and include coffee beans, tea, non-dairy creamer, Chatime exclusive concentrated juices, and other raw materials for the Products that are produced and packaged under the Marks.
- (54) **Renewal Outlet Fee** means the fee payable by Franchisee to Franchisor upon an existing Outlet being renewed for a further term, in the amount of twenty-five percent (25%) of the then-current New Outlet Fee.
- (55) **Restraint Area** means (a) the Territory, (b) any area within twenty five (25) miles from any Outlet operated by Franchisee, and (c) any area within twenty five (25) miles of any Chatime Store.
- (56) **Restrained Business** means a business which is the same as or substantially similar to the Franchised Business, or engaged, concerned or interested in or carrying on any retailing or supplying of products or services the same as or substantially similar to the Products or Services offered by the Franchised Business or other Chatime Store Businesses.
- (57) **Restraint Period** means a continuous uninterrupted period of two (2) years commencing on and from the expiration or termination date of this Agreement.
- (58) **Royalty** means a royalty in the amount of five percent (5%) of Gross Sales.
- (59) **Special Conditions** means the special conditions (if any) specified in Section 12 of Schedule 1.
- (60) **Special Distribution Channel** means a special or non-traditional location or distribution channel, such as airports, train stations, gas/convenience stores, limited-access highway food facilities, hospitals, convention centers, schools, universities and colleges, hotels, casinos and resorts, stadiums, arenas, ballparks, movie theaters, entertainment and sports complexes, department stores and “big box” superstores, supermarkets, festivals, fairs and other mass gathering locations or events, offices, factories, military facilities, and any government buildings or other institutional facilities, designated by Franchisor and requiring Franchisee obtain the prior written consent from Franchisor before selling the Products.
- (61) **System** means the distinctive business formats and methods for the development and operation of Outlets, including color schemes, signs, equipment, layouts, systems, methods, procedures, designs, marketing and advertising standards, and formats which Franchisor may improve, further develop, or otherwise modify from time to time.
- (62) **System Standards** means the specifications, standards, operating procedures, and rules of the System that Franchisor prescribes for the operation of Outlets included in the Operations Manual and any Operations Manual Addendum or Global Policies and Procedures, all of which Franchisor may improve, further develop or otherwise modify from time to time.
- (63) **Terms of Trade** means Franchisor's then-current standard trading terms and conditions, and as amended by Franchisor from time to time and notified either in writing by Franchisor

to Franchisee or specified in the Operations Manual, which are currently as follows:
Trading condition: Ex Works California or other Chatime wholesale facility in the continental United States. Payment terms: T/T in advance (without any bank charges)

- (64) **Territory** means the geographic area or areas specified in Section 4 of Schedule 1.
- (65) **Transfer Fee** means a fee in the amount of Ten Thousand Dollars (\$10,000).
- (66) **Website** means an interactive electronic device contained in a network of computers linked by communicative software including, without limitation, social media such as Meta, Instagram, and Twitter, and Internet homepages including those listed in Schedule 2.

1.2 Interpretation

- (1) Reference to:
 - (a) One gender includes the others;
 - (b) The singular includes the plural and the plural includes the singular;
 - (c) A person includes a body corporate;
 - (d) A party includes the party's executors, administrators, successors and assigns;
 - (e) Law includes any common law and the requirements of any present or future statute, rule, regulation, proclamation, ordinance, or by law whether state, federal, or otherwise;
 - (f) A thing includes the whole and each part of it separately;
 - (g) A statute, regulation, or provision of a statute or regulation includes:
 - (i) Any amendment or replacement of it; and
 - (ii) Another regulation or other statutory instrument made under it, or made under it as amended or replaced;
 - (h) Dollars means United States dollars unless otherwise stated.
- (2) Including and similar expressions are not words of limitation.
- (3) Where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning.
- (4) Headings and the table of contents are for convenience only and do not form part of this Agreement or affect its interpretation.
- (5) A provision of this Agreement must not be construed to the disadvantage of a party merely because that party was responsible for the preparation of the Agreement or the inclusion of the provision in the Agreement.
- (6) If an act must be done on a specified day which is not a Business Day, it must be done instead on the next Business Day.
- (7) A reference to the "end of the Franchise" means the expiry by effluxion of time or sooner termination of the Franchise.

1.3 Parties

- (1) If a party consists of more than one person, this Agreement binds each of them separately and any two or more of them jointly.
- (2) An obligation, representation or warranty in favor of more than one person is for the benefit of them separately and jointly.
- (3) A party which is a trustee is bound both personally and in its capacity as a trustee.

1.4 Relationship of Parties

- (1) Nothing in this Agreement constitutes a partnership, joint venture, agency, or other form of fiduciary relationship between Franchisee and Franchisor.
- (2) Neither party has the power to bind any other party except as authorized by this Agreement.

2 Grant of Rights and Development Obligations

2.1 Grant of Rights for Initial Term

- (1) Franchisor grants to Franchisee and Franchisee accepts the right to use the Intellectual Property in the conduct of the Franchised Business at the Premises for the Initial Term, subject to the terms and conditions of this Agreement.
- (2) Franchisee may itself own or operate one and only one Outlet in the Territory and only at the Premises.
- (3) The rights granted to Franchisee pursuant to this Agreement are limited to the Premises and apply only for the Initial Term. Franchisee acknowledges and agrees that it is not being granted any rights to franchise and that it will not operate or grant Franchises, nor solicit prospective franchisees, whether in or outside the Territory.

2.2 Designated Territory

- (1) During the term of the Franchise, we will not establish or operate, or grant any person other than you the right to establish or operate, a Chatime Store at any location in the Territory, except as may be provided in Section 2.3.

2.3 Rights Retained by Franchisor

- (1) Franchisor, on behalf of itself and its Affiliates, retains all rights with respect to Outlets, the Intellectual Property and the sale of Raw Materials and other Products and any other products and services, anywhere in the world including, without limitation, the rights to:
 - (a) operate or grant others the right to operate Outlets under or in association with the Marks or any other trademarks or service marks at such locations outside the Territory, and on such terms and conditions as Franchisor, in its sole discretion, deems appropriate;
 - (b) provide, franchise, license, sell, distribute and market any services or products (under any brand, including but not limited to our Marks) through any Special Distribution Channels, in or outside your Territory, including, without limitation, through airports, train stations, hotels, convention centers, sport complexes, hospitals, schools or universities, or festivals.
 - (c) provide, franchise, license, sell, distribute and market any services or products (under any brand, including but not limited to our Marks) through any Alternative

Methods of Distribution in or outside your Territory, including, without limitation, through retail establishments or via the internet;

- (d) to establish and operate, and grant to others the right to establish and operate, Chatime Stores at locations anywhere outside the Territory, including locations near, on or adjacent to your Territory's boundaries;
- (e) offer and sell to persons in or outside your Territory, using the Marks, services and products that are the same as the services and products offered by Chatime Stores, including without limitation the Products and the Raw Materials;
- (f) in or outside your Territory, to offer and sell different services and products not offered within a Chatime Store, using the Marks, without offering you the right to participate;
- (g) acquire and continue to operate, directly or indirectly, any business operating under different trademarks outside the Territory;
- (h) acquire and retain, directly or indirectly, the rights and obligations of any franchisor or licensor of any business similar to an Chatime Store operating under different trademarks outside the Territory;
- (i) in or outside the Territory, to establish and promote other franchise systems involving different services or products using different trademarks, and to establish company-owned or franchised outlets for those systems, without offering you the right to participate;
- (j) offer and sell franchising rights to Multi-Unit Developers who are located outside the Territory;
- (k) be acquired, directly or indirectly, in whole or in part, by any person(s) who provide products or services similar or dissimilar to those provided by Chatime Stores;
- (l) provide, offer, sell and grant others the right to provide, offer and sell services and goods similar to and/or competitive with those provided at Chatime Stores, whether identified by the Marks or other trademarks or service marks, at festivals, cultural or trade exhibitions, or other public events, both inside and outside the Territory; and
- (m) develop, manufacture, distribute, and/or sell Raw Materials and other Products through any channel of distribution (including, without limitation, via the Internet) under or in association with the Marks or any other trademark.

2.4 Development Obligations

- (1) Franchisee agrees that during the Initial Term, it will at all times faithfully, honestly, and diligently perform its obligations under this Agreement to open and operate the Franchised Business at the Premises, and will continuously use its best efforts to promote and enhance the Chatime Network Name.

2.5 Subcontracting

This Agreement is predicated on the ongoing, direct, and exclusive involvement of Franchisee in the Franchised Business. No person other than an employee of Franchisee or a professional or other advisor appointed on normal commercial terms is to be involved in the Franchised Business without the prior written consent of Franchisor. In addition, Franchisee must not sub-franchise, sub-license, subcontract, share, divide, or partition rights under this Agreement without Franchisor's prior written. Franchisor may in its absolute discretion withhold such consent.

2.6 Option for New Term

- (1) Franchisor grants to Franchisee the option to:
 - (a) Operate as Franchisee in the Territory; and
 - (b) Enter into a new franchise agreement with Franchisor (based on Franchisor's then-current franchise agreement), for the New Term subject to the conditions set out in these clauses 2.6(1) to 2.6(4) (the Option).
- (2) Franchisee must notify Franchisor in writing of its intention to exercise the Option not more than 12 Months and not less than 8 Months prior to the end of the Initial Term.
- (3) Franchisee's Option pursuant to clause 2.6(2) is subject to all of the following conditions being satisfied:
 - (a) Franchisee has substantially complied with all material provisions of this Agreement throughout the Initial Term.
 - (b) At the date of giving Franchisor notice of its intention to exercise the Option and as at the end of the Initial Term, there is no outstanding breach of this Agreement or any Collateral Agreement which has not been remedied.
 - (c) Franchisee pays the Renewal Outlet Fee to Franchisor in accordance with clause 6.4.
 - (d) Franchisee undertakes to the satisfaction of Franchisor any additional training required by Franchisor. Franchisee must bear the full cost of attendance at such training, including all travel, accommodation and meal expenses and payment of any training fee charged by Franchisor.
 - (e) Franchisee and all guarantors required by Franchisor, executing and returning to Franchisor, Franchisor's current franchise agreement together with all other documents reasonably required by Franchisor, within 28 days of delivery to Franchisee.
 - (f) If required by Franchisor, Franchisee, Owners, and Guarantor execute general releases on terms satisfactory to Franchisor in its discretion, of any and all claims against Franchisor and its Affiliates and their respective shareholders, directors, officers, employees, agents, successors and assigns.
 - (g) Franchisee ensures that the Outlet which has been in operations for 5 or more years is renovated and refurbished (including replacing or upgrading any plant, equipment, fixtures, fittings and signs as Franchisor may reasonably require) in order to bring the Outlet up to the then-current standards and specifications of Franchisor for all new Outlets and to comply with any Legal Requirements.
 - (h) Franchisor confirming in writing to Franchisee that each of the conditions in these clauses 2.6(3)(a) to 2.6(3)(g) have been satisfied.
- (4) If the conditions specified in clauses 2.6(3)(a) to 2.6(3)(g) are not satisfied by the parties or waived by Franchisor prior to the expiration date of the Initial Term, then this Agreement will expire on the expiration date of the Initial Term and Franchisor will be free to operate and grant franchises and development rights for Outlets in the Territory.

2.7 Guaranty. Franchisor's grant of this franchise is made in reliance on the personal attributes of your company's owners and managers named in Section 2 of Schedule 1. Each person who now or later owns

or acquires, either legally or beneficially, any equity or voting interest in your Franchised Business (the “Guarantor” or “Guarantors”), must execute and deliver to Franchisor a guaranty and assumption of obligations agreement in a form attached as Exhibit 3. Franchisor may require the spouse of any or all Guarantors to sign the Guaranty in our discretion. If any owner is an entity, we have the right to have the Guaranty executed by individuals who have an indirect ownership interest in your company and their spouses, if applicable. Upon our request at any time, Franchisee will furnish to Franchisor a list of all holders of legal and beneficial interests in your Franchised Business together with descriptions of the type of interests owned and the percentage ownership, and the names, addresses, email addresses and telephone numbers of the Owners, certified as correct in the manner we specify. If any of Franchisee’s general partners, managers, officers or directors ceases to serve as such or if any new person becomes a general partner, manager, officer or director after the date of this Agreement, you will notify us of such change within 10 days. Any breach of a Guaranty will be deemed to be a breach of this Agreement.

2.8 Collateral Agreements

Franchisee must comply with all terms and conditions of any Collateral Agreement and acknowledges that a breach of any Collateral Agreement constitutes a breach of this Agreement.

3 Training and Operating Assistance

3.1 Initial Training

- (1) Franchisor will provide to Franchisee, Guarantor, and any senior managers nominated by Franchisor (up to a maximum of 4 people), a minimum of two weeks continuous days training in English (**Initial Training**), by one or more Franchisor representatives. Franchisee shall pay Franchisor an Initial Training Fee for the Initial Training. The Initial Training will be conducted at any place designated by Franchisor. Franchisee must ensure that the Initial Training is commenced by the designated persons no earlier than two months prior to your Chatime Store’s Opening and completed by no later than your Chatime Store’s Opening.
- (2) If deemed necessary by Franchisor, additional training will be provided by Franchisor either immediately following the Initial Training or otherwise at a place and time determined by Franchisor. Franchisor may charge Franchisee a reasonable fee for such additional training, in addition to the travel, meal and accommodation costs of the trainers, and Franchisee must pay that fee upon receipt of an invoice from Franchisor.
- (3) In relation to the initial training described in clause 3.1(1) or 3.1(2), Franchisee agrees to:
 - (a) Ensure that all relevant persons attend the training at such times and places specified by Franchisor and complete their training to Franchisor’s satisfaction; and
 - (b) Bear the full costs and risk of all trainees’ attendance at such training programs (including their compensation, travel, accommodation, meals, employee wages and entitlements, uniforms, workers’ compensation insurance and personal expenses).

3.2 Continuing Training

- (1) Franchisor may require Franchisee and/or Guarantor and any senior managers of Franchisee to complete a formal training program with Franchisor from time to time during the Initial Term at a place Franchisor designates. All such training will be conducted in English. At Franchisee’s request, Franchisor may in its sole discretion conduct additional training programs and provide assistance to Franchisee at a location within the Territory or such other location agreed upon by Franchisee and Franchisor.
- (2) Franchisee must pay all costs associated with:

- (a) Its employees attending training in accordance with this clause 3 (including travel, accommodation, meals, employee wages and entitlements, uniforms, workers' compensation insurance, and personal expenses);
- (b) Franchisor providing training in accordance with this clause 3 (including compensation, travel, accommodation, and meals); and
- (c) Any fees levied by Franchisor in relation to such training.

3.3 Continuing Guidance and Support

- (1) Franchisor will provide ongoing advice and guidance to Franchisee concerning the development, operation, and franchising of the Outlet in the Territory to the extent and in the manner that it deems necessary and appropriate.
- (2) Franchisor will arrange for a representative to visit the Territory and meet with Franchisee at least once in each 12-Month period at Franchisor's Cost.

3.4 Operations Manual

- (1) Franchisor must supply, electronically, a soft copy of the Operations Manual to Franchisee by way of loan.
- (2) Franchisee, at its Cost, must:
 - (a) Upon receipt of the Operations Manual and as required from time to time during the Initial Term, review the Operations Manual for compliance with applicable Legal Requirements, local culture, and local business customs and practices for the Territory; and
 - (b) When changes are required, prepare a written addendum of the changes and provide to Franchisor for its review and approval. The approved addendum of changes will become the **Operations Manual Addendum**.
- (3) Franchisee may provide access to the Operations Manual and Operations Manual Addendum to Franchisee's key operational employees subject to the employees entering into the approved confidentiality agreement with Franchisor.

3.5 Policies and Procedures

Franchisee:

- (1) Must comply with any Global Policies and Procedures; and
- (2) May issue and enforce compliance with policies and procedures for the operation of the Outlet in the Territory, provided that Franchisor has first approved those policies.

3.6 Changes to Operations Manual

- (1) Franchisor may add to, delete, or otherwise modify the specifications, standards, operating procedures, systems, instructions, and any other information set out in the Operations Manual or Operations Manual Addendum by giving notice to Franchisee of the change via email.
- (2) A change takes effect and forms part of the Operations Manual and Operations Manual Addendum 7 days after notification to Franchisee.

- (3) Franchisee must at its Cost adopt, in the conduct of The Franchised Business, all changes to the Operations Manual and Operations Manual Addendum.

3.7 Franchisee Must Keep Operations Manual Secure

- (1) Franchisee must:
 - (a) Keep, and use reasonable efforts to ensure that all Franchisee's employees keep, all hard and soft copies of the Operations Manual (including the Operations Manual Addendum) in a safe and secure place;
 - (b) Return to Franchisor on demand all superseded, replaced, or outdated copies of the Operations Manual and Operations Manual Addendum;
 - (c) Only make copies of the Operations Manual and Operations Manual Addendum insofar as copies are required to be distributed to key operational employees of Franchisee;
 - (d) Return to Franchisor all copies of the Operations Manual and Operations Manual Addendum immediately upon the expiry or termination of this Agreement; and
 - (e) Not copy or disclose any part of the Operations Manual or Operations Manual Addendum.
- (2) The Operations Manual and the Operations Manual Addendum and the copyright in the manual and the addendum and in any translations of them are and will remain the property of Franchisor, and Franchisee agrees to execute any and all instruments and documents, render such assistance and take such action as may, in the opinion of Franchisor, be necessary or advisable to establish, protect, and maintain Franchisor's intellectual property rights in the Operations Manual, the Operations Manual Addendum, and any translations.

4 Franchisee's Operational Obligations

4.1 Franchise Arrangements

Franchisee:

- (1) Must itself comply with all Legal Requirements including, without limitation, any laws or regulations relating to occupational health and safety and food safety; and
- (2) Must ensure that Franchisor is named as a third party beneficiary of this Agreement and that Franchisor will have the right, but not the obligation, to assume Franchisee's obligations under this Agreement.

4.2 Training and Support

- (1) Franchisee agrees to develop a training program and to provide training support and assistance to its employees in accordance with specifications prescribed by Franchisor.
- (2) All services and assistance provided to Franchisee in connection with the operation of the Outlet must be provided by Franchisee and such obligations of Franchisee must not be transferred, subcontracted, or assigned to any other Person (other than Franchisor pursuant to this Agreement) without the prior written approval of Franchisor.
- (3) Franchisee must visit the Outlet established under this Agreement at least every Month, to provide advice, guidance, and support and complete an evaluation report for the Outlet in the form prescribed by Franchisor. At the request of Franchisor, Franchisee must make available and provide to Franchisor, the evaluation reports in respect of the Outlet visited

by Franchisee, within 30 days of such request.

4.3 System Standards

- (1) Franchisee agrees that at all times during the Initial Term, Franchisee will comply with all System Standards.
- (2) The System Standards may be periodically modified and supplemented by Franchisor in its discretion during the Initial Term. Franchisee must comply with any revised System Standards within 7 days of receipt of a notice from Franchisor advising of a change to the System Standards.
- (3) Franchisee agrees that System Standards prescribed from time to time in the Operations Manual, or otherwise communicated to Franchisee through the issue of Global Policies and Procedures, constitute provisions of this Agreement. Both parties agree and acknowledge that Franchisor does not intend to prescribe System Standards that affect the fundamental rights of Franchisee in this Agreement.

4.4 Compliance with the System

Franchisee agrees to diligently and continuously monitor compliance with the System and System Standards, to strictly enforce compliance with the System and System Standards by Franchisee and to furnish assistance to Franchisor to correct deficiencies in operation.

4.5 Franchise Premise

Franchisee must at all times during the Initial Term maintain office facilities for operation of the Franchise. Such office facilities will have a dedicated telephone line, which must be answered in the Network Name and will otherwise be equipped and furnished and have signage in a manner consistent with the image and minimum standards of Franchisor.

4.6 Customer Complaint System

Franchisee must establish a customer complaint system to redress all customer complaints. Such system must be approved by Franchisor.

4.7 Site Selection

- (1) Franchisor may from time to time modify site selection criteria and processes. Franchisee may modify Franchisor's site selection criteria and processes, as appropriate for use in the Territory. Any modified site selection criteria and processes must be submitted to Franchisor for its approval. Franchisor must notify Franchisee of its approval of Franchisee site selection criteria and processes or otherwise of any changes that need to be made. Franchisee must use the site selection criteria and processes as approved by Franchisor (**Territory Site Selection Criteria**) for the selection of sites in the Territory.
- (2) Franchisee must select sites in the Territory that it reasonably believes conform with the Territory Site Selection Criteria.

4.8 Site Approval

- (1) Franchisee must not establish, or permit any others to establish, an Outlet without first obtaining the written approval of Franchisor. To obtain approval for a given site, Franchisee must comply with the process set out in the Operations Manual.
- (2) Subject to a reasonable belief by Franchisor that Franchisee will meet all requirements under clause 4.8, Franchisor must provide its approval or non-approval to the proposed

Site within 30 days after receiving all the information required by Franchisor. Where Franchisor does not approve a proposed Site, it must provide to Franchisee a written notice:

- (a) Specifying that approval is withheld; and
 - (b) Setting out why approval is withheld. If any additional information is requested by Franchisor in respect of a proposed Site, the 30 days will begin upon the date of receipt of any such additional information.
- (3) Franchisor may approve a proposed Site for the Outlet being opened subject to reasonable conditions including, without limitation, renovating and remodeling the interior and exterior of the Outlet according to Franchisor's latest design guidelines, as determined in its sole discretion.
- (4) Promptly after receipt by Franchisee of written approval from Franchisor to establish the Outlet at the proposed Site, or after the expiration of the 30 day period specified in clause 4.8(2), Franchisee must itself or must ensure that the relevant Franchisee procures an Occupancy Right in relation to the approved Premises. If the Occupancy Right is procured by lease, license or other approved occupancy right, Franchisee must do so in accordance with clause 4.9. If the Occupancy Right is procured by purchase, Franchisee must return to Franchisor the lease evidencing Franchisee's right to occupy the approved Site 15 days after the purchase has been affected. Franchisee must then ensure that construction and operation of the Outlet is undertaken pursuant to the terms of this Agreement.
- (5) Any relocation of the Outlet beyond a 2-miles radius of the existing Premises or beyond 90 days of closing the Outlet at the original location is deemed opening a new Outlet and subject to all applicable provisions under this Agreement, and Franchisor shall be entitled to the New Outlet Fee.

4.9 Lease of Site of the Outlet

- (1) Franchisee must hold the head lease or other Occupancy Right approved by Franchisor for the Premises at the Outlet.
- (2) Franchisee must obtain a Lease Addendum, signed by Franchisee, Franchisor, and the Landlord, in substantially the form attached as Exhibit 2, which gives the Franchisor the option but not the obligation to assume Lease if the Franchisee defaults on the Lease, and which requires the Landlord to give written notice to the Franchisor of any defaults by the Franchisee.
- (3) Unless Franchisee owns or leases the relevant Premises, Franchisee must ensure that it promptly obtains a lease for the Premises in respect of which Franchisor has given its approval for the establishment of the Outlet.

4.10 Termination of Leases

- (1) If a lease or other Occupancy Right approved by Franchisor is to be terminated, Franchisee must, unless impractical to do so, give notice of termination to Franchisor. If:
 - (a) Such termination is not due to Franchisee's fault prior to the expiration of this Agreement;
 - (b) Such termination is a result of the Site being destroyed, condemned, or otherwise rendered unusable as an Outlet in accordance with this Agreement; or
 - (c) In the judgment of Franchisor and Franchisee, there is a change in the character of the location of a site sufficiently detrimental to its business potential to warrant its relocation,

Franchisor will not unreasonably withhold permission for relocation of the Outlet from the site in question to a site which meets the then-current Territory Site Selection Criteria, subject to the requirements of this Agreement, and subject to the Franchisee executing a Release in the form attached as Exhibit 1. Any such relocation will be at Franchisee's sole expense. Franchisee must seek and obtain Franchisor's approval of the replacement site and development of the new outlet, in accordance with the terms of this Agreement. No New Outlet Fee will be payable to Franchisor provided the replacement site is within a 2-mile radius of the existing site and the new Outlet at the replacement site is opened and operated by the same Franchisee within 90 days of closing the Outlet at the original location. Notwithstanding the foregoing, if the lease term for a new approved location extends beyond the remaining term of the Franchise Agreement, then Franchisor shall extend the Franchise Agreement to align with the end date of the new lease for the new location, and Franchisee shall pay Franchisor a pro rata portion of the then-current New Outlet Fee based on the length of the extension of the term of the Franchise Agreement, provided that the lease term for any new approved location shall not exceed ten years.

- (2) If a lease or other Occupancy Right approved by Franchisor terminates pursuant to clause 4.10(1), the parties do not agree to relocate the Outlet, and such Franchisee continues to occupy the existing site after the end of this Agreement, Franchisee must, as soon as reasonably possible and in accordance with any applicable Legal Requirements, ensure that Franchisee alters the Site and removes or changes any signs, fixtures, fittings, colors, and layout as reasonably requested by Franchisor to ensure that the appearance of the Site cannot be confused with the then-prevailing image for an Outlet or to be in any way associated with Franchisor.

4.11 Construction of the Outlet

- (1) Franchisee is responsible for the construction and development of the Outlet in accordance with the System Standards. All plans and specifications for the Outlet must, if required by Franchisor, be approved by Franchisor.
- (2) Franchisee must use Franchisor's approved suppliers for real estate and construction management services, construction due diligence, architectural, engineering and design services, construction permit acquisition and management services, and construction site visits, in connection with the construction and development of the Outlet. All construction of the Outlet under this Agreement must be undertaken by competent and licensed building contractors and subcontractors.
- (3) Franchisor may, in its sole discretion, approve or not approve an application for designing the interior and exterior of the Outlet.
- (4) In the construction of the Outlet in the Territory, Franchisee must ensure that it complies with:
 - (a) Franchisor's System Standards in relation to the construction of the Outlet; and
 - (b) All Legal Requirements, including applicable ordinances, building codes and permit requirements and with lease requirements and restrictions.
- (5) Franchisee must obtain Franchisor's written approval of any material revision or adaptation of Franchisee's plans and specifications, previously approved by Franchisor (**Approved Plans**). Franchisor must approve or disapprove any changes to the Approved Plans within 10 Business Days from receipt of the proposed changes.
- (6) If Franchisor approves any revision or adaptation of the construction plans and specifications, upon completion of construction, Franchisee must provide Franchisor with

a set of “as built” plans and specifications.

4.12 Acknowledgment

Franchisee acknowledges that Franchisor has the right, but no obligation, to approve architects and other design and construction professionals to help ensure consistency, uniformity, and quality with the System and the Chatime image.

4.13 Franchisor’s Inspection Rights

Franchisor, its Affiliates, consultants, and agents have the right to inspect the Outlet and the construction work from time to time during the course of construction to verify the progress of construction and Franchisee’s compliance with the terms of this Agreement.

4.14 Point of Sale System

- (1) Franchisee must use a point of sale system and related technology systems nominated or approved by Franchisor. The supplier of the point of sale system and related technology systems must be approved by Franchisor.
- (2) Franchisee must ensure that connectivity at the Outlet is maintained and available at all times to allow all data generated by the point of sale system to be captured by Franchisor’s central polling server.
- (3) Franchisee will be responsible for the payment of all initial and ongoing costs associated with the capture of data by Franchisor’s central polling server and must comply with any associated payment procedures specified from time to time in the Operations Manual or Global Policies and Procedures.

5 Other Obligations of Franchisee

5.1 Personnel

- (1) **Managing Owner.** The “Managing Owner” of your Chatime Store is the person named as such in Section 2 of Schedule 1. The Managing Owner is the primary person who will represent your business in your dealings with us and who will be responsible for overseeing and supervising the operation of the Franchised Business. The Managing Owner must be an owner of an equity interest in your business whom we approve. Franchisee agrees that a shareholder, member or partner will serve as your Managing Owner throughout the term of this Agreement. Franchisee may not replace the Managing Owner without Franchisor’s prior written approval, which Franchisor may condition on, among other things, attendance and satisfactory completion by the prospective new Managing Owner of our initial training program at Franchisee’s expense.
- (2) **Operating Manager.** Franchisee will appoint at least one “Operating Manager”. The Managing Owner and Operating Manager may be the same person. Franchisee’s Operating Manager may but need not be an owner of your business. You will ensure that the day-to-day operation of the Franchised Business is always actively managed by an Operating Manager who has attended and successfully completed such training as we may require from time to time. The Operating Manager will actively devote his or her full time, attention and effort to the Franchised Business and provide direct, day to-day supervision of the operation of the Franchised Business as provided in the then-current Operations Manual. The current Operations Manual requires the Operating Manager to devote at least 38 hours per week to the day to day operations of your Chatime Store. The Operating Manager shall not directly or indirectly engage in any other business or other activity that requires any significant management responsibility or time commitments or that may otherwise conflict with Franchisee’s obligations under this Agreement.

- (3) The Operating Manager will ensure at all times the proper levels of customer service in accordance with the Operations Manual and this Agreement.
- (4) Franchisee must ensure that the Operating Manager exerts their full-time efforts to the franchising, development, and operation of the Chatime Network and does not directly or indirectly engage in any other business or other activity that requires any significant management responsibility or time commitments or that may otherwise conflict with Franchisee's obligations under this Agreement.
- (5) If the Managing Owner or Operating Manager does not satisfactorily complete the initial training program or if we determine that such person cannot satisfactorily complete the training program, or if the Managing Owner or Operating Manager ceases to act as such, then Franchisor may elect to train, at Franchisee's expense, a qualified replacement (who must be reasonably acceptable to us) within 30 days. Pending the appointment and training of a new Managing Owner or Operating Manager or if, in our judgment, the Franchised Business is not being managed properly, we have the right, but not the obligation, to appoint a manager for the Franchised Business and require you to pay in the manner described in clause 14.
- (6) The Managing Owner and the Operating manager must attend and complete to Franchisor's satisfaction such training programs as Franchisor prescribes including the initial training referred to in clause 3 (which may be conducted in whole or in part at any place designated by Franchisor).
- (7) You agree to ensure that the Managing Owner, Operating Manager, and any other management personnel of Franchisee shall execute and deliver a Confidentiality and Non-Competition Agreement in the form attached as Exhibit 4. At our request, you will submit to us a copy of all such written agreements. You will ensure that each such person complies with the terms of such agreement during the period that he or she is employed by or associated with your Franchised Business. Any breach of such agreement by any such person will be deemed a breach of this Agreement.
- (8) Unless otherwise provided in this Agreement, any proposed change or replacement of the Operating Manager and Managing Owner must be approved by Franchisor in writing.
- (9) No later than by the opening of the Outlet, Franchisee must hire a marketing manager who will designate his or her full-time efforts to the development and implementation of marketing and promotional programs for the Chatime Network in the Territory.
- (10) Franchisee agrees to hire and maintain the number and level of additional management personnel, as may be specified by Franchisor from time to time as part of the System Standards for the development and supervision of operation of the Outlet within the Territory in accordance with this Agreement.
- (11) Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business and its employees. Franchisee will be solely responsible for recruiting and hiring the persons you employ to operate the Franchised Business. Franchisee will also be responsible for their training, wages, taxes, benefits, safety, work schedules, work conditions, assignments, discipline and termination. Franchisee agrees to comply with all workplace related laws. Franchisor will have no right or obligation to direct Franchisee's employees. Franchisor has no direct, indirect, or reserved power over, or authority to control, Franchisee's employee's wages, benefits, other compensation, hours of work, hiring, discharge, discipline, supervision or direction, or work rules. At no time will you or your employees be deemed to be employees of ours or of any of our affiliates.

5.2 Meetings

- (1) Franchisor may convene meetings and conferences (including regional meetings and

conferences) from time to time for Franchisee and its key personnel designated by Franchisor, which may include other franchisees, whenever Franchisor considers this necessary or appropriate. Franchisee must ensure that the General Manager and such other key personnel of Franchisee, at Franchisee's Cost, attend such meetings and conferences. Franchisee shall pay Franchisor any fees or costs associated with the meeting or conferences plus Franchisee's associated expenses including, without limitation, costs for travel, accommodation, meals, employee wages and entitlements, uniforms, workers' compensation insurance and personal expenses.

- (2) Franchisor must give Franchisee a reasonable period of notice of meetings and conferences.
- (3) The location, agenda, duration, and all procedures and formats of each meeting and conference will be determined by Franchisor.

5.3 Insurance

- (1) From the date of this Agreement and at all times during the Initial Term (including, if appropriate, the New Term), Franchisee must at its cost take out and maintain in full force and effect the Insurance Policies with reputable insurers which comply with all Legal Requirements and on terms and conditions acceptable to Franchisor.
- (2) Franchisee must also maintain in force all other insurance of the types, in the amounts, and with such terms and conditions as Franchisor may from time to time reasonably prescribe, in the Operations Manual or otherwise.
- (3) The Insurance Policy must:
 - (a) Name Franchisor and its Affiliates that it designates as additional insured parties;
 - (b) Contain a waiver of all subrogation rights against Franchisor, its Affiliates, and their successors and assigns;
 - (c) Contain primary and noncontributory provisions, and be occurrence-based with per-location aggregate;
 - (d) Be provided by an A- VII or higher AM Best-rated carrier;
 - (e) Provide for 30 days' prior written notice to Franchisor of any material modification, cancellation, or expiration of such policy; and
 - (f) Include coverage for a minimum liability of no less than the amount specified by Franchisor.
- (4) Franchisee must provide Franchisor at least annually and on request by Franchisor a copy of the certificates of insurance or other evidence requested by Franchisor that the Insurance Policy exists, is current, and is on terms and conditions approved by Franchisor. The maintenance of the Insurance Policy is the responsibility of Franchisee. Franchisor may, but will have no obligation to, prescribe types or amounts of insurance coverage and will have no obligation to indemnify Franchisee if it does not do so or if the types or amounts of insurance coverage prescribed by Franchisor are insufficient to fully cover a claim made against Franchisee.
- (5) Franchisee must promptly and in accordance with the terms of the relevant Insurance Policy, report to both the insurer and Franchisor, any claim or event which may give rise to a claim against Franchisee, Franchisor, or any of their Affiliates.

5.4 Records and Reports

- (1) Franchisee must maintain and preserve at its principal office, full, complete, and accurate records and reports pertaining to the development and operation of the Outlet and the performance by Franchisee of its obligations under this Agreement. Such records must include the information prescribed in the Operations Manual or the Global Policies and Procedures.
- (2) In addition to the reports referred to in clause 5.4(1), Franchisee must deliver to Franchisor in the form periodically required by Franchisor, which may include in an electronic format, the following:
 - (a) A notice of Outlet opening on or before the opening date of the Outlet and the lease agreement, if any, for the site where the Outlet is located;
 - (b) By the end of each Wednesday, a report of Gross Sales for the immediately preceding week;
 - (c) By the tenth day of each Month, a report of the daily Gross Sales and a profit and loss account in the prior Month;
 - (d) Within 30 days after the end of the Financial Year, financial statements of Franchisee including a Financial Year-end balance sheet for Franchisee and a profit and loss account for such Financial Year reflecting all year-end adjustments, and a statement of changes in financial condition, all prepared in accordance with generally accepted accounting principles;
 - (e) At least 30 days prior to the end of each Financial Year:
 - (i) A development plan to be implemented by Franchisee during Franchisor's next Financial Year, including capital and operating budgets; and
 - (ii) A marketing plan and budget describing the proposed marketing activities and expenditures for the Local Marketing Expenditure for the succeeding Financial Year;
 - (f) Within 30 days following the end of each Financial Year, a report of the receipts and disbursements of advertising, promotion, public relations, market research and other marketing programs and activities undertaken by the Local Marketing Expenditure during the preceding year; and
 - (g) Such other data, reports, information, financial statements and supporting records, in relation to the Franchised Business (including Gross Sales for each Month), as determined and in a format required by Franchisor from time to time, which may include the provision of reports and data in an electronic format.
- (3) Each such report and financial statement furnished by Franchisee must be verified as correct and signed by Franchisee in the manner prescribed by Franchisor, and prepared by a certified public accountant.
- (4) Franchisee must immediately report to Franchisor any events or developments which may have a significant or materially adverse impact on the performance of Franchisee under this Agreement or the goodwill associated with the Marks or the Outlet.
- (5) Franchisee must fully disclose to Franchisor all information concerning the Franchised Business as Franchisor may reasonably require.

5.5 Inspections and Audits

- (1) Franchisor and its agents may at any time during normal Business Hours inspect, audit and

make copies or extracts of the records and reports described in clause 5.4 and any other business records, bookkeeping and accounting records, electronic records and files, value added, sales, use, service, and income tax records and returns, and other records of The Franchised Business.

- (2) Franchisor may, at any time, during normal Business Hours and one hour before and one hour after normal Business Hours, inspect the premises of the Outlet for the purpose of:
 - (a) Monitoring compliance by Franchisee of its obligations under this Agreement; and
 - (b) Ensuring compliance by Franchisee of its financial obligations under this Agreement and for the purpose of verifying any financial information provided by Franchisee to Franchisor.
- (3) Franchisor may conduct an audit of Franchisee's books of account. The audit may be performed by independent accountants appointed by Franchisor. Franchisee must fully cooperate with representatives of Franchisor and independent accountants appointed by Franchisor to conduct such inspection or audit.
- (4) If any such audit discloses an understatement of the initial and/or recurring fees received by Franchisee under this Agreement, Franchisee must pay to Franchisor within 15 days after receipt of the inspection or audit report the fees due on the amount of such understatement plus interest at the rate and on the terms provided for in this Agreement from the date originally due until the date of payment.
- (5) If in Franchisor's opinion, an inspection or audit is required because of the failure of Franchisee to furnish reports, supporting records, other information or financial statements as required, or to furnish such reports, records, information or financial statements on a timely basis, or if an understatement of fees received by Franchisee for the period of any audit is determined by any such audit or inspection to be greater than 2%, Franchisee must reimburse Franchisor for the cost of such inspection or audit, including, without limitation, legal fees and accountants fees, and the travel and accommodation expenses applicable per day for employees of Franchisor.
- (6) The remedies referred to in this clause 5.5 will be in addition to all other remedies and rights of Franchisor under this Agreement or under any applicable law.

5.6 Governmental Approvals (Including Registration)

- (1) Franchisee agrees to execute any and all instruments and documents, render such assistance, and otherwise cooperate with Franchisor, in order to obtain all governmental approvals Franchisor is required to obtain or which, in the opinion of Franchisor, are necessary at any time during the Initial Term, in the opinion of Franchisor, to comply with any Legal Requirements.
- (2) Franchisor has the right exercisable at its option, to submit, or to require Franchisee to submit, this Agreement to any Agency for registration or approval in the event Franchisor determines such registrations or approvals are necessary in order to comply with any Legal Requirements. If the Agency requires that any amendments be made to this Agreement as a condition to such approval or registration and such amendments are acceptable to Franchisor, Franchisor will deliver to Franchisee for execution an addendum to this Agreement, or other appropriate documents, to reflect such amendments.

5.7 Compliance With Legal Requirements

- (1) Franchisee must secure and maintain in force in its name all required licenses, permits,

and certificates relating to Franchisee's obligations under this Agreement. For the avoidance of doubt, Franchisee must ensure that it is qualified to import the Products, clear the customs and do anything relating thereto at its Cost.

- (2) All advertising by Franchisee must be completely factual and conform to high standards of ethical advertising. Franchisee must adhere to high standards of honesty, integrity, fair dealing and ethical conduct, and refrain from any practice which may be injurious to the reputation of Franchisor and the goodwill associated with the Marks and Outlets.
- (3) Franchisee must notify Franchisor immediately when it becomes aware of the commencement of 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, which may adversely affect the operation or financial condition of Franchisee or the Outlet.

5.8 Products and Supply Arrangements

- (1) Franchisee must establish and maintain supply arrangements on competitive terms and conditions for Products, the shop-fitting and signage of the Outlet and equipment to be sold by or used in the operation of the Outlet. Such suppliers will be subject to Franchisor's prior written approval and, upon approval, will be deemed to be Approved Suppliers. Franchisor may, at any time and in its discretion, revoke its approval of any Approved Supplier. Franchisor may itself be an Approved Supplier.
- (2) If Franchisee requests approval of a new alternate supplier, Franchisee shall provide Franchisor with samples of the proposed alternate supplier's product, all information and back-up documentation requested by Franchisor concerning the proposed alternate supplier and its products, and access to inspect the proposed alternate supplier's production facilities, and Franchisee shall pay Franchisor for all of its costs and expenses in evaluating and deciding upon the request, including without limitation out of pocket expenses, compensation for the time spent evaluating the request, and overhead expenses.
- (3) Approval of a supplier by Franchisor may be conditional on the supplier meeting Franchisor's quality and standards requirements. Franchisor may require any supplier applying for approval to allow Franchisor to inspect the proposed supplier's facilities to assist Franchisor in determining if the proposed supplier meets Franchisor's criteria.
- (4) Franchisee acknowledges that Franchisor may from time to time vary the range of Products.
- (5) Unless otherwise provided in writing by Franchisor, Franchisee must purchase all Raw Materials sold in the Outlet from Franchisor on the then-current Terms of Trade. Otherwise, Franchisee must purchase all Raw Materials from suppliers approved by Franchisor in writing.
- (6) Franchisee must ensure that all Raw Materials and other Products and equipment used in the operation of the Outlet comply with the System Standards.
- (7) Franchisor or its Affiliates may receive payments from Approved Suppliers on account of such suppliers' dealings with Franchisee and may use all amounts so received without restriction and for any purpose Franchisor or its Affiliates deem appropriate (unless Franchisor or its Affiliates agree otherwise with the supplier).

5.9 Payment and Trading Terms

- (1) Franchisee must pay all Approved Suppliers for all Raw Materials and other Products by the due date for payment and in the manner specified by the Approved Suppliers and comply with the terms of any supplier agreements or terms of trade of the Approved

Suppliers.

- (2) In the purchase of Raw Materials and other Products and any other miscellaneous goods from Franchisor, Franchisee must pay:
 - (a) The total amount owing to Franchisor for Raw Materials, other Products and any other miscellaneous goods provided to Franchisee by Franchisor from time to time, in accordance with Franchisor's credit policy and Terms of Trade;
 - (b) All amounts in full, net of any bank charges by direct deposit into Franchisor's bank account, as specified in Section 7 of Schedule 1, or in such other manner as Franchisor notifies Franchisee in writing, including direct debit from Franchisee's bank or credit account. Franchisee must execute any forms or documents required by Franchisor in order to effect payments by way of direct debit or any other electronic method.

5.10 Chatime Menu

- (1) Franchisee acknowledges that the Chatime Menu forms a key part of the Chatime brand and image. Accordingly, Franchisee must ensure that it strictly complies with the requirements of Franchisor relating to:
 - (a) The Chatime Menu; and
 - (b) The areas and manner of preparation of food items for sale from the Outlet,

as set out in the Operations Manual or as otherwise specified from time to time by Franchisor.
- (2) Franchisee must ensure that it:
 - (a) Offers for sale from the Outlet the complete range of food and beverages on the Chatime Menu and that such food and beverage items are prepared in accordance with the Chatime Menu;
 - (b) Does not offer, sell, or supply any food or beverages that are not specified on the Chatime Menu; and
 - (c) Acquires all products (including Raw Materials) required to prepare Products on the Chatime Menu only from Approved Suppliers.

6 Initial and Continuing Fees

6.1 New Outlet Fee

Franchisee must pay the New Outlet Fee to Franchisor upon signing this Franchise Agreement.

6.2 Royalty

Franchisee must pay the Royalty to Franchisor on the tenth day of each Month. The Royalty is calculated based on the Gross Sales of the Outlet for the previous Month.

6.3 Brand Marketing Fee

Franchisee must pay the Brand Marketing Fee to Franchisor in accordance with clause 7.2.

6.4 Renewal Outlet Fee

Where an existing Outlet is being renewed for a further term, Franchisee must pay the Renewal Outlet Fee to Franchisor upon granting the right to renew.

6.5 Calculation of Payments

(1) If Franchisee fails to:

- (a) Pay the Royalty or the Brand Marketing Fee; or
- (b) Supply Franchisor with:
 - (i) The Monthly Gross Sales information for the Outlet as required under clause 5.4(2)(c) within the timeframe specified in 5.4(2)(c); or
 - (ii) Any other reports set out in the Operations Manual or in any Operations Manual Addendum and as specified in clauses 5.4(1) to 5.4(5) within the timeframes set out in the Operations Manual or in any Operations Manual Addendum and as specified in clauses 5.4(1) to 5.4(5),

such that Franchisor is unable to calculate the Royalty and/or the Brand Marketing Fee payable by Franchisee or issue an invoice to Franchisee for payment of the Royalty and/or the Brand Marketing Fee, then:

- (c) Franchisor may estimate the Royalty and/or the Brand Marketing Fee for the relevant Month by taking into consideration the total Gross Sales for all Outlets in the Territory for the previous Quarter and dividing this by 3 (**Estimated Fees**);
 - (d) Franchisor will notify Franchisee of the Estimated Fees; and
 - (e) Franchisee must pay to Franchisor the Estimated Fees in accordance with, and within the time specified in, the notice provided by Franchisor pursuant to clause 6.5(1)(d).
- (2) Franchisor will adjust on Franchisee's account every Quarter any overpayment or underpayment of the Estimated Fees provided that Franchisee has supplied Franchisor with:
- (a) The Monthly Gross Sales information for the Outlet as required under clause 5.4(2)(b); and
 - (b) Any other reports set out in the Operations Manual or in any Operations Manual Addendum and in clauses 5.4(1) to 5.4(5),

such that Franchisor is able to properly calculate the Royalty and the Brand Marketing Fee actually payable by Franchisee for the relevant Months.

6.6 Interest on Late Payments

- (1) If Franchisee fails to pay any amount to Franchisor, Franchisee must pay interest on that amount at the Interest Rate, from the time the amount should have been paid until it is paid. Interest accrues daily, may be capitalized by Franchisor, and is payable on demand.
- (2) Franchisee acknowledges that this clause 6.6 does not constitute any agreement by Franchisor to accept such payments after they are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee or the Outlet.

6.7 Withholding

- (1) All withholding taxes shall be borne by Franchisee. That is to say, all payments by Franchisee must be made without deduction or withholding (including, without limitation, by way of set-off, counterclaim, duty, tax (including goods and services tax, value added tax, and other government imposts) or charge) unless Franchisee is prohibited by law from doing so, in which case Franchisee must:
 - (a) Promptly pay to Franchisor any additional amount necessary to ensure that the net amount received by Franchisor equals the full amount which would have been received by Franchisor if no deduction or withholding had been made;
 - (b) Pay to the relevant authority within the period for payment permitted by law the full amount of the deduction or withholding (including the full amount of any deduction or withholding from any additional amount paid under clause 6.7(1)(a));
 - (c) Give Franchisor the official receipt from the authority for the amount paid to it within 7 days after Franchisee receives it; and
 - (d) Assist Franchisor with any reasonable requests for information or supporting documents regarding the calculation and/or payment of the amount paid.

6.8 Currency of Payment

- (1) All payments by Franchisee to Franchisor under this Agreement will be made in U.S. Dollars unless otherwise specified by Franchisor.
- (2) All payments in this Agreement are to be calculated in the currency of the Territory and converted into Dollars for payment to Franchisor and must be converted at a rate equivalent to the measurement notified by Franchisor on the date the payment is due. However, in the event a payment is remitted after the date payment is due, the currency exchange rate used will be the rate as of:
 - (a) The date the payment was due; or
 - (b) The date the payment is remitted,whichever rate is the greater.
- (3) All payments from Franchisee to Franchisor under this Agreement must be made in full, net of any bank charges, by direct deposit into Franchisor's bank account as specified in Section 7 of Schedule 1, or in such other manner as Franchisor notifies Franchisee in writing, including direct debit from Franchisee's bank or credit account. Franchisee must execute any forms or documents required by Franchisor in order to give effect to payments by way of direct debit or any other electronic method.

6.9 Exchange Controls

- (1) Franchisee must use its best efforts to obtain any consents or authorizations which may be necessary in order to permit timely payments in Dollars of all amounts payable pursuant to this Agreement.
- (2) If at any time, any legal restriction is imposed upon the purchase of Dollars or the transfer to or credit of a non-resident party with payments in Dollars, Franchisee must notify Franchisor immediately. While such restrictions are in effect, Franchisor may require payment in any currency designated by Franchisor that is available to Franchisee or, at Franchisor's option, may require Franchisee to deposit all amounts due but unpaid as a result of such a restriction in any type of account, in any bank or institution in the Territory designated by Franchisor. Franchisor will be entitled to all interest earned on such deposits. Franchisor may also elect to receive payment in the form of products or services available to Franchisee, the value of which will be based on the actual cost of such products

or services to Franchisee. If payment is made in products or services, Franchisee agrees to deliver such products or services to Franchisor or its designated agent or shipper within the Territory.

6.10 Stamp Duties

Franchisee must pay all stamp duties and comparable duties and taxes (including any penalties for late payment) assessed to be payable on or in respect of this Agreement or any Collateral Agreement.

6.11 Set-off

Franchisor may in its sole discretion set-off against any payment due to Franchisee by Franchisor any unpaid debts (including contingent debts) of Franchisee to Franchisor.

7 Marketing

7.1 Local Marketing Expenditure

(1) Franchisee must:

- (a) Establish, maintain and administer a Franchisee-funded marketing fund to be spent for local marketing, which will be known as the **Local Marketing Expenditure** for the Outlet;
- (b) Direct the creation and implementation of advertising, marketing, and promotional programs for the Territory;
- (c) Adapt the marketing materials provided to Franchisee by Franchisor for use in the Territory;
- (d) Keep full details and records of all Local Marketing Expenditure receipts and expenditure on a monthly basis;
- (e) Allow Franchisor full and free access at all reasonable times to all details of the Local Marketing Expenditure and records;
- (f) Comply with all reasonable directions given by Franchisor from time to time in relation to the administration of the Local Marketing Expenditure and in relation to the content, style, nature or manufacture of any advertising, sales promotion and customer satisfaction surveys;
- (g) Comply with Franchisor's brand guidelines and obtain the prior written approval of Franchisor for all of its local advertising and promotional plans and all materials it would like to use. Achieving compliance and obtaining such approval shall be at the expense of Franchisee;
- (h) At all times ensure that all marketing, promotion, and advertising complies with all applicable laws; and
- (i) Follow Franchisor's policy on marketing funds as specified in the Operations Manual or the Global Policies and Procedures as amended from time to time. The provisions of such policies and procedures will override this clause to the extent of any inconsistency.

7.2 Brand Marketing Fee

Franchisee must pay the Brand Marketing Fee to Franchisor on the tenth day of each Month. The

Brand Marketing Fee will be determined based on the Gross Sales of the Outlet for the previous Month.

7.3 Use of the Brand Marketing Fee

- (1) Franchisor may, in its sole discretion, use the Brand Marketing Fee to pay the Costs of:
 - (a) Developing and conducting local, regional or national advertising and promotional campaigns, including advertising in international or regional publications;
 - (b) Engaging advertising agencies and marketing and research consultants;
 - (c) Providing Franchisee with samples of brochures and marketing materials used by Franchisor or its Affiliates, for amendment and use, subject to clause 7.3(4), by Franchisee in the Territory;
 - (d) Coordinating and administering the activities set out in clauses 7.3(1)(a) to 7.3(1)(c), including reasonable overhead and administrative Costs (including employee costs), the Cost of materials and printing Costs; and
 - (e) Any other marketing activity for the purpose of developing the Chatime brand internationally, regionally, or in the Territory.
- (2) In applying the Brand Marketing Fee for the purposes set out above, Franchisor may combine the Brand Marketing Fee with other brand marketing fees provided by other franchisees. There is no assurance that any portion of your Brand Marketing Fee or the Brand Marketing Fund will be allocated or spent for advertising in your Territory or region of the country. The monies paid to the Brand Marketing Fund do not constitute a trust fund.
- (3) If Franchisee requests any additional marketing assistance from Franchisor that, in the opinion of Franchisor, is not within the scope of assistance provided for by the Brand Marketing Fee, then Franchisee must pay to Franchisor upon invoice by Franchisor any additional fees and charges levied by Franchisor for such additional marketing assistance.
- (4) Franchisee must not use any marketing or promotional materials unless that marketing or promotional material has been first approved in writing by Franchisor.

7.4 Websites

- (1) Franchisee must not establish a website referring to the Marks, the Outlet, or the System without Franchisor's prior written consent.
- (2) Franchisee must not register the Domain Name or any other domain name or Internet address incorporating the Network Name or any part of that name or any similar names or any of the Marks or any part of the Marks or any words or names similar to the Marks. Franchisee acknowledges that Franchisor has a prior and superior right to registration of any such domain names. If a domain name or Internet address is to be used in The Franchised Business, it must be registered in the name of Franchisor or any other nominee of Franchisor. However, all fees must be paid by Franchisee.
- (3) Franchisor may, but is not obliged to, designate one or more webpages to describe Franchisee and/or the Outlet, such webpages to be located within Franchisor's Website. If Franchisor approves a separate Website to be established by Franchisee, then:
 - (a) Before establishing the Website, Franchisee must submit to Franchisor, for Franchisor's prior written approval, a sample of the proposed Website domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including, without limitation, metatags) in the form and

manner that Franchisor may reasonably require; and Franchisee must not use or modify such Website without Franchisor's prior written approval as to such proposed use or modification;

- (b) In addition to any other applicable requirements, Franchisee must comply with Franchisor's standards, policies and procedures and specifications for Websites as prescribed by Franchisor from time to time in the Operations Manual or otherwise in writing;
 - (c) If required by Franchisor, Franchisee must at its Cost update the Website from time to time so that it is consistent with the then-current image, standards and specifications as notified by Franchisor;
 - (d) Franchisee must ensure that none of Franchisor's Confidential Information, such as the Operations Manual and any Operations Manual Addendum is accessible to the public via any Website;
 - (e) Franchisee must not offer any products or services on the Website without Franchisor's prior written consent and if Franchisor permits Franchisee to sell products or services on the Website, Franchisee must use the web hosting company designated by Franchisor and any shopping cart software specified by Franchisor;
 - (f) If required by Franchisor, Franchisee must establish such hyperlinks to Franchisor's Website and others as Franchisor may request in writing; and
 - (g) Franchisor may revoke its approval at any time, in writing, and require that Franchisee discontinue use of a separate Website. If Franchisor revokes its approval under this clause Franchisee must if required by Franchisor, immediately take all steps and execute all documents reasonably necessary to assign or transfer any domain name license to Franchisor or its nominee or if necessary, cancel any domain name used in connection with The Franchised Business.
- (4) If Franchisee becomes aware of any Person using or referring to the Marks on their Website, then it must immediately notify Franchisor.
- (5) Franchisor may require Franchisee to offer and sell certain Products and services on Franchisee's Website.

8 Confidential Information

8.1 Obligation to Maintain Confidentiality

- (1) Franchisee and Guarantor acknowledge and agree that neither Franchisee nor any Guarantor will acquire any interest in the Confidential Information, other than the right to utilize the Confidential Information in performing their obligations under this Agreement, and that the use or duplication of any Confidential Information would constitute an unfair method of competition.
- (2) Franchisee and Guarantor hereby agree that during the term of this Agreement and following the expiration or termination of this Agreement that they:
 - (a) Will not use the Confidential Information in any other business operation or capacity;
 - (b) Will maintain the absolute confidentiality of the Confidential Information;
 - (c) Will not make unauthorized copies of any portion of the Confidential Information;

- (d) Will adopt and implement all reasonable procedures that Franchisor prescribes from time to time to prevent unauthorized use or disclosure of the Confidential Information including, without limitation, restrictions on the disclosure of the Confidential Information to Outlet personnel and others; and
- (3) Notwithstanding anything to the contrary contained in this Agreement, the restrictions set out in clause 8.1(2) will not apply to information that:
 - (a) Is or becomes publicly available, other than by breach of this Agreement;
 - (b) Franchisee or Guarantor (as applicable) is legally compelled to disclose, provided Franchisee/Guarantor must have used its best efforts and afforded Franchisor the opportunity to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be disclosed; or
 - (c) Is otherwise permitted under the terms of this Agreement.
- (4) If required by Franchisor, Franchisee must ensure that Franchisee's Owner managers, directors, shareholders, agents, employees, and any Interested Party enter into a confidentiality agreement in a form that is acceptable to Franchisor.

9 Protection of Goodwill

9.1 Acknowledgements and Restriction

Franchisee Parties acknowledge that:

- (1) The System used in connection with Franchisee's conduct of The Franchised Business, the Marks, the Raw Materials and other Products is unique and has been developed by Franchisor at great effort and expense;
- (2) Franchisor has considerable and recognized goodwill in the conduct of its business of developing and promoting the System;
- (3) Franchisor should be entitled to protect that goodwill for its own benefit by restricting Franchisee's and Guarantor's ability to damage that goodwill by competing with Franchisor; and
- (4) Each of the restraints imposed upon Franchisee and Guarantor under clause 9.2 is fair and reasonable and is no greater than is reasonably necessary to protect this goodwill.

9.2 No Other Business Interests

Franchisee Parties jointly and severally agree with Franchisor that neither Franchisee nor any Guarantor will:

- (1) During the Initial Term or any New Term finance, invest in or have a financial interest in any business other than the Franchised Business without the prior written consent of Franchisor; or
- (2) During the Restraint Period, in the Restraint Area, directly or indirectly do any of the following things:
 - (a) be concerned or interested in any Restrained Business (directly or indirectly, or through any interposed corporate entity, trust, partnership, or entity as trustee, principal, agent, shareholder, beneficiary, or as an independent contractor,

consultant, adviser or in any other capacity);

- (b) advise, assist, consult with or for or in connection with any Restrained Business or any person associated with or in any manner whatsoever connected to or engaged by or in connection with any Restrained Business;
- (c) hold or own (beneficially or non-beneficially) whether directly or indirectly and whether absolutely or contingently or hold options over shares or any other securities or units of any entity engaging in a Restrained Business; and
- (d) procure, employ, seek to employ or engage, or appoint in any capacity (whether as a consultant, director or otherwise), any person who is or has been in the 12 months prior to such action an employee, independent contractor, or prospective franchisee of the Franchisor, its affiliates, or any Chatime Store Business.

9.3 Restraint Applies to Conduct in Any Capacity

The agreement by Franchisee Parties in clause 9.2 applies to any of them, the Interested Parties, and those acting:

- (1) Either alone or in partnership or association with another person;
- (2) As principal, agent, representative, director, officer, employee, or financier;
- (3) As member, shareholder, debenture holder, note holder, or holder of any other security;
- (4) As trustee of or as a consultant or adviser to any person; or
- (5) In any other capacity.

9.4 Separate Restraint Agreements

Clauses 9.2 and 9.3 have effect as comprising each of the separate provisions which results from each combination of a capacity referred to in clause 9.3, a category of conduct referred to in clause 9.2, in the Restraint Area and for the Restraint Period. Each of these separate provisions operates concurrently and independently. If any separate provision is unenforceable, illegal, or void, that provision is severed and the other separate provisions remain in force.

9.5 Directors, Managers, and Key Employees

Franchisee must ensure that any of its directors who are not a party to this Agreement, any Interested Party, manager, and any of its key employees nominated by Franchisor enter into confidentiality and non-competition agreements before they receive or are granted access to any of the Confidential Information.

9.6 Other Interested Parties

Franchisee must procure that any Interested Party specified by Franchisor enters into a non-compete and confidentiality agreement with Franchisor that contains:

- (1) Similar reasonable restraints as imposed on Franchisee and Guarantor pursuant to clause 9.2; and
- (2) Similar confidentiality obligations to the obligations imposed pursuant to clause 8,

as and when required by Franchisor.

9.7 Acceptable Conduct

Nothing in this clause prevents Franchisee or Guarantor from:

- (1) Owning less than 5%, by value, of securities in a listed corporation;
- (2) Engaging or being concerned or interested in the Franchised Business in accordance with this Agreement; or
- (3) Engaging or being concerned or interested in any business or activity pursuant to which Franchisor has given its prior written consent.

9.8 Disgorgement

In addition to all other remedies and rights of Franchisor under this Agreement, if any of Franchisee, Guarantor, or their Interested Parties breaches clause 9.2 or 9.3, Franchisee must account for and pay to Franchisor all compensation, profits, monies, accruals, increments, or other benefits derived or received as a result of any such breach.

10 Indemnity and Limitation of Liability

10.1 Indemnity

- (1) Franchisee Parties indemnify Franchisor and each of its Affiliates (**Chatime Group**) against all:

- (a) Losses incurred by the Chatime Group;
- (b) Liabilities incurred by the Chatime Group; and
- (c) All Legal Costs and other Costs and expenses incurred by the Chatime Group in connection with a demand, action, arbitration, or other proceeding (including mediation, compromise, out of court settlement or appeal),

arising directly or indirectly as a result of or in connection with:

- (d) A breach by Franchisee Parties of this Agreement or any Collateral Agreement;
 - (e) Any injury to, or loss of property of, any person in or on premises from which the business is conducted;
 - (f) Franchisee's taxes, liabilities or Costs of The Franchised Business;
 - (g) Any negligent or willful act or omission of Franchisee, its employees, agents, servants, or contractors; and
 - (h) Any warranty, promise, or representation made by Franchisee Parties or any employee, agent, or other person acting on behalf of Franchisee Parties being incomplete, inaccurate, or misleading.
- (2) Franchisor's rights at law and under this Agreement, including its right to be indemnified under this clause, are not affected by:
 - (a) Franchisor ending the Franchise or the termination of any Collateral Agreement;
 - (b) Franchisor accepting Franchisee's repudiation of this Agreement or any related Agreement; or

- (c) Anything else.

10.2 Limitation of Liability

To the extent permitted by law, Franchisor will have no liability in relation to:

- (1) Any approval of premises or a site for the Outlet provided by Franchisor to Franchisee pursuant to the terms of this Agreement;
- (2) Any other approvals provided by Franchisor to Franchisee in connection with the Franchised Business pursuant to the terms of this Agreement;
- (3) The conduct of the Franchised Business by Franchisee, the success or failure of which largely depends upon the business abilities and efforts of Franchisee; and
- (4) The location, design, construction, or renovation of the Outlet or the furnishings, fixtures, and equipment to be required, notwithstanding the right of Franchisor to approve any plans, and to inspect the construction and/or renovation work and such Outlet. Such rights of Franchisor are exercised solely for the purpose of ensuring compliance with the terms and conditions of this Agreement.

11 Intellectual Property

11.1 License to Use Intellectual Property

Franchisor grants Franchisee a license to use the Intellectual Property in the Territory only during the Initial Term.

11.2 Use of Intellectual Property

- (1) Franchisee must:
 - (a) Only use the Intellectual Property as authorized by Franchisor;
 - (b) Not alter the Intellectual Property, except with Franchisor's prior written consent; and
 - (c) Not do anything which may prejudice Franchisor's ownership of, or the goodwill associated with, the Intellectual Property.
- (2) Franchisee must not use any other trademarks, corporate or business names, trade names, slogans, domain names, or other items of Intellectual Property without the prior written consent of Franchisor.

11.3 Ownership of Intellectual Property

Franchisee acknowledges that by its use of the Intellectual Property, it does not acquire any right to, title or interest in the Intellectual Property. All rights to, and interests in, the Intellectual Property reside with Franchisor. All documents, advertisements, or other work created by Franchisee in connection with the Franchised Business shall be the property of the Franchisor, and shall be considered "work for hire."

11.4 Protection of Intellectual Property

- (1) Franchisee must:
 - (a) Provide all reasonable assistance to Franchisor to register and enforce Franchisor's intellectual property rights in the Territory;
 - (b) Take all reasonable steps to protect the Intellectual Property against any action or

infringement by any person;

- (c) Immediately notify Franchisor of any actual or potential threat or claim of infringement with respect to the Intellectual Property.
- (2) Franchisor, at its absolute discretion, will determine whether to commence or defend legal proceedings relating to the Intellectual Property.
- (3) Payment of all Costs incurred in commencing or defending legal proceedings relating to the Intellectual Property will be made by Franchisor, provided that Franchisor has authorized the taking of any such action.
- (4) Franchisee must cooperate fully with Franchisor in relation to any actions conducted under this clause 11.4 and must not bring any actions itself relating to the Intellectual Property.
- (5) Save for remittance of Costs under clause 11.4(3) (if any), Franchisor will be entitled to receive the proceeds of all actions conducted under this clause 11.4.

11.5 Goodwill

Franchisee acknowledges that:

- (1) Franchisor is the owner of all goodwill in the Intellectual Property;
- (2) All goodwill associated with Franchisee's use of the Intellectual Property, and its activities under this Agreement, inures to the benefit of Franchisor; and
- (3) When this Agreement ends, Franchisee is not entitled to any payment from Franchisor for goodwill which may exist in relation to The Franchised Business.

11.6 Franchisee and Guarantor Must Not Register Similar Intellectual Property

Franchisee and Guarantor must:

- (1) If it is the owner of any intellectual property (e.g., business or corporate names, trademarks, domain names) similar or identical to the Intellectual Property in the Territory, immediately upon execution of this Agreement, take all steps necessary to transfer ownership of that intellectual property to Franchisor at Franchisee's cost;
- (2) If, during the Initial Term, either Franchisee or any Guarantor registers any intellectual property (e.g., business or corporate names, trademarks, domain names) similar or identical to the Intellectual Property in the Territory, the relevant party must immediately upon such registration, take all steps necessary to transfer ownership of that intellectual property to Franchisor at Franchisee's cost; and
- (3) Not, except as otherwise agreed or directed by Franchisor in writing, register any intellectual property (e.g., business or corporate names, trademarks, domain names) similar or identical to the Intellectual Property or that contains or consists of any Intellectual Property or anything that is substantially identical or deceptively similar thereto or otherwise relates to the Chatime brand or the System. In particular, if Franchisee or Guarantor is a corporation, each must not use the word "Chatime" or any other similar word or derivatives of that word in its corporate name, with acknowledgement that the factors determining similarity of trademarks as stated above include, without limitation, the appearances, concepts, pronunciations, designated classes and designated goods and services of trademarks.

11.7 Franchisee's Improvements

- (1) If any Franchisee's Improvements are developed by or on behalf of Franchisee during the Initial Term from which Franchisee obtains any intellectual property rights, Franchisee assigns all of Franchisee's rights to and intellectual property in Franchisee's Improvements to Franchisor or its nominee as and when the intellectual property rights are created, free of all encumbrances.
- (2) If Franchisee's rights to or intellectual property rights in Franchisee's Improvements are not capable of assignment to Franchisor, Franchisee grants to Franchisor or its nominee as and when the intellectual property rights are created an exclusive, worldwide, royalty free, fully assignable perpetual license for Franchisee's Improvements, which may only be terminated by Franchisor, for Franchisor to use Franchisee's Improvements and grant others the right to use Franchisee's Improvements.
- (3) If Franchisor wishes to register the intellectual property rights in any of Franchisee's Improvements and Franchisee is the owner, or a necessary applicant for that registration, Franchisee must immediately upon the request by Franchisor apply in Franchisee's own name for registration and then sign all documents and deeds, perform all acts and do all things necessary to assign that registration or application to Franchisor or its nominee.

12 Transfer and Other Dealings by Franchisor

12.1 Assignment or Novation

Franchisor may transfer all or any part of its rights, interests, obligations, or liabilities under this Agreement by assignment or novation.

12.2 Refinancing and Restructuring

Franchisor may, in addition to or as part of an assignment or novation pursuant to clause 12.1:

- (1) Sell itself, its assets and any of the Intellectual Property which it owns to a third party;
- (2) Issue additional shares or other securities in itself;
- (3) Engage in a private placement of some or all of its securities; and
- (4) Undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring.

12.3 Acknowledgment and Agreement

If Franchisor elects to:

- (1) Assign all or any part of its rights, interests, obligations, or liabilities under this Agreement, Franchisee Parties must, upon request by Franchisor, execute any deed, agreement, or notice of assignment acknowledging and agreeing to the assignment by Franchisor; or
- (2) Transfer all or any part of its rights, interests, obligations, or liabilities under this Agreement by novation to a third party, Franchisee Parties must, upon request by Franchisor, execute a deed or agreement of novation, in a form prepared by Franchisor, substituting in place of Franchisor a third party as being entitled to the benefits, and responsible for the rights, obligations, and liabilities of Franchisor under this Agreement.

12.4 Merger

Franchisor may purchase, merge, acquire, or affiliate with an existing competitive or non-

competitive franchise network, chain or any other business and operate, franchise or license those businesses to operate using the Marks and Intellectual Property of Franchisor from premises wherever located.

12.5 Consent

Franchisee Parties consent to Franchisor at any time assigning or novating any of its rights, interests, obligations, or liabilities under this Agreement or undertaking any of the actions outlined in clauses 12.1, 12.2, and 12.4 and waive any requirement for prior notice to Franchisee Parties of the action.

13 Transfer and Other Dealings by Franchisee

13.1 Acknowledgements by Franchisee

Franchisee acknowledges that:

- (1) The Franchise has been granted to Franchisee following a consideration by Franchisor of the character, business experience and capability and financial capacity of Franchisee Parties; and
- (2) Because of this, there are important restrictions in this clause 13 on Franchisee's ability to deal with the Franchise and The Franchised Business.

13.2 Prohibition Against Transfer by Franchisee

- (1) Franchisee must not sell or otherwise Dispose of its interest in the Franchise or The Franchised Business, whether in whole or in part, voluntarily or involuntarily, by operation of law (including as a result of bankruptcy, divorce, death or disability, without Franchisor's prior written consent and without first offering to sell the Ownership Interest of the Outlet (**Business**) to Franchisor in accordance with clause 13.4.
- (2) If an offer made by Franchisee pursuant to clause 13.2(1) is not accepted, Franchisee may sell or otherwise Dispose of its interest in the Franchise or the Franchised Business subject to obtaining Franchisor's written consent which must not be unreasonably withheld if all of the conditions mentioned in clause 13.3 have been satisfied.
- (3) A request for Franchisor's consent under clause 13.2(2) must be made in writing.

13.3 Conditions to be Satisfied Before Assignment can be Approved

Franchisor must not unreasonably withhold its consent under clause 13.2(2) if the sale, assignment or other Disposal is of the whole of Franchisee's interest in the Franchise and the Franchised Business and each of the following conditions are satisfied:

- (1) Franchisee establishes to Franchisor's reasonable satisfaction that the proposed assignee (and its Owners and directors if the assignee is a company):
 - (a) Possesses the financial resources necessary to conduct and operate the Franchised Business as a franchisee and to service any borrowings it makes in order to acquire The Franchised Business;
 - (b) Is a reputable and responsible party and has the business experience and capabilities necessary to operate the Franchised Business successfully; and
 - (c) Otherwise meets Franchisor's criteria for the selection of new Chatime franchisees;
- (2) Franchisee pays to Franchisor the Transfer Fee;

- (3) Franchisee, both when seeking consent to the assignment and when the assignment is to occur, is not in default under this Agreement or any Collateral Agreement;
- (4) At the option of Franchisor:
- (a) The assignee executes Franchisor's then-standard form franchise agreement for the balance remaining of the Initial Term (including any existing option for a New Term); or
 - (b) Franchisee and the assignee execute an assignment of Franchisee's rights and obligations under this Agreement to the assignee in a form required by Franchisor,
- and Franchisee and the assignee execute any other documents then used by Franchisor for the grant of Chatime franchises;
- (5) When the assignee is a company, those directors and shareholders or other Affiliates of the assignee nominated by Franchisor each:
- (a) Executed and deliver a personal guarantee and indemnity and undertake similar personal restraints to those given by Guarantor under this Agreement in favor of, and in the form attached as Exhibit 3;
 - (b) Executed and deliver a confidentiality and non-competition agreement in the form attached as Exhibit 4; and
 - (c) Execute the new franchise agreement or assignment in their personal capacities;
- (6) The assignee's proposed manager is approved by Franchisor and successfully completes Franchisor's required training program;
- (7) Franchisee:
- (a) Gives to Franchisor all details of the proposed assignment including a copy of the applicable contract (which must comply with Franchisor's requirements) and any other agreements between Franchisee and the assignee. Franchisee acknowledges that:
 - (i) These documents must be provided to Franchisor so that Franchisor can ensure that its interests are protected (for example, that the contract of sale does not purport to sell the Intellectual Property); and
 - (ii) Franchisor will not sell the Franchised Business on behalf of Franchisee or negotiate the sale on behalf of Franchisee and does not hold itself out as performing these functions; and
 - (b) Sells to the assignee all of Franchisee's essential assets used in the business;
- (8) Franchisee establishes to Franchisor's reasonable satisfaction that the proposed assignment will not have a significantly adverse effect on the System or the Network;
- (9) Franchisee pays all Franchisor's Costs in connection with or incidental to the request for Franchisor's consent to the transfer of the Franchise and the sale of the Business, whether or not the assignment or sale is actually completed or the consent is granted; and
- (10) Franchisee and its Owners execute and deliver to Franchisor a Release in substantially the form attached as Exhibit 1.

13.4 Franchisor's Right of First Refusal

- (1) If Franchisee wants to:
 - (a) Sell The Franchised Business; or
 - (b) Allow the Disposal of shares or units,

Franchisee must first offer to sell the Franchised Business to Franchisor on the same terms as any offer Franchisee has received from an arm's length third party (**Third Party Offer**) by giving to Franchisor a written notice (**Offer Notice**) setting out the terms and conditions of the Third Party Offer.

- (2) Franchisor may accept the offer contained in the Offer Notice by giving notice of acceptance (**Acceptance Notice**) to Franchisee before the end of the Offer Period.
- (3) For the purpose of this clause 13.4, "**Offer Period**" means the period of 45 days after Franchisor receives the Offer Notice.
- (4) The Acceptance Notice may contain terms which vary the terms of the Offer Notice so long as the terms upon which Franchisor agrees to buy the Business are not commercially less favorable to Franchisee than those contained in the Offer Notice. For example, if the consideration, terms, and/or conditions offered by a third party are such that Franchisor is not reasonably able to furnish the same types of consideration, terms, and/or conditions, then Franchisor may purchase the interests proposed to be transferred for the reasonable equivalent in cash.
- (5) If Franchisee receives the Acceptance Notice during the Offer Period Franchisee must sell and Franchisor must purchase the Business upon the terms and conditions contained in the Offer Notice as may be varied by the Acceptance Notice.
- (6) If Franchisor does not accept the offer contained in the Offer Notice within the Offer Period, Franchisee is entitled to sell the Business or allow the Disposal of shares or units to a third party within 60 days after the end of the Offer Period as long as the:
 - (a) Franchisee complies with clause 13.3; and
 - (b) Sale or Disposal is not made for less than the price specified in the Offer Notice or on terms and conditions more favorable to the third party than those contained in the Offer Notice.
- (7) If Franchisee does not sell the Business or allow the Disposal of shares or units within the period referred to in clause 13.4(6), the rights of Franchisor are revived and Franchisee must not permit any sale or Disposal without first offering the Business to Franchisor in accordance with this clause 13.4.

13.5 No Encumbrances

Franchisee must not create or allow the creation of any encumbrance over this Agreement, the Franchise, or the Franchised Business without first obtaining Franchisor's written consent.

13.6 No Subfranchises

Franchisee must not lease, license, franchise, or part with possession of the Franchised Business or the Franchise without first obtaining Franchisor's written consent.

13.7 Transfer Upon Death or Incapacitation. Upon the death or permanent incapacity (mental or physical) of any person with a majority or controlling interest in this Agreement, in you, or in all or substantially

all of the assets of the Franchisee's Operations, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by Franchisor within one year after such death or mental incapacity. Such transfers, including transfers by devise or inheritance, shall be subject to the requirements in this Clause 13.

- 13.8 Transfers Void. Any purported or attempted transfer, by operation of law or otherwise, made without Franchisor's prior written consent will be considered null and void and will be considered a material breach of this Agreement.

14 Temporary Operation by Franchisor

14.1 Circumstances of Operation by Franchisor

If Franchisee ceases to conduct the Franchised Business or abandons the Franchise, Franchisor or its nominee may, but does not have to, enter Franchisee's business premises and operate and manage the Franchised Business until Franchisee complies with any direction or notice of Franchisor requiring Franchisee to recommence operation of the Franchise in accordance with its obligations under this Agreement.

14.2 Management Fees and Income Received

- (1) Franchisee must pay to Franchisor a reasonable management fee prescribed by Franchisor for operating and managing the Franchise and any traveling, accommodation, meals, or other expenses in relation to such operation and management.
- (2) Franchisor must account to Franchisee for all net income received by Franchisor while operating and managing the Franchise less a reasonable management fee prescribed by Franchisor for operating and managing the Franchise and any traveling, accommodation, or other expenses in relation to such operation and management. Franchisee must bear any losses incurred during Franchisor's operation and management of the Franchise and pay or reimburse such losses to Franchisor upon demand.

14.3 Liability for Temporary Operation

Franchisor will not be liable to Franchisee in any way for anything done by Franchisor while it operates and manages the Franchise in accordance with this clause 14, except for acts or omissions arising from the gross negligence or willful misconduct of Franchisor. Franchisee indemnifies Franchisor and its employees and agents against all damages, sums of money, costs, charges, expenses, actions, claims, liabilities, injuries, and demands made against or suffered by Franchisor, its employees, and agents for the period Franchisor operates and manages the Franchise pursuant to this clause 14.

15 Termination of Agreement

15.1 Franchisee may terminate during cooling off period as follows:

- (1) Franchisee may terminate this Agreement by giving written notice to Franchisor within 7 days of the date of this Agreement.
- (2) If Franchisee terminates this Agreement in accordance with clause 15.1(1), Franchisor must, within 14 days after receiving the notice of termination, return all payments (whether of money or other valuable consideration) made by Franchisee to Franchisor under this Agreement less the following amounts which constitute the reasonable Costs of Franchisor in connection with the grant of this Agreement:
 - (a) 20% of the New Outlet Fee representing the reasonable Costs of Franchisor in relation to the selection and induction of Franchisee;

- (b) The amount of \$5,000 representing the reasonable Costs of Franchisor in connection with the instructions for and the negotiation, preparation and execution of this Agreement and the Collateral Agreements; and
- (c) All reasonable Costs of Franchisor in connection with the training of Franchisee, including all payments made to Franchisee by Franchisor during the course of training.

15.2 Termination by Franchisee

- (1) If:
 - (a) Franchisee is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement;
 - (b) Franchisee gives written notice of such breach to Franchisor (which notice must include details of the breach and what is required by Franchisor to rectify the breach) and gives Franchisor a reasonable period (of no less than 60 days) to remedy the breach; and
 - (c) Franchisor does not remedy the breach within the time set out in the breach notice or, in a case where Franchisor's breach cannot reasonably be remedied within 60 days after Franchisor receives written notice of its breach, fails to provide Franchisee with reasonable evidence of Franchisor's continuing efforts to correct its breach within a reasonable time,

then Franchisee may terminate this Agreement by providing 60 days' written notice of termination to Franchisor.
- (2) Any termination of this Agreement by Franchisee other than as provided in clause 15.2(1) will be deemed a termination by Franchisee without cause.

15.3 Termination by Franchisor

- (1) Franchisor may terminate this Agreement if:
 - (a) Franchisee or Guarantor (**Defaulting Party**) breaches any provision of this Agreement or any Collateral Agreement;
 - (b) Franchisor gives to the Defaulting Party a written notice that:
 - (i) Specifies the breach;
 - (ii) Tells the Defaulting Party what Franchisor wants the Defaulting Party to do to remedy the breach;
 - (iii) Gives the Defaulting Party a reasonable time (which can be any number of days between 3 days and 30 days) to remedy the breach; and
 - (iv) States that Franchisor proposes to terminate this Agreement and the Franchise if the breach is not remedied within that time; and
 - (c) the Defaulting Party does not remedy the breach within the time allowed by a notice issued under clause 15.3(1)(b).
- (2) If the breach is remedied in accordance with, and within the time allowed by, a notice issued under clause 15.3(1)(b), Franchisor cannot terminate this Agreement because of that

breach.

- (3) If Franchisee does not perform or observe any obligation under this Agreement Franchisor may, but does not have to, remedy that default. In doing so, Franchisor is entitled to rely on the power of attorney in clause 24.
 - (4) Notwithstanding any other provision in this clause 15, Franchisor may terminate this Agreement immediately upon written notice to Franchisee if:
 - (a) The Defaulting Party breaches any provision under clause 6 (Initial and Continuing Fees), 9.2 (No Other Business Interests) or 9.3 (Restraint Applies to Conduct in Any Capacity).
 - (b) A force majeure event (as referred to in clause 23) continues for more than 180 days;
 - (c) Franchisee no longer holds a license that Franchisee must hold to carry on The Franchised Business;
 - (d) Franchisee voluntarily abandons The Franchised Business;
 - (e) Franchisee or a Guarantor is convicted of a serious offense;
 - (f) The Franchised Business is operated in a way that endangers public health or safety;
 - (g) Franchisee is fraudulent in connection with the operation of The Franchised Business;
 - (h) Franchisee files a voluntary petition in bankruptcy, files any pleading seeking any reorganization, liquidation or dissolution under any law, admits or fails to contest the material allegations of any such pleading filed against it, or is adjudicated a bankrupt or insolvent; or
 - (i) A receiver, manager, liquidator, or other Person acting in a comparable capacity is appointed for a substantial part of the assets of Franchisee.
- 15.4 Other Remedies. In the event of grounds for a default by the Franchisee, Franchisor is entitled in its sole discretion to exercise any other remedies in lieu of or prior to terminating the Agreement, which may include but are not limited to termination or suspension of any and all services provided to Franchisee by Franchisor, its Affiliates, or approved suppliers; suspension of delivery of product or supplies to Franchisee by Franchisor, its Affiliates, or approved suppliers; imposition of different credit terms for delivery of product or supplies to Franchisee by Franchisor, its Affiliates or approved suppliers; temporary operation of the Franchised Business pursuant to Section 14 of this Agreement; removal of Franchisee from the Franchisor's website, directory, or social media; execution and delivery of a Release in the form attached as Exhibit 1, and imposition of any additional or different requirements for Franchisee to maintain its right to continue operating the Franchised Business. Franchisor's exercise of any of these other remedies shall not in any way impair or waive Franchisor's right in the future to terminate the Agreement or to exercise any other rights under this Agreement.

16 Dispute Resolution

- 16.1 Notice of Dispute. If a dispute arises relating to or in connection with this Agreement or the relationship of the parties ("Dispute"), a party to the Dispute must give to the other party or parties to the dispute notice specifying the dispute and requiring its resolution under this clause 16 ("**Notice of Dispute**").

16.2 Mediation. If the parties cannot resolve their Dispute within 30 days from the date of service of the Notice of Dispute, either party may refer the matter to a mediator and if the parties cannot agree upon the appointment of a mediator, either party may submit the matter to the American Arbitration Association (“AAA”) and obtain the appointment of a mediator under the AAA mediation rules from the AAA Franchise Panel.

- (1) The mediation may take place by videoconference, unless the parties agree upon a different location. The mediator may decide the date and time for mediation and the parties will attend the mediation and use reasonable endeavors to resolve the dispute.
- (2) The parties to the mediation agree that: everything that occurs before the mediator will be in confidence and in closed session; all discussions will be without prejudice; and no documents brought into existence specifically for the purpose of the mediation process will be called into evidence in any subsequent litigation by either of the parties. The mediator will deal with any matter as expeditiously as possible by no later than 30 Business Days after referral to the mediator.
- (3) The parties to the mediation will bear the costs of the mediation on an equal basis. Each party will bear its own costs of attending and preparing for the mediation.
- (4) The mediator will have no power to make any decision binding on the Parties to resolve the dispute.

16.3 Arbitration. Except as otherwise provided in this Agreement, if the mediation is not successful, any controversy, claim, cause of action or dispute arising out of, or relating to this Agreement or related agreements, or the relationship of the parties, shall be resolved exclusively by binding arbitration.

- (1) The right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed exclusively by the Federal Arbitration Act, as amended, and arbitration shall be conducted pursuant to the then-prevailing Commercial Arbitration Rules of the AAA..
- (2) The arbitration shall be conducted in New York, New York, and parties and witnesses may appear by videoconference, unless the parties agree otherwise.
- (3) Any dispute as to the arbitrability of any controversy, claim, cause of action or dispute shall also be determined by arbitration.
- (4) All proceedings in the Arbitration shall be strictly confidential, and everything that occurs before the arbitrator will be in confidence and in closed session
- (5) The arbitration panel shall consist of three arbitrators. AAA shall send each of the Parties a separate list of at least at least ten (10) Arbitrator candidates from the AAA Franchise Panel. AAA shall also provide each Party with a brief description of the background and experience of each Arbitrator candidate.
- (6) Within seven (7) calendar days of service upon the Parties of their list of names, each Party may select one Arbitrator from their respective list. The two party-appointed Arbitrators shall name a third Arbitrator who shall act as the Chairperson.
- (7) The fees and expenses of the proceeding may be awarded by the Arbitrator to the prevailing party. If not so awarded, the parties shall bear their own fees, costs and expenses, and the charges of the arbitration service and arbitrator shall be split between the parties.
- (8) After accepting the appointment and during the arbitration, the arbitrator may: require the parties to lodge security or further security towards the arbitrator's fees and expenses; and apply any security towards those fees and expenses, but the arbitrator may not direct a party

to the dispute to provide security for the costs of the arbitration to be incurred by any other party.

- (9) The arbitrator shall have no authority to amend or modify the terms of this Agreement.
- (10) The arbitrator must include in the arbitration award the findings on material questions of law and of fact, including references to the evidence on which the findings of fact were based.
- (11) An arbitration initiated by a Franchisee can only be brought by a single franchisee, and shall only resolve the claims by the Franchisee. Franchisee is not permitted to bring or participate in any group, collective, multi-party, or class action claims against Franchisor or its Affiliates or their respective owners and officers. An Arbitrator shall not have authority to decide any group, collective, multi-party or class action claims against Franchisor or its Affiliates or their respective owners and officers.
- (12) Despite anything in this clause 16, a party at any time may commence court proceedings in relation to any dispute or claim arising under or in connection with this Agreement solely for the purpose of obtaining urgent interlocutory relief pending resolution of the Arbitration.
- (13) Subject to this clause 16, a party must not commence or maintain a court action or proceeding upon a dispute in connection with this Agreement if the dispute is referred to arbitration under this clause 16.

16.4 **Waiver of Jury Trial.** EACH PARTY HERETO HEREBY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

16.5 **Survival of Dispute Resolution Provisions.** This clause 16 continues in force even where the Agreement has been fully performed, terminated or rescinded or where the parties or any of them have been discharged from the obligation to further perform the Agreement for any reason. The obligations with respect to dispute resolution outlined in this Article shall survive termination or expiration of this Agreement. This clause 16 applies even where the Agreement is otherwise void or voidable.

17 Rights and Obligations Upon Termination or Expiration

17.1 Consequences of Termination

Franchisee agrees that upon the termination or expiration of this Agreement, it will:

- (1) Not directly or indirectly identify itself as a current or former franchisee of, or as otherwise associated with, Franchisor;
- (2) Immediately deliver to Franchisor:
 - (a) All copies of the Operations Manual, the Operations Manual Addendum, and Global Policies and Procedures (contained in any medium) and once delivered to Franchisor, uninstall and permanently delete any copies of the Operations Manual, the Operations Manual Addendum, and Global Policies and Procedures electronically stored by Franchisee;

- (b) All forms, stationery, business cards, advertising material, and any other printed matter and signs used by Franchisee which bear the Network Name or any of the Marks;
 - (c) The original and all copies of databases and all lists held by Franchisee of suppliers to the Network; and
 - (d) All other property of Franchisor;
- (3) Immediately discontinue use of and forever cease to use:
 - (a) The Network Name;
 - (b) Any trade name, trademark, or commercial symbol that suggests or indicates a connection or association with Franchisor;
 - (c) The Marks, Confidential Information, and other Intellectual Property and remove all signs containing any Marks or any marks deceptively similar to the Marks (including from any Outlets) and promptly return to Franchisor or destroy all forms and materials containing any Mark, in accordance with Franchisor's instructions; and
 - (d) Any Mark, trade name, trademark, or commercial symbol that is deceptively similar to any Mark in any manner or for any purpose;
- (4) Not register the Marks or the Network Name or the Domain Name or any part of the Marks or Network Name or any words or names similar to the Network Name or Marks or any combination of those names;
- (5) Do everything necessary and execute all documents required by Franchisor to transfer, assign or, if necessary, cancel any trademarks, service marks, domain names, or other commercial symbols or Intellectual Property applied or registered by Franchisee in the Territory;
- (6) Immediately cease to use any Confidential Information of Franchisor disclosed to or otherwise learned or acquired by Franchisee and return to Franchisor all Confidential Information which has been loaned or made available to it by Franchisor pursuant to this Agreement without itself retaining any copies of the same in any medium;
- (7) Provide to Franchisor:
 - (a) All agreements, records, files, and any other materials or information reasonably requested by Franchisor pertaining to this Agreement which are assigned to Franchisor or its nominee;
 - (b) All agreements, records, files, and any other materials or information reasonably requested by Franchisor pertaining to the Local Marketing Expenditure; and
- (8) Within 10 Business Days of the effective date of termination or expiration of the Agreement, pay all money owed to Franchisor or any Affiliate and Franchisee's employees, contractors, and material trade creditors which are then unpaid.

17.2 Transfer of Franchise Agreement

- (1) Upon termination or expiration of this Agreement:
 - (a) Franchisee agrees to assign, or otherwise transfer, to Franchisor or its nominee, at the option of Franchisor, all of its rights and obligations under this Agreement

nominated by Franchisor and Franchisor may exercise its right to require an assignment or other transfer of this Agreement at any time after termination or expiration of this Agreement. Such assignment or other transfer will take effect automatically and immediately upon transmittal by Franchisor of a written notice to Franchisee stating that this Agreement is assigned or otherwise transferred from Franchisee to Franchisor or its nominee and Franchisee must do all things necessary to formalize any such assignment; and

- (b) Immediately upon request by Franchisor, Franchisee must take all necessary steps (including signing any document) to assign or otherwise transfer its rights under the documents granting the relevant Occupancy Right to Franchisee to Franchisor or its nominee.
- (2) If Franchisor does not require an assignment or other transfer of this Agreement, then this Agreement may, as determined by Franchisor, continue for the remainder of its term, in which case Franchisee must continue to perform all obligations under this Agreement other than in relation to any continued development.
- (3) If upon termination or expiration of this Agreement, Franchisor exercises its right to take an assignment of this Agreement pursuant to clause 17.2(1), then Franchisee will not be entitled to receive payment under this Agreement from the date of the assignment of this Agreement.

18 Guarantee and Indemnity

18.1 Interested Party's Guarantee

Franchisee must ensure that:

- (1) Each Interested Party give a guarantee and indemnity on the terms set out in this clause 18, in the form attached as Exhibit 3; and
- (2) Any new Interested Party, upon becoming an Interested Party, sign a guarantee and indemnity in respect of Franchisee's obligations under this Agreement on the then-current terms used by Franchisor.

18.2 Consideration

Guarantor has requested Franchisor to enter into this Agreement with Franchisee and Franchisor does so in consideration of this guarantee and indemnity.

18.3 Guarantee

Guarantor unconditionally and irrevocably guarantees to Franchisor prompt performance of all of the obligations of Franchisee contained or implied in this Agreement. If the obligation is to pay money, Franchisor may recover the money from Guarantor as a liquidated debt.

18.4 Indemnity

- (1) If Franchisee is not bound by some or all of its obligations under this Agreement, Guarantor agrees, by way of indemnity and principal obligation, to pay to Franchisor the amount which would have been payable by Guarantor to Franchisor under the guarantee in clause 18.3 had Franchisee been bound.
- (2) Guarantor indemnifies Franchisor and agrees to hold it harmless in respect of any failure by Franchisee to perform any of its obligations under this Agreement including any obligation to pay money to Franchisor.

18.5 Continuing Security

This guarantee and indemnity is a continuing security, and is not discharged or prejudicially affected by any settlement of accounts, but remains in full force until a final release is given by Franchisor.

18.6 Matters Not Affecting Guarantor's Liability

Guarantor's liability under clauses 18.3 and 18.4 is not affected by:

- (1) The granting of time, forbearance, or other concession by Franchisor to Franchisee or any Guarantor;
- (2) An absolute or partial release of Franchisee or any Guarantor or a compromise with Franchisee or any Guarantor;
- (3) A variation of this Agreement;
- (4) A transfer of this Agreement by Franchisee;
- (5) The termination of this Agreement;
- (6) Any disputes or differences between Franchisee and Franchisor;
- (7) The fact that this Agreement is wholly or partially void, voidable, or unenforceable;
- (8) The non-execution of this Agreement by one or more of the persons named as Guarantor or the unenforceability of the guarantee or indemnity against one or more of Guarantors; or
- (9) The exercise or purported exercise by Franchisor of its rights under this Agreement.

18.7 Payment Later Avoided

Guarantor's liability is not discharged by a payment to Franchisor which is later avoided by law. If that happens, the parties are restored to their respective rights and obligations as if the payment had not been made.

18.8 Indemnity on Disclaimer

If a liquidator or trustee in bankruptcy disclaims this Agreement, Guarantor indemnifies Franchisor against any resulting loss.

18.9 Guarantor Not to Prove in Liquidation or Bankruptcy

Until Franchisor has received all money payable to it by Franchisee, Guarantor must:

- (1) Not prove or claim in any liquidation, bankruptcy, composition, arrangement, or assignment for the benefit of creditors; and
- (2) Hold any claim it has and any dividend it receives on trust for Franchisor.

18.10 Guarantee to Continue on Transfer of Rights

If Franchisor transfers its rights under this Agreement, the benefit of the guarantee and indemnity in this clause 18 extends to the transferee and continues concurrently for the benefit of Franchisor regardless of the transfer unless Franchisor releases Guarantor in writing.

18.11 Certificate as to Liability

A certificate signed by Franchisor or its solicitors about a matter or about a sum payable to Franchisor in connection with this Agreement is sufficient evidence of the matter or sum stated in the certificate unless the matter or sum is proved to be false.

19 Corporate Franchisee

19.1 Application of Clause

This clause 19 applies if Franchisee is a corporation, limited liability company, or other business entity.

19.2 Constitution

- (1) Before the Commencement Date, Franchisee must give to Franchisor a certified copy of Franchisee's constitution and certified copies of any other documents requested by Franchisor from Franchisee's company register.
- (2) Franchisee warrants that the constitution of the Franchisee entity does not preclude Franchisee from being granted the Franchise or otherwise from exercising its rights and performing its obligations under this Agreement.

19.3 Directorship and Ownership of Franchisee

Franchisee:

- (1) Warrants that the Owners, directors and officers of Franchisee as at the date of execution are as notified to Franchisor by Franchisee; and
- (2) Must provide to Franchisor immediately upon request details of the Owners of Franchisee, including the number and class of Ownership Interests held by each Owner as of:
 - (a) The date of execution of this Agreement; and
 - (b) Any other date specified by Franchisor.

19.4 No Changes Without Franchisor's Consent

- (1) Franchisee must not allow any of the following to occur without first obtaining Franchisor's written consent:
 - (a) Any change in the composition of Franchisee's Owners, directors, and officers;
 - (b) Any alteration to Franchisee's constitution;
 - (c) Any Disposal of Ownership Interests in Franchisee; or
 - (d) Any reduction or alteration of Franchisee's capital.
- (2) Franchisor must not withhold consent unreasonably if:
 - (a) In the case of a Disposal of Ownership Interests, the requirements of clause 19.5 are met;
 - (b) Franchisee executes and delivers to Franchisor a Release in substantially the form attached as Exhibit 1;
 - (c) All new Owners must execute and deliver to Franchisor a signed personal guarantee in the form attached as Exhibit 3;

- (d) All new Owners executed and delivered to Franchisor a signed Confidentiality and Non-Competition Agreement in the form attached as Exhibit 4; and
- (e) In any case, the change does not adversely affect Franchisee's ability to perform its obligations under this Agreement.

19.5 Transfer of Ownership Interests

Any Disposal of Ownership Interests in Franchisee must be treated as a Disposal by Franchisee of the Franchise and clause 13 will apply to that Disposal.

20 Acknowledgements, Representations, and Warranties

20.1 Acknowledgements and Representations

- (1) Franchisee and Guarantor each acknowledge that:
 - (a) They have relied upon their own investigations and judgment in entering this Agreement;
 - (b) Before signing this Agreement, they have undertaken their own due diligence and sought such professional advice and assistance as they consider appropriate in relation to Franchisor and all other matters relevant to this Agreement;
 - (c) They are not entering into this Agreement on the basis of any financial or other information provided by Franchisor or any express or implied statement or representation by Franchisor or any Affiliate of Franchisor or any of their officers, employees, agents or representatives; and
 - (d) They have not been introduced to Franchisor by any broker or agent acting or purporting to act on behalf of Franchisor.
- (2) Franchisee acknowledges that Franchisor has agreed to grant the Franchise to Franchisee in reliance on the character, skills, and financial capacity of Franchisee, the Owners and the General Manager, that the establishment and operation of the Franchised Business will involve significant financial risks, and that the success of the Franchised Business will depend upon the skills and financial capacity of Franchisee and the Owners and also upon changing economic and market conditions.
- (3) Franchisee acknowledges and agrees that it has conducted an independent investigation of the business contemplated by this Agreement and recognizes that it involves business risks making the success of the venture largely dependent on the business abilities of Franchisee. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any express or implied warranty or guarantee regarding the potential volume, profits, or success of the business venture contemplated by this Agreement.
- (4) Franchisee and Guarantor represent that all information provided to Franchisor in support of Franchisee's application to acquire the Franchise, including in relation to its financial capacity, resources, business experience and skills are complete, true, and correct.
- (5) Franchisor makes no representation or warranty as to the suitability or otherwise of any premises or the site for the Outlet approved by it or that the operation of the Outlet will necessarily be profitable or successful.
- (6) Franchisor is not responsible for the acts or omissions of any person involved in the design of the Outlet, including any architects or consultants engaged by Franchisor.

20.2 Warranties

- (1) If Franchisee is a corporate entity, Franchisee represents and warrants that it is duly organized and validly existing in good standing under the laws of the jurisdiction of its incorporation.
- (2) Franchisee warrants that it has done everything necessary to do business lawfully in all jurisdictions in which its business is carried on, has the power to enter into and perform this Agreement, and has obtained all necessary consents and fulfilled all necessary Legal Requirements to enable it to do so.
- (3) Franchisee and Guarantor represent and warrant that the terms and conditions of this Agreement have been explained to each of them by an independent legal adviser and an independent business adviser and that they understand and accept the terms and conditions of this Agreement.
- (4) If Franchisee and Guarantor are corporate entities, they represent and warrant that the execution of this Agreement is in accordance with the requirements of their respective articles of incorporation and creates a binding obligation on them in accordance with the terms of this Agreement.

21 Notices

- 21.1 A notice or other communication connected with this Agreement (**Notice**) has no legal effect unless it is in writing.
- 21.2 In addition to any other method of service provided by law, the Notice may be:
- (1) Sent by prepaid priority post to the address of the addressee set out in this Agreement or subsequently notified;
 - (2) Sent by email to the email address of the addressee set out, respectively, in Sections 8-10 of Schedule 1, or subsequently notified; or
 - (3) Delivered at the address of the addressee set out in this Agreement or subsequently notified.
- 21.3 If the Notice is sent or delivered in a manner provided by clause 21.2, it must be treated as given to and received by the party to which it is addressed:
- (1) If sent by post, on the third Business Day (at the address to which it is posted) after posting;
 - (2) If sent by email before 5 pm on a Business Day at the place of receipt, on the day it is sent and otherwise on the next Business Day at the place of receipt; or
 - (3) If otherwise delivered before 5 pm on a Business Day at the place of delivery, upon delivery, and otherwise on the next Business Day at the place of delivery.

22 Force Majeure

- 22.1 A party (**Affected Party**) is not liable for any delay or failure to perform an obligation (other than to pay money) under this Agreement caused by:
- (1) Act of God;
 - (2) War, terrorism, riot, insurrection, vandalism, or sabotage;
 - (3) Strike, lockout, ban, limitation of work, or other industrial disturbance; or

- (4) Law, rule, or regulation of any government or governmental agency and executive or administrative order or act of general or particular application.
- 22.2 The Affected Party must notify each other party as soon as practical of any anticipated delay or failure caused by an event referred to in clause 22.1 (**Event**).
- 22.3 The performance of the Affected Party's obligation is suspended for the period of delay caused by the Event.

23 Power of Attorney

- (1) To secure performance by Franchisee of its obligations under this Agreement, Franchisee Parties irrevocably appoint Franchisor and each of its officers severally to be their attorney (**Attorney**) to exercise the powers described in this clause 23.
- (2) If Franchisee Parties breach any provision of this Agreement or any Collateral Agreement or at the end of the Franchise the Attorney may, in the name and at the Cost of either Franchisee or Guarantor, do anything required to be done by Franchisee Parties that Franchisee Parties have not done or have not done promptly or properly. This includes the execution and delivery of documents, transfers, assignments, deeds, forms, notices, or other instruments specifically relating to the Marks and the Website.
- (3) The powers granted under this clause 23 commence when this Agreement is executed and continue despite the end of the Franchise.
- (4) Franchisee Parties:
 - (a) Ratify and confirm anything an Attorney lawfully does under this clause 23; and
 - (b) Must pay on demand all the Costs or other liabilities incurred by or on behalf of Franchisor or the Attorney under this clause 23.

24 Changes in Laws

24.1 Taxes and Charges

If any laws are changed or new laws are introduced or courts or any relevant authority interpret laws differently which results in Franchisor having to pay a tax, duty, excise, or levy (**Impost**) on amounts received from Franchisee under this Agreement (other than income tax) or on goods or services supplied by Franchisor under this Agreement, Franchisee must pay to Franchisor an additional amount so that after Franchisor has paid the Impost its yield under this Agreement is unchanged.

24.2 Amend Agreement to Comply with Future Laws

The parties agree that if any laws are changed or introduced or any relevant authority publishes or issues any statement, rules, code, or requirement which in the reasonable opinion of Franchisor or its legal representatives renders or is likely to render all or part of this Agreement unenforceable, illegal, or void, the parties will immediately amend this Agreement and do all things (including executing documents) necessary or desirable to ensure that this Agreement is not unenforceable, illegal, or void.

25 Miscellaneous

- 25.1 Choice of Law. This Agreement, and any dispute or controversy arising from or relating to this Agreement, shall be governed and decided by the law of the State of Delaware, without reference to any choice of law rules.

25.2 Taxes

Franchisor will have no liability for any sales, value added, use, service, stamp duty, occupation, excise, gross receipts, income, property, payroll, or other taxes, whether levied upon this Agreement, Franchisee, one or more Outlets, Franchisee, or Franchisee's property, or upon Franchisor, in connection with operations conducted by Franchisee (except any taxes that Franchisor is required by law to collect from Franchisee with respect to purchases from Franchisor or taxes described in clause 6.7(1)). Payment of all such taxes will be the responsibility of Franchisee.

25.3 Subcontracting and Agency

- (1) Franchisor is entitled to subcontract the performance of any of its obligations to be performed in the Territory under this Agreement and exercise any of its rights in the Territory under this Agreement to any person nominated by Franchisor, and any notice required to be given by Franchisor shall be validly given if given by such person.
- (2) Franchisee must not subcontract the performance of any of its obligations to be performed in the Territory under this Agreement without the prior consent of Franchisor.

25.4 Exercise of Rights

A party may exercise a right, power or remedy at its discretion, and separately or concurrently with another right, power, or remedy. A single or partial exercise of a right, power, or remedy by a party does not prevent a further exercise of that or of any other right, power, or remedy. Failure by a party to exercise or delay in exercising a right, power, or remedy does not prevent its exercise.

25.5 Approvals and Consents

- (1) Franchisor may give conditionally or unconditionally or withhold its approval or consent in its absolute discretion unless this Agreement expressly provides otherwise.
- (2) Franchisor may require Franchisee and its Owners to execute and deliver to Franchisor a Release in the form attached as Exhibit 1 as a condition for granting any approval or consent or for agreeing to any amendment of this Agreement.

25.6 Indemnities

Each indemnity in this Agreement is a continuing obligation, separate, and independent from the other obligations of the parties and survives termination of this Agreement. It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity conferred by this Agreement. Any indemnities and assumptions of liabilities or obligations under this Agreement survive termination or expiration of this Agreement.

25.7 Translations and English Language

- (a) Franchisee must at its Cost: Translate this Agreement from English into the language or languages of the Territory and submit a copy of such translations to Franchisor for its approval; and
 - (b) Translate the Operations Manual and the Operations Manual Addendum for use in the Territory from English into the main languages used in the Territory.
- (2) Franchisee must pay all Franchisor's Costs of translating or verifying any translation of this Agreement and any related documents or agreements into the language or languages of the Territory if such translation is required to comply with the Legal Requirements in the Territory.

- (3) If this Agreement is translated into a language other than English, the English version of this Agreement shall alone govern all matters of interpretation of this Agreement.

25.8 Survival of Obligations After Termination and Expiration

Termination or expiration of this Agreement does not release any party from that party's obligations which expressly survive of or are capable of survival of this Agreement and specifically without limitation clauses 3.7, 4.10(2), 8.1, 9.1, 9.8, 10, 16, 17, 18, 11, 23, and 25.6.

25.9 Costs and Expenses

- (1) Franchisee must pay, or reimburse Franchisor on demand for, all Franchisor's Costs (including Legal Costs) in connection with or incidental to:
- (a) Any default by Franchisee in observing or performing any of its obligations under this Agreement;
 - (b) Any termination of this Agreement; and
 - (c) The contemplated, attempted, or actual enforcement, preservation, or exercise of any right under this Agreement including the obtaining by Franchisor of any advice or information as to its rights under this Agreement or otherwise arising from a breach of this Agreement by Franchisee.

25.10 Authority to Complete

By their execution of this Agreement, Franchisee Parties authorize Franchisor to complete any Sections in Schedule 1 that are blank on the date of execution, with the details that Franchisor determines.

25.11 Severability

- (1) If any provision in this Agreement is unenforceable, illegal, or void or makes this Agreement or any part of it unenforceable, illegal, or void, then that provision is severed and the rest of this Agreement remains in force.
- (2) If any provision in this Agreement is unenforceable, illegal, or void in one jurisdiction but not in another jurisdiction or makes this Agreement or any part of it unenforceable, illegal, or void in one jurisdiction but not in another jurisdiction, then that provision is severed only in respect of the operation of this Agreement in the jurisdiction where it is unenforceable, illegal, or void.

25.12 Entire Understanding

Subject to the provisions of any written material entered into and approved by Franchisor and to which Franchisor and Franchisee are parties, this Agreement:

- (1) Is the entire agreement and understanding between the parties on everything connected with the subject matter of this Agreement; and
- (2) Supersedes any prior agreement or understanding on anything connected with that subject matter.

Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the representations made in Franchisor's Franchise Disclosure Document, its exhibits and amendments.

25.13 Variation

An amendment or variation to this Agreement is not effective unless it is in writing and signed by the parties.

25.14 Waiver

- (1) A party's failure or delay to exercise a power or right does not operate as a waiver of that power or right.
- (2) The exercise of a power or right does not preclude either its exercise in the future or the exercise of any other power or right.
- (3) A waiver is not effective unless it is in writing.
- (4) Waiver of a power or right is effective only for the specific instance to which it relates and for the specific purpose for which it is given.
- (5) Nothing contained in this section shall diminish the jury trial waiver in this Agreement.

25.15 Adverse Effect

In exercising, or deciding not to exercise, any right or discretion under this Agreement, a party is not required to take into account any adverse effect on another party.

25.16 Further Assurance

Each party must promptly at its own Cost do all things (including executing and if necessary, delivering all documents) necessary or desirable to give full effect to this Agreement.

25.17 Governing Law and Jurisdiction

State of Delaware.

25.18 Non-merger

Each obligation which expressly survives or is capable of surviving the end of the Franchise, continues in force despite the termination of this Agreement and the end of the Franchise.

25.19 Time of the Essence

- (1) Time is of the essence in this Agreement.
- (2) If the parties agree to vary a time requirement the time requirement so varied is of the essence of this Agreement.
- (3) An agreement to vary a time requirement must be in writing.

25.20 Execution of Counterparts

- (1) This Agreement may be executed in any number of counterparts. Each counterpart is an original but the counterparts together are one and the same agreement.
- (2) This Agreement is binding on the parties on the exchange of executed counterparts. A copy of an original executed counterpart sent by facsimile machine or by email:
 - (a) Must be treated as an original counterpart;

- (b) Is sufficient evidence of the execution of the original; and
- (c) May be produced in evidence for all purposes in place of the original.

25.21 Special Conditions

Any conditions set out in Schedule 1 form part of this Agreement. If there is any inconsistency between a provision of the Special Conditions and a provision of this Agreement, the provision of the Special Conditions prevails to the extent of the inconsistency.

[signature page follows]

Schedule 1 – Franchise Particulars

Section 1 Franchisee

Name: _____

Address: _____

Section 2 Owner(s) (Designate the "Managing Owner")

Name: _____

Percentage Interest: _____

Address: _____

Name: _____

Percentage Interest: _____

Address: _____

Section 3 Guarantor(s)

Name: _____

Address: _____

Name: _____

Address: _____

Section 4 Territory and Premises

Territory: (Census Tracts) (List Census Tracts and attach map)

Census Tracts: _____

As reflected on attached Map (Attach Map)

Premises address: _____

(If not yet determined, write “not yet determined.” Address shall be filled in below and initialed by the parties when the address is determined):

Section 5 New Outlet Fee

\$54,900

Section 6 Initial Training Fee

\$5,000

Section 7 Franchisor’s Bank Account

Name of Bank:	East West Bank
Address of Bank:	9300 Flair Drive, 4th Fl. El Monte, CA 91731
SWIFT CODE:	EWBKUS66XXX
Account name:	Chatime Franchise LLC
Account Number:	8627007092

Section 8 Franchisor’s Address for Service

6000 Sepulveda Blvd.
Culver City, CA 90230
Tel. +61 202830880

Section 9 Franchisee’s Address for Service (if different than above)

Address: _____

Attn: _____

Email address: _____

Contact: _____

Section 10 Guarantor’s Address for Service (if different than above)

Address: _____

Attn: _____

Email address: _____

Contact: _____

Address: _____

Attn: _____

Email address: _____

Contact: _____

Section 11 Opening Date






(Specify Date: normally 6 to 12 months after date of signing Franchise Agreement).

Date: _____

Section 12 Special Condition(s) (if any)

Schedule 2 – Marks and Websites

REGISTERED MARKS

Trademark	Registration Number	Registration Date
CHATIME	Registration No. 5,321,339	Registered October 31, 2017
“Chatime Ri Chu Cha Tai”  (and design)	Registration No. 4,178,239	Registered July 24, 2012
 (design only)	Registration No. 6,310,008	Registered March 30, 2021
“Chatime”  (and design)	Registration No. 6,817,092	Registered August 16, 2022
	Registration No. 7,078,475	Registered June 13, 2023
	Registration No. 7,208,570	Registered October 31, 2023

Websites and social media:

Meta: <https://www.facebook.com/ChatimeUSA>

Instagram: <https://www.instagram.com/chatimeusa/>

Twitter: https://twitter.com/Chatime_USA

Other: <https://www.tiktok.com/@chatimeusa>

EXECUTED and delivered on the date shown on the first page.

FRANCHISOR

Signed and delivered for and on behalf of
Chatime Franchise, LLC by its authorized
representative:

Signature

Date

Name of authorized signatory
(BLOCK LETTERS)

FRANCHISEE

Signed and delivered for and on behalf of
#insert name of Franchisee# by Franchisee
or its authorized representative:

Signature

Date

Name of authorized representative
(BLOCK LETTERS)

GUARANTOR

Signed and delivered for and on behalf of
#insert name of Guarantor# by its
authorized representative in the presence of:

Signature

Date

Name of Guarantor
(BLOCK LETTERS)

EXHIBIT 1 to the Franchise Agreement

Form of Release

GENERAL RELEASE

THIS GENERAL RELEASE is made this ____ day of _____, 20__.

WITNESSETH:

I, _____, a resident(s) in the State of _____, and _____, a __ [State of Incorporation] company having its principal place of business at _____

(each of the foregoing being collectively referred to herein as the "UNDERSIGNED") for and in consideration of the sum of One Dollar (\$1.00) paid to them by Chatime Franchise, LLC and other good and valuable consideration, the receipt of which is hereby acknowledged, the UNDERSIGNED, individually and for itself, its parent, subsidiaries, affiliates, agents, servants, employees, shareholders, officers, directors, partners, heirs, successors and assigns, do each hereby forever release, remise, and discharge Chatime Franchise, LLC, their predecessors, successors and assigns, parents, subsidiaries, and affiliated entities and their respective managers, members, officers, directors, agents, employees, and representatives, past and present, of any and all of such entities (all collectively referred to herein as "FRANCHISOR"), of and from any and all claims, demands, causes of action, suits, debts, dues, duties, sums of money, accounts, reckonings, covenants, contracts, agreements, promises, damages, judgments, extents, executions, liabilities and obligations, both contingent and fixed, known and unknown, of every kind and nature whatsoever in law or equity, or otherwise, under local, state, or federal law, against any of them, which the UNDERSIGNED or any one of them or their predecessors in interest, if any, ever had, now have, or which they, their heirs, executors, administrators, successors, or assigns hereafter can, will, or may have, for, upon, or by reason of, any matter, cause, or thing whatsoever, from the beginning of the world to the date of have, for, upon, or by reason of, any matter, cause, or thing whatsoever, from the beginning of the world to the date of these presents.

Without limiting the generality of the foregoing, but by way of example only, the foregoing release will apply to any and all state or federal antitrust claims or causes of action, state or federal securities law claims or causes of action, state or federal RICO claims or causes of action, breach of contract claims or causes of action, claims or causes of action based on misrepresentation or fraud, breach of fiduciary duty, unfair trade practices (state or federal), and all other claims and causes of action whatsoever. The foregoing release shall not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

The UNDERSIGNED (and each of them) further agree for themselves and for their successors and assigns, to indemnify and hold harmless forever, FRANCHISOR their predecessors, successors and assigns, parent, subsidiaries, and affiliated entities and their respective managers, members, officers, directors, agents, employees, and representatives, past and present, against any and all claims or actions which hereafter may be brought or instituted against any or all of them, or their successors and assigns, by or on behalf of anyone claiming under rights derived from the UNDERSIGNED, or any of them, and arising out of or incidental to the matters to which this release applies.

The UNDERSIGNED and FRANCHISOR agree that this release is not intended nor will it be construed as an admission of any wrongdoing or liability and that it will not be admissible in evidence in any suit or proceeding whatsoever as evidence or admission of any liability.

Any individual who signs this release in a representative capacity for the UNDERSIGNED entity hereby represents and warrants that they are duly authorized by action of the officers of the UNDERSIGNED entity to execute this release on its behalf.

With respect to the matters hereinabove released, the UNDERSIGNED knowingly waive all rights and protection, if any, under §1542 of the Civil Code of the State of California, or any similar law of any state or territory of the United States of America. §1542 provides as follows:

1542 General Release; Extent. A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which, if known by him, must have materially affected his settlement with the debtor.

If any restriction set forth in this General Release is found by any court of competent jurisdiction to be unenforceable because it extends in too broad a scope, it will be interpreted to extend only over the maximum scope of release as to which it may be enforceable. This General Release does not apply to any release or waiver which would relieve any person from liability imposed to the FRANCHISOR by applicable laws.

IN WITNESS WHEREOF, the UNDERSIGNED executed this General Release on the day and year first above written.

FRANCHISEE:

(Signature)

(Print name)

EXHIBIT 2 to the Franchise Agreement
Form of Lease Addendum

LEASE ADDENDUM

PARTIES:

Franchisor: Chatime Franchise, LLC ("Franchisor")
6000 Sepulveda Blvd.
Culver City, CA 90230

Tenant: _____ ("Tenant")
Name
Address

Landlord: _____ ("Landlord")
Name
_____ ("Address")

PREMISES:

Address: _____ ("Premises")

THIS AGREEMENT is made and entered into on _____, 20____, by and among Franchisor, Tenant, and Landlord.

BACKGROUND

- A. Landlord and Tenant have executed a lease agreement dated _____, 20____ ("Lease") for the Premises ("Leased Premises") for use by Tenant as a business to be opened pursuant to Franchisor's proprietary marks and system in connection with a Franchise Agreement dated _____, 20____ by and between Franchisor and Tenant ("Franchise Agreement");
- B. A condition to the approval of Tenant's specific location by Franchisor is that the Lease for the Leased Premises designated for the operation of a Chatime Store ("Franchised Business") contain the agreements set forth herein;
- C. Landlord acknowledges that Franchisor requires the modifications to the Lease set forth herein as a condition to its approving the Leased Premises as a site for the Franchised Business, and that Landlord agrees to modify and amend the Lease in accordance with the terms and conditions contained herein; and

AGREEMENT

In consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

- 1. Use Clause. The Leased Premises shall be used solely for the operation of a Chatime Store and identified by the mark Chatime or such other name as may be specified by Franchisor. Landlord acknowledges that such use shall not violate any then-existing exclusive rights granted to any existing tenant of Landlord. Landlord consents to Tenant's use of Franchisor's marks and signs, décor items, color schemes and related components of Franchisor's proprietary system. Landlord further acknowledges that during the term of this Lease or any extension thereof, Landlord will not lease space to another business in the same building, shopping center or facility as the Leased Premises which serves primarily bubble tea or other specialized tea drinks.
- 2. Termination of the Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated for any reason during the term of the Lease or any extension thereof,

Tenant, upon the written request of Franchisor, shall and does hereby assign to Franchisor all of its rights, title and interest in and to the Lease, and Franchisor or any affiliate designated by Franchisor may agree to assume from the date of assignment all of Tenant's obligations remaining under the Lease, and may assume Tenant's occupancy rights, and the right to sublease the premises, for the remainder of the term of the Lease. If Franchisor elects to accept the assignment of the Lease from Tenant, it shall give Tenant and Landlord written notice of its election to acquire the leasehold interest. Landlord hereby consents to the assignment of the Lease from Tenant to Franchisor and shall not charge any fee or accelerate rent under the Lease. Alternatively, in the event of a termination of the Franchise Agreement, Franchisor may elect to enter into a new lease with Landlord containing terms and conditions no less favorable than the Lease. Upon Landlord's receipt of written notice from Franchisor advising Landlord that Franchisor elects to enter into a new lease, Landlord shall execute and deliver such new lease to Franchisor for its acceptance. Landlord and Tenant shall deliver possession of the Leased Premises to Franchisor, free and clear of all rights of Tenant or third parties, subject to Franchisor executing an acceptance of the assignment of Lease or new lease, as the case may be.

3. Tenant's Agreement to Vacate Leased Premises. Tenant agrees to peaceably and promptly vacate the Leased Premises and, subject to Franchisor's right to acquire any such property pursuant to its Franchise Agreement with Tenant, to remove its personal property therefrom upon the termination of the Franchise Agreement. Any property not removed or otherwise disposed of by Tenant shall be deemed abandoned.
4. Delivery of Possession. If Landlord may not legally obtain possession of the Leased Premises or if Landlord is unable to deliver the Leased Premises to Franchisor within six (6) months from the date Franchisor notifies Landlord of its election to continue the use of the Leased Premises, then Franchisor shall have the right at any time thereafter to rescind its election to acquire a leasehold interest in the Leased Premises and to terminate the Lease or any new lease between it and Landlord for the Leased Premises, and Landlord shall release Franchisor from all of its obligations under the Lease or any new lease.
5. Entry. Franchisor may enter the Leased Premises without the consent of Landlord or Tenant to make any modification necessary to protect Franchisor's proprietary system or marks or to cure any default under the Franchise Agreement or under the Lease, without being guilty of trespass or any other crime or tort.
6. Amendment of Lease. Landlord and Tenant agree not to amend the Lease in any respect, except with the prior written consent of Franchisor.
7. Franchisor Not a Guarantor. Landlord acknowledges and agrees that notwithstanding any terms or conditions contained in this Agreement or any other agreement, Franchisor shall in no way be construed as a guarantor or surety of Tenant's obligations under the Lease. Notwithstanding the foregoing, in the event Franchisor becomes the tenant by assignment of the Lease in accordance with the terms hereof or enters into a new lease with Landlord, then Franchisor shall be liable for all obligations of Tenant on its part to be performed or observed under the Lease or a new lease.
8. Document to Govern. The terms and conditions contained herein modify and supplement the Lease. Whenever any inconsistency or conflict exists between this Agreement and the Lease, the terms of this Agreement shall prevail.
9. Waiver. Failure of Franchisor to enforce or exercise any of its rights hereunder shall not constitute a waiver of the rights hereunder or a waiver of any subsequent enforcement or exercise of its rights hereunder.
10. Amendment of Agreement. This Agreement may be amended only in writing signed by all parties hereto.
11. Notices. Landlord shall mail to Franchisor copies of any letters and notices it gives to Tenant related to the Lease or the Leased Premises concurrently with giving such letters and notices to Tenant. If Tenant fails to cure any default within the period provided in the Lease, if any, Landlord shall give Franchisor immediate written notice of such failure to cure. All notices shall be

delivered by certified mail at the addresses designated in the heading of this Agreement or to such other addresses as the parties hereto may, by written notice, designate.

12. Binding Effect. This Agreement shall be binding upon the parties hereto, their heirs, executors, successors, assigns and legal representatives.
13. Severability. If any provision of this Agreement or any part thereof is declared invalid by any court of competent jurisdiction, such act shall not affect the validity of this Agreement and the remainder of this Agreement shall remain in full force and effect according to the terms of the remaining provisions or part of provisions hereof.
14. Remedies. The rights and remedies created herein shall be deemed cumulative and no one such right or remedy shall be exclusive at law or in equity of the rights and remedies which Franchisor may have under this or any other agreement to which Franchisor and Tenant are parties.
15. Attorneys' Fees. If any of the parties to this Agreement commences a legal action against another party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit; the term "prevailing party" means a party that is awarded actual relief in the form of damages, declaratory relief, or injunctive relief, as well as a party that successfully defends a legal action commenced against it.
16. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Lease Rider to be effective on the day and year first written above.

CHATIME FRANCHISE LLC

By: _____
(Signature)

Name: _____
(Print Name)

Title: _____
(Print Title)

LANDLORD

By: _____
(Signature)

Name: _____
(Print Name)

Title: _____
(Print Title)

TENANT

By: _____
(Signature)

Name: _____
(Print Name)

Title: _____
(Print Title)

EXHIBIT 3 to the Franchise Agreement
Form of Personal Guarantee

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS IS GIVEN THIS date of _____, by _____ (each a "Guarantor").

In consideration of, and as an inducement to, the issuance or assignment of that certain Franchise Agreement of _____ even date (the "Agreement") by Chatime Franchise LLC (the "Franchisor"), to _____ ("Franchisee"), each Guarantor hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, for the term of the Agreement and as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

Each Guarantor hereby waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right such Guarantor may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) the defense of the statute of limitations in any action hereunder or the collection of any indebtedness or the performance of any obligation hereby guaranteed.

Each Guarantor hereby consents and agrees that:

(a) Guarantor's liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Franchisee and other Guarantors;

(b) Guarantor shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;

(c) Guarantor's liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person;

(d) Guarantor's liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement;

(e) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of the Agreement by a trustee of Franchisee.

(f) Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;

(g) Franchisor may proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Franchisee; and

(h) Guarantor shall pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Guaranty and Assumption of Obligations as of the date set forth above.

GUARANTOR(S):

Guarantor

Guarantor

Guarantor

EXHIBIT 4 to the Franchise Agreement
Form of Confidentiality and Non-Competition Agreement

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

**(for shareholders, owners, members, partners,
officers, directors, and managers of Franchisee and the Franchised Business)**

Pursuant to a Franchise Agreement dated _____, 20____ (the "Franchise Agreement"), the Franchisee _____ has acquired from Chatime Franchise LLC, a Delaware corporation ("Franchisor") the right to operate a Chatime Franchised Business and the right to use in the operation of the Franchised Business the Business System, as it may be changed, improved and further developed from time to time in the Franchisor's sole discretion, at the Premises.

In consideration of my being a _____ [state position or relationship to the Franchisee or the Franchised Business] of Franchisee or the Franchised Business, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree as follows:

1. DEFINITIONS

The following definitions apply in this document (this "Agreement"):

Business Name means Chatime any other name or logo associated with operation of the Chatime Store Business as the Franchisor shall notify the Franchisee of in accordance with the terms of the Franchise Documents from time to time.

Business System means the: (a) distinctive image (including characteristics, features presentation and image of a member of the network as portrayed in advertising, marketing and promotions), visual appearance, reputation and presentation of the Franchisor and franchisees in the market; (b) Franchisor name, the Intellectual Property, and the brand names, logos and slogans associated with the Franchisor; (c) goodwill and the business reputation established in the Intellectual Property; (d) business procedures and systems developed by the Franchisor for the operation of the Franchised Business and concerning a consistent high quality approach to customer service, uniform operating techniques and business management generally, including the methods and quality systems included in the Manual; and (e) any other innovations, products or services that the Franchisor may introduce to the Franchisor's franchisees from time to time.

Chatime Store Business means a business operated, including by a franchisee of the Franchisor, using the Business System, Corporate Image, Marks and other Intellectual Property (or any of them).

Chatime Group means the Franchisor and each of its parents, subsidiaries, and affiliates and each of their respective directors, officers, employees, agents and contractors.

Confidential Information means any confidential, commercially sensitive or valuable information belonging to the Franchisor or its affiliates concerning the Franchisor or the Business System and includes, but is not limited to: (a) the provisions of the Franchise Agreement and any subject matter dealt with or contemplated therein; (b) all information concerning the Franchisor's business, the Business System, as it is now and in the future; (c) the Intellectual Property; (d) the methodology, affairs and procedures that the Franchisor specifies in the Business System that the Franchisee must use in the Franchised Business; (e) all information concerning the Franchisor's price lists, customer lists and client information, marketing and promotional

procedures and activities, surveys, techniques, data, research and development, Franchisor's methodology and procedures for operating a Chatime Store Business, knowhow and trade secrets, processes and formula, benchmarks for operation of a Franchised Business, customer information, lists and data, strategies, marketing plans, business plans and information; (f) any accounting procedures or financial information used in the Business System; (g) the contents of the Manual and each of the other Franchise Documents; (h) the Software and computer software programs if any (other than commercially available software packages) developed or implemented by the Franchisor for use in the Franchised Business, whether it is written, conveyed orally, stored or recorded by electronic, magnetic or other means and whether in original form or recompiled; and (i) all other information of a confidential nature.

Corporate Image includes: (a) the Names, the Marks, all characters, mascots, logos, product and service ranges, trade dress, signs, advertising and other promotional material; (b) any common uniform to be used by the franchisees from time to time; (c) the type, quality, dimension, design, layout, placement and colours of and all materials, signs, equipment, and build-out, used for decorating or identifying the Premises or marketing the Franchised Business, including without limitation the corporate colours and décor; and (d) the manner of conducting dealings with customers and other members of the public including the manner, method and techniques used when the Franchisor or the Franchisee conduct the Services in the operation of the Business System and the Franchised Business and specified by the Franchisor from time to time.

Franchisees mean, collectively, the individuals or entities that have been granted a right to operate a Chatime Store Business franchise by the Chatime Group anywhere in the world.

Franchise Documents means: (a) the Franchise Agreement; (b) the Operations Manual; (c) the Franchisee's lease for the Premises; and (d) any other document produced by the Franchisor from time to time that relates to the occupation of the Premises or the operation and procedure of the Franchised Business, and Franchise Document means any one of the foregoing.

Franchised Business means the Chatime Store Business operated by the Franchisee from the Premises in accordance with the Franchise Documents.

Intellectual Property means the: (a) the Business Names; (b) the Marks; (c) the Confidential Information; (d) the Business System; (e) the Franchise Documents; (f) the Database; (g) the POS Software System; (h) any other forms, documents, patents, patent applications, drawings, discoveries, inventions, improvements, trade secrets, technical data, formulae, computer programs, data bases (but not including the Franchisee Membership Data), know-how, logos, designs, design rights and copyright materials associated with or used in the Franchised Business; (i) existing and future copyright that the Franchisor owns or will own or that is licensed to the Franchisor, in all Manuals, materials or other original works relating to the Business System; (j) the Franchisor's Internet domain name and any Internet home page that the Franchisor may develop; (k) any social media sites operated by the Franchisor using the Franchisor's Marks including, but not limited to, Facebook, Instagram, Twitter, YouTube, LinkedIn and Snapchat; (l) the Franchisor's marketing emblems, logos, promotional materials, advertorials, publications and any other materials imparted to the Franchisee by the Franchisor; and (m) the Corporate Image.

Intellectual Property Rights means: (a) patents, copyright, registered and unregistered design rights, registered and unregistered trademarks, rights in know-how and confidential information and all other intellectual and industrial property rights (without limitation); (b) all similar or analogous rights existing under the laws of any country; and (c) all rights to apply for or register such rights.

Manual means the operations manuals and documents produced by the Franchisor and accessible via the internet specifying in greater detail aspects of the Business System and the Franchisor's standards as amended from time to time.

Marks means the Name, trademarks, service marks, and such other registered or unregistered trade names, trademarks, logos, symbols, internet domain names, web site identifiers, colour schemes, layout and design or items used to identify or promote the Franchised Business by the Franchisor as designated from time to time.

Member means any person who registers as a member of the Franchised Business.

Name means the name "Chatime" and "日出茶太" and includes such other names or Marks that the Franchisor may substitute, amend or vary from time to time.

Permitted Purpose means the operation of the Franchised Business by the Franchisee in accordance with the terms of the Franchise Agreement.

Premises means the location identified for the operation of the Franchised Business in the Franchise Agreement.

Products means the products offered by the Franchised Business or other Chatime Store Businesses.

Restrained Business means a business which is the same as or substantially similar to the Franchised Business, or engaged, concerned or interested in or carrying on any retailing or supplying of products or services the same as or substantially similar to the Products or Services offered by the Franchised Business or other Chatime Store Businesses.

Restraint Area means all or any of the following:

- (a) Within a 25-mile radius of the boundary of the Territory;
- (b) Within a 25-mile radius from the Premises;
- (c) Within a 25-mile radius from the premises of any other Franchisee; and
- (d) Within the Territory.

Restraint Period means during the term of the Covenantor's business or employment relationship with the Franchisee and the Franchised Business, and for a continuous uninterrupted two-year period after the end of the Covenantor's business or employment relationship with the Franchisee and the Franchised Business. The Restraint Period shall be extended during the period in which any of the Relevant Persons (as defined in the Franchise Agreement) are violating the Restraint, and shall continue after any violations have ended so that Franchisor shall receive the benefit of a continuous uninterrupted period of no violations equal to the length of time of the Restraint Period.

Services means the services provided by the Franchised Business or other Chatime Store Businesses.

Software includes: (a) operating systems, word processing, accounting, spread sheeting, database, point of sale software, or other business software; (b) materials on which the software

may be supplied or recorded; (c) materials about the software or terms of use; and (d) upgrades to each of the aforementioned software goods.

Territory means the geographic area specified in the Franchise Agreement.

1. CONFIDENTIAL INFORMATION

- (a) I agree that, I must hold the Confidential Information in strict confidence and must not disclose any of the Confidential Information to any person. I may only use of the Confidential Information for the Permitted Purpose, or as required by law, and not for any other purpose. I must take all necessary and reasonable steps to protect the confidentiality of the Confidential Information. I must inform the Franchisee if I become aware of an actual or suspected breach of this. I must not use the Confidential Information in a way that may be detrimental to the Business System, Network or the other party; or copy or duplicate the Confidential Information unless permitted by this Agreement, the Manual or the other party.
- (b) Notwithstanding any other provision of this Agreement, I may disclose the Confidential Information:
 - (i) to Franchisee's directors, employees and professional advisers provided that they agree to keep the Confidential Information confidential;
 - (ii) if the disclosure is necessary solely for the Permitted Purpose; or
 - (iii) in order to comply with any applicable law or legally binding order of any court, Government Authority, or administrative or judicial body.

2. NON-COMPETITION DURING AND AFTER THE RELATIONSHIP WITH FRANCHISEE

I agree that I shall not, and I will ensure that any person or entity which I control shall not:

- (a) be concerned or interested in any Restrained Business (directly or indirectly, or through any interposed corporate entity, trust, partnership, or entity as trustee, principal, agent, shareholder, beneficiary, or as an independent contractor, consultant, adviser or in any other capacity);
- (b) advise, assist, consult with or for or in connection with any Restrained Business or any person associated with or in any manner whatsoever connected to or engaged by or in connection with any Restrained Business;
- (c) hold or own (beneficially or non-beneficially) whether directly or indirectly and whether absolutely or contingently or hold options over shares or any other securities or units of any entity engaging in a Restrained Business; and
- (d) procure, employ, seek to employ or engage, or appoint in any capacity (whether as a consultant, director or otherwise), any person who is or has been in the 12 months prior to such action an employee or independent contractor of the Franchisor or any Chatime Store Business

during the Restraint Period in the Restraint Area.

Nothing in this Agreement, including this Section 3, prevents the Covenantor (or any of its affiliates) from:

- (a) owning less than 5%, by value, of securities in a listed corporation; or
- (b) engaging or being concerned or interested in the Franchised Business in accordance with this Agreement.

4. RESTRICTIONS ARE REASONABLE AND SEVERABLE

(a) The covenants in this Agreement will have the effect as if they were several covenants consisting of:

- (i) each separate covenant set out in Section 3, combined with;
- (ii) each Restrained Business, combined with;
- (iii) each Restraint Period, combined with;
- (iv) each Restraint Area.

(b) I acknowledge and agree with the Franchisor that if any of the rights of the Franchisee or Franchisor resulting from the interpretation of this Agreement are in any way invalid or unenforceable, then such invalidity or unenforceability shall not prejudice or in any way affect the validity or enforceability of the remainder of this Agreement and the invalid or unenforceable part shall be severed from this Agreement and, for the purposes of this Agreement, the next geographically largest, temporally longest and most expansive with regard to subject matter combination of the Restraint Area, Restraint Period and Restrained Business remains in force.

(c) I acknowledge and agree that each of the restrictions contained in this Agreement (i) is reasonable as to period, territorial limitation and subject matter; (ii) the restrictions in this Agreement are intended to help protect or preserve the Franchisee's and the Franchisor's legitimate business interests, including: (A) the Franchisor's relationship with other Franchisees; (B) the investment of the Franchisee in developing the Franchised Business and training its employees; (C) the investment of the Franchisor and its Affiliates in developing the Business System and training its Franchisees; (C) the revenue earned from the business conducted by the Franchisor and members of the Network; (D) the goodwill of the Franchised Business and the Franchisor; (E) the goodwill of other Chatime Store Businesses; (F) the ability for the Franchisor to appoint any person to operate the Franchised Business; and (iii) confers a benefit on the Franchisee and the Franchisor which is no more than that which is reasonably and necessarily required by the Franchisor for the maintenance and protection of the Franchisee and the Franchisor, the members of the Network, and the Business System. All of the restrictions in this Agreement are intended to prevent: (i) the owners, members, shareholders, officer, directors, managers and employees of the Franchised Business from taking unfair advantage of the benefits that may be provided by a franchise for a Chatime Store Business; (ii) the misappropriation, misuse or unauthorised use of the Intellectual Property including the Business System or Confidential Information; and (iii) damage to the Network.

5. DAMAGES NOT AN ADEQUATE REMEDY

I acknowledge and agree that without prejudice to any right or remedy available to the Franchisee or the Franchisor:

- (a) damages are not an adequate remedy if a person breaches this Agreement;
- (b) the Franchisee or the Franchisor may apply for and obtain, without the necessity

of posting a bond, injunctive relief if:

- (i) a person breaches or threatens to breach any provision of this Agreement;
or
- (ii) it believes a person is likely to or threatening to breach any provision of this Agreement.

6. ENFORCEMENT

- (a) Franchisor is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Franchisor and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Franchisor may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay to the Franchisee and the Franchisor all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me.
- (b) Due to the importance of this Agreement to the Franchisee and the Franchisor, any claim I might have against the Franchisee or the Franchisor is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.
- (c) This Agreement shall be construed under the laws of the State of Delaware. The only way this Agreement can be changed is in writing signed by both the Franchisee, Franchisor, and me.

COVENANTOR:

Signature

Print name:_____

Address

Address

Date:_____

FRANCHISEE:

By:_____
Signature

Print
Name:_____

Position:_____

Date:_____

EXHIBIT C to the FRANCHISE DISCLOSURE DOCUMENT
MULTI-UNIT DEVELOPMENT AGREEMENT



Dated

Chatime Multi-Unit Development Agreement

Parties

Chatime Franchise, LLC (Franchisor)

Developer specified in Schedule 1 (Developer) Guarantor specified in

Schedule 1 (Guarantor)

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Agreement is made and entered into by and between:

Parties **Chatime Franchise, LLC** being a Delaware limited liability company located at
6000 Sepulveda Blvd., Culver City, CA 90230
(**Franchisor**)

The party identified as Developer in Section 1 of Schedule 1
(**Developer**)

The party identified as Guarantor in Section 3 of Schedule 1
(**Guarantor**)

Introduction

- A. Franchisor's indirect parent company, La Kaffa International Co., Ltd., has developed a business and proprietary know-how, information, systems, and procedures including distinctive business formats, specifications, and the Marks for the establishment and operation of retail businesses offering for sale gourmet coffees, teas, other beverages, and certain complementary products (including food products), accessories, and services.
- B. Franchisor has been licensed by La Kaffa International Co., Ltd. to use the System and has the right to grant third parties the right to establish and operate Outlets.
- C. Developer and Guarantor have requested, and Franchisor has agreed, to grant Developer a Development Business on the terms and conditions set out in this Agreement.
- D. In consideration of Franchisor complying with Guarantor's request, Guarantor has agreed to give a guarantee and indemnity to Franchisor for the performance of Developer's obligations under this Agreement.

It is Agreed

1 Definitions and Interpretation

1.1 Definitions

The following words have these meanings in this Agreement unless the contrary intention appears:

- (1) **Affiliate** means any Person that directly or indirectly Controls, that is directly or indirectly Controlled by, or that is under Common Control or Controlling Interest with, a specified Person.
- (2) **Agency** means any governmental entity or agency.
- (3) **Agreement** means this document, including any schedule or attachments to it.
- (4) **Alternative Methods of Distribution** means any alternative distribution methods or channels (such as sales to grocery stores, sales via direct mail, subscriptions, or the internet, or other alternative distribution methods or channels).
- (5) **Approved Supplier** means Franchisor or a supplier or suppliers approved in writing by Franchisor for the supply of Products and equipment to Developer and/or Franchisees.

- (6) **Business Day** means a day that is not a Saturday or Sunday or any other day which is a public holiday in the place where an act is to be performed or a payment is to be made.
- (7) **Business Hours** means the hours of operation of each Outlet pursuant to any Legal Requirements and/or the terms of any lease or other document conferring a right to occupy the premises at which an Outlet is located.
- (8) **Chatime Menu** means the food and beverage items specified in the Operations Manual or otherwise in writing by Franchisor which must be offered for sale by Franchisees from Outlets and includes, as relevant, any specifications in relation to those products.
- (9) **Chatime Network** means the network of Chatime Outlets in the Development Area.
- (10) **Chatime Store** means a full service retail store that:
- (a) Offers Products listed on the Chatime Menu for sale;
 - (b) Meets Franchisor's standards and specifications;
 - (c) Operates under the Marks and the System; and
 - (d) is operated by Developer pursuant to a valid Franchise Agreement.
- (11) **Collateral Agreement** means any agreement between Franchisor and Developer or any agreement between Developer and an Affiliate of Franchisor in connection with this Agreement and Developer's Operation.
- (12) **Confidential Information** means:
- (a) Plans and specifications for the development of Outlets;
 - (b) Recipes, training materials, programs and systems, methods, techniques, formats, specifications, standards, procedures, sales and marketing techniques, computer software programs, statistical data, and knowledge of and experience relating to the development and operation of Outlets;
 - (c) Marketing and advertising programs;
 - (d) Knowledge of specifications for and suppliers of Raw Materials and certain other Products, materials, supplies, equipment, fixtures, furnishings and services and knowledge of operating results and financial performance of Outlets;
 - (e) The Operations Manual (as applicable from time to time), Operations Manual Addendum, and all other materials;
 - (f) Global Policies and Procedures;
 - (g) Information concerning the business and financial affairs of Franchisor and their Affiliates including, without limitation, the identity of prospective franchisees, prospective developers, developer, and Franchisees;
 - (h) The System Standards;
 - (i) Any information which is provided by Franchisor or any of its Affiliates and marked "confidential" or any information which is provided by Franchisor or any of its Affiliates pursuant to this Agreement or which Developer learns or gains access to by reason of this Agreement; and

- (j) Any information that would at law be considered secret or confidential information of Franchisor or any Affiliate of Franchisor.
- (13) **Control, Controlled by, or under Common Control or Controlling Interest** means direct or indirect possession of the power to direct or cause the direction of the management or policies of any other Person, whether through more than 50% of the ownership of voting interest, by contract, or otherwise.
- (14) **Cost** means any cost charge, expense, outgoing, payment or other expenditure of any nature and where appropriate includes fees and disbursements payable to contractors, consultants, lawyers, and other advisers (including Legal Costs).
- (15) **Developer Affiliate** means an Affiliate of Developer that is partially (but at least more than 50%) or wholly-owned by Developer.
- (16) **Development Area** means the geographic area or areas specified in Section 4 of Schedule 1.
- (17) **Development Business** means the rights granted to Developer by virtue of this Agreement to conduct Developer's Operation including:
- (a) Granting Franchises to Developer to establish and operate Outlets; and
 - (b) Training, supporting, motivating, managing, and administering the Chatime Network in the Development Area.
- (18) **Development Fee** means a non-recurring development fee in the amount specified in Section 6 of Schedule 1.
- (19) **Developer's Improvements** means any works, marks, designs, ideas, know-how, or trade secrets developed by Developer which are derived from or incorporate the Intellectual Property or which are otherwise developed by Developer during the conduct of Developer's Operation, from which Developer obtains any intellectual property rights.
- (20) **Developer's Operation** means the business conducted by Developer under this Agreement developing, coordinating, supporting, and administering the Chatime Network in the Development Area in accordance with the terms of this Agreement.
- (21) **Developer Parties** means Developer and Guarantor.
- (22) **Development Period** means each period of time defined as a Development Period in Section 5 of Schedule 1.
- (23) **Development Quota** has the meaning given in Section 5 of Schedule 1.
- (24) **Dispose** includes, in relation to a share or a unit, entering into a transaction in relation to the share or the unit (or any interest in the share or the unit), which results in a person other than the registered holder of the share or the unit:
- (a) Acquiring any legal or equitable interest in the share or the unit, including an equitable interest arising from a declaration of trust, an agreement for sale and purchase or an option agreement or an agreement creating a charge or other encumbrance in the share or the unit;
 - (b) Acquiring any right to receive directly or indirectly any dividends payable in respect of the share or the unit;
 - (c) Acquiring any rights of pre-emption, first refusal or like control over the disposal of the share or the unit;

- (d) Acquiring any rights of control over the exercise of any voting rights or rights to appoint directors attaching to the share or the unit; or
 - (e) Otherwise acquiring legal or equitable rights against the registered holder of the share or the unit which have the effect of placing the person in the same position as if the person had acquired a legal or equitable interest in the share or the unit itself.
- (25) **Dollars and \$** means the legal currency of the United States of America unless the contrary intention appears.
- (26) **Domain Name** means the domain name controlled or under license by Franchisor for which registration has been applied for, or which is specified for use by Franchisor and which Franchisor authorizes Developer to use.
- (27) **Financial Year** means the financial year of Developer commencing on January 1 and finishing on December 31.
- (28) **Franchise** means the right to develop and operate an Outlet at a specified location within the Development Area and to use the Marks and the System in the operation of that Outlet pursuant to a Franchise Agreement.
- (29) **Franchise Agreement** means Franchisor's then current standard form of franchise agreement (including all schedules, ancillary documents and guarantees attached to the franchise agreement).
- (30) **General Manager** means a sufficiently experienced, skilled, and qualified person employed by Developer who, after attending and successfully completing to Franchisor's satisfaction, the initial training, is responsible for the day-to-day supervision and management of Developer's Operation.
- (31) **Global Policies and Procedures** means the written policies and procedures issued by Franchisor from time to time in relation to the conduct of Developer's Operation or operational issues concerning Outlets.
- (32) **Gross Sales** means the total actual gross charges for all products (including the Products), merchandise, and services sold to customers of each Outlet for cash or credit, whether such sales are made at or from the premises of an Outlet or any other location or other channels of distribution if approved in writing in advance by Franchisor but excluding:
- (a) Sales, use, service, or excise taxes collected from customers and paid to the appropriate taxing authority; and
 - (b) All customer refunds, adjustments, and promotional discounts including any senior citizens discount.
- (33) **Initial Store** means the first Chatime Store opened and operated by Developer under this Agreement.
- (34) **Initial Term** means the period ending the earlier of: (i) the end date of the Development Period; or (ii) the termination of this Agreement if terminated earlier.
- (35) **Insurance Policies** means the insurance policies then required by Franchisor, which may be changed and updated from time to time in the future, in order to address changing exposures and evolving risk factors. Developer will be notified of any changes to the insurance requirements, and Developer must comply with the updated coverage standard. Some property owners may require

higher levels of commercial general liability insurance or other insurance coverage under their leases.

We currently require that you maintain the following insurance coverages:

- (a) general liability coverage with minimums of \$1 million per occurrence, \$2 million general and products/completed operations aggregate, \$1 million personal/advertising injury, \$50,000 rented premises damage, and \$5,000 medical expenses;
- (b) franchisee commercial auto insurance with a \$1 million combined single limit;
- (c) workers compensation insurance with coverage limits of \$1 million for bodily injury by disease per accident, \$1 million policy limit, and \$1 million per employee, regardless of state laws and cannot exclude owner-operators;
- (d) property/business interruption coverage business personal property, tenant improvements, equipment, business interruption, and franchisor royalties, for a minimum of 12 months' actual loss sustained;
- (e) cyber liability insurance with minimum coverage limits of \$250,000 per occurrence and \$250,000 aggregate;
- (f) employment practices liability insurance with minimum coverage limits of \$500,000 per occurrence and \$500,000 aggregate, which includes third party liability and wage & hour coverage of at least \$25,000, with a maximum deductible that does not exceed \$25,000; and
- (g) crime insurance with a minimum coverage of \$100,000 for each claim.

We also currently recommend that you obtain build-out insurance coverage including hard costs and soft costs, business interruption. Hard costs should be \$125,000 or higher, or the full replacement value, whichever is greater.

(36) **Intellectual Property** means:

- (a) The Marks, the Network Name, copyright in the Operations Manual, Operations Manual Addendum and any advertising or promotional materials provided by Franchisor to Developer, data collected via any point of sale system used by Developer in the Development Area and includes all intellectual property rights in the software, records, documents, specifications, plans, programs, menus, recipes, or drawings;
- (b) Any trade secrets, proprietary processes or know-how relating to the System, Developer's Operation;
- (c) All Confidential Information necessary for or which may be used in connection with the administration, operation, and marketing of Developer's Operation; and
- (d) The Domain Name.

(37) **Interest Rate** means interest at the rate of the lesser of 1.5% per month or the highest rate allowed by law.

(38) **Interested Party** means any of the following persons designated by Franchisor:

- (a) Any person with a direct or indirect legal or beneficial interest in Developer, including an interest in any entity directly or indirectly controlling Developer

(**Controlling Entity**), or in Developer's assets and any person who is an officer, as defined in the applicable domestic legislation, of Developer or any Controlling Entity; and

- (b) A spouse, child, or person with an existing or former relationship of cohabitation, lineal relatives by blood, or by marriage or collateral relatives by blood or by marriage of any person specified in clause 1.1(21).
- (39) **Legal Costs** means all fees, costs and disbursements actually paid or payable by Franchisor or its Affiliates to its own legal representatives (whether or not assessed under a retainer or costs agreement in place between Franchisor and its legal representatives) and other expenses incurred by Franchisor or its Affiliates in connection with a demand, action, arbitration, or other proceeding (including mediation, compromise, out of court settlement, or appeal).
- (40) **Legal Requirements** means all applicable laws, ordinances, regulations, rules, administrative orders, decrees, and policies of any government, governmental agency, or department including, without limitation, the governments of the Development Area, unless otherwise stated in this Agreement.
- (41) **Marks** means the trademarks, service marks, logos, and other commercial symbols or indicia owned or controlled under license by Franchisor, which Franchisor authorizes Developer to use under this Agreement, including but not limited to the Network Name.
- (42) **Month** means a calendar month.
- (43) **Network Name** means the name "Chatime" and "日出茶太" or such variation to "Chatime" and "日出茶太" or such additional or replacement name or logos as Franchisor may from time to time use as the name under which Outlets are operated.
- (44) **New Term** means the period commencing the end of the Initial Term and ending on the end date of an agreed Revised Development Schedule.
- (45) **Occupancy Right** means any right to occupy the premises of an Outlet including as lessee, sublessee, licensee, or the holder of some other interest in the premises conferring an enforceable right to use or occupy them.
- (46) **Operations and Training Manager** means the sufficiently experienced, skilled, and qualified person employed by Developer on a full-time basis, who after attending and successfully completing to Franchisor's satisfaction the initial training, will oversee all aspects of the operation of one or more Outlets and ensure each Outlet complies with the operational standards of the System and that the staff of each Outlet are fully trained.
- (47) **Operations Manual** means individually and collectively Franchisor's manuals and written materials (as amended from time to time) including, without limitation, papers, books, binders, videos, CD-ROMs and other methods of transfer of information such as electronic formats containing specifications, standards, and operating procedures prescribed by Franchisor from time to time for Outlets.
- (48) **Operations Manual Addendum** means an addendum to the Operations Manual including specific operating procedures, standards, and specifications relevant for the Development Area.
- (49) **Outlets** means Chatime Stores located in the Development Area and such other concepts as developed by Franchisor from time to time.

- (50) **Owners** means all Persons holding Ownership Interests exceeding 10% of the total Ownership Interests in Developer and all Persons who have other direct or indirect interests in Developer or this Agreement. The Persons or entities who are Owners as at the date of this Agreement are listed in Section 2 of Schedule 1.
- (51) **Ownership Interest** means a direct or indirect, disclosed or undisclosed, legal or beneficial ownership interest or voting right including, without limitation:
- (a) In relation to a corporation, the ownership of shares, or other equity interests in the company;
 - (b) In relation to a limited liability company, the ownership of membership interests or other equity interests in the company;
 - (c) In relation to a partnership, the ownership of a general or limited partnership interest;
 - (d) In relation to a trust, the ownership of the beneficial interest of such trust; or
 - (e) The right to cast some or all of the votes associated with such shares or interests.
- (52) **Person** means an individual, corporation, general or limited partnership, limited liability company, trust, association, or other legal entity.
- (53) **Products** means all Raw Materials, products, food items, and merchandise which Franchisor from time to time authorizes for sale by Developer and Franchisees at Outlets, and includes products on the Chatime Menu and all products ancillary to the supply and service of products on the Chatime Menu such as cups, utensils, and ingredients as specified in the Operations Manual or any Operations Manual Addendum. This clause specifically excludes those that Franchisor does not authorize for sale by Developer and Franchisees at Outlets and those for sale outside of Outlets including, without limitation, instant drink mix packets.
- (54) **Quarter** means 3 successive Months commencing on each of January 1, April 1, July 1, and October 1 of the respective year.
- (55) **Raw Materials** means the raw materials used to produce Products on the Chatime Menu including coffee beans, tea, non-dairy creamer, Chatime exclusive concentrated juices, and other raw materials for the Products that are produced and packaged under the Marks.
- (56) **Restrained Business** means a business which is the same as or substantially similar to the Chatime Stores, or engaged, concerned or interested in or carrying on any retailing or supplying of products or services the same as or substantially similar to the Products offered by Chatime Stores.
- (57) **Restraint Area** means (a) the Development Area, (b) any area within twenty-five (25) miles from any Outlet operated by Developer, or Developer Affiliate, and (c) any area within twenty-five (25) miles of any Chatime Store.
- (58) **Restraint Period** means a continuous uninterrupted period of two (2) years commencing on and from the expiration or termination date of this Agreement.
- (59) **Special Conditions** means the special conditions (if any) specified in Section 11 of Schedule 1.
- (60) **Special Distribution Channel** means a special or non-traditional location or distribution channel, such as airports, train stations, gas/convenience stores, limited-access highway food facilities, hospitals, convention centers, schools, universities and colleges, hotels, casinos and resorts, stadiums, arenas, ballparks, movie theaters, entertainment and

sports complexes, department stores and “big box” superstores, supermarkets, festivals, fairs and other mass gathering locations or events, offices, factories, military facilities, and any government buildings or other institutional facilities, designated by Franchisor, which require Developer to obtain the prior written consent from Franchisor before selling the Products.

- (61) **System** means the distinctive business formats and methods for the development and operation of Outlets including color schemes, signs, equipment, layouts, systems, methods, procedures, designs, marketing and advertising standards, and formats which Franchisor may improve, further develop, or otherwise modify from time to time.
- (62) **System Standards** means the specifications, standards, operating procedures, and rules of the System that Franchisor prescribes for the operation of Outlets included in the Operations Manual, any Operations Manual Addendum, or the Global Policies and Procedures, all of which Franchisor may improve, further develop, or otherwise modify from time to time.
- (63) **Terms of Trade** means Franchisor’s standard trading terms and conditions as amended by Franchisor from time to time and conveyed either in writing by Franchisor to Developer or specified in the Operations Manual.
- (64) **Transfer Fee** means a fee in the amount of \$5,000.
- (65) **Website** means an interactive electronic document contained in a network of computers linked by communications software (commonly referred to as the Internet) and including any account, page, or other presence on a social or business networking media site such as Meta, Twitter, LinkedIn, and on-line blogs and forums, or as listed in Schedule 2.

1.2 Interpretation

- (1) Reference to:
 - (a) One gender includes the others;
 - (b) The singular includes the plural and the plural includes the singular;
 - (c) A person includes a body corporate;
 - (d) A party includes the party’s executors, administrators, successors and assigns;
 - (e) Law includes any common law and the requirements of any present or future statute, rule, regulation, proclamation, ordinance, or by-law whether state, federal, or otherwise;
 - (f) A thing includes the whole and each part of it separately;
 - (g) A statute, regulation, or provision of a statute or regulation includes:
 - (i) Any amendment or replacement of it; and
 - (ii) Another regulation or other statutory instrument made under it, or made under it as amended or replaced;
 - (h) Dollars means United States dollars unless otherwise stated.
- (2) “Including” and similar expressions are not words of limitation.

- (3) When a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning.
- (4) Headings and the table of contents are for convenience only and do not form part of this Agreement or affect its interpretation.
- (5) A provision of this Agreement will not be construed to the disadvantage of a party merely because that party was responsible for the preparation of the Agreement or the inclusion of the provision in the Agreement.
- (6) If an act must be done on a specified day which is not a Business Day, it must be done instead on the next Business Day.
- (7) A reference to the "end of the Development Business" means the expiry by effluxion of time or sooner termination of the Development Business.

1.3 Parties

- (1) If a party consists of more than one person, this Agreement binds each of them separately and any two or more of them jointly.
- (2) An obligation, representation, or warranty in favor of more than one person is for the benefit of them separately and jointly.
- (3) A party which is a trustee is bound both personally and in its capacity as a trustee.

1.4 Relationship of Parties

- (1) Nothing in this Agreement constitutes a partnership, joint venture, agency, or other form of fiduciary relationship between Developer and Franchisor.
- (2) Neither party has the power to bind any other party except as authorized by this Agreement.

2 Grant of Rights and Development Obligations

2.1 Grant of Rights for Initial Term

- (1) Franchisor grants to Developer and Developer accepts:
 - (a) The right to use the Intellectual Property in the conduct of Developer's operation of Chatime Stores in the Development Area;
 - (b) The right to operate Chatime Stores in the Development Area on its own, for the Initial Term subject to the terms and conditions of this Agreement.
- (2) The rights granted to Developer pursuant to this Agreement are limited to the Development Area and apply only for the Initial Term. Developer acknowledges and agrees that it is not being granted any rights to franchise and that it will not operate or grant Franchises for Outlets in locations outside the Development Area and will ensure that Developer Affiliates do not operate or grant Franchises for Outlets in locations outside the Development Area.

2.2 Exclusivity

- (1) Except as provided in clause 2.3, Franchisor will not operate or grant Franchises or other development rights for Outlets to any other party within the Development Area during the Initial Term.

- (2) Upon the termination of this Agreement or expiration of the Initial Term (unless the parties enter into a new agreement which prohibits Franchisor from operating or granting Franchises), Franchisor and its Affiliates will be free to operate and grant Franchises for Outlets within the Development Area.

2.3 Rights Retained by Franchisor

- (1) Franchisor, on behalf of itself and its Affiliates, retains all rights with respect to Outlets, the Intellectual Property and the sale of Raw Materials and other Products and any other products and services, anywhere in the world including, without limitation, the rights to:
- (a) operate or grant others the right to operate Outlets under or in association with the Marks or any other trademarks or service marks at such locations outside the Development Area, and on such terms and conditions as Franchisor, in its sole discretion, deems appropriate;
 - (b) provide, franchise, license, sell, distribute and market any services or products (under any brand, including but not limited to our Marks) through any Special Distribution Channels, in or outside your Development Area, including, without limitation, through airports, train stations, hotels, convention centers, sport complexes, hospitals, schools or universities, or festivals.
 - (c) provide, franchise, license, sell, distribute and market any services or products (under any brand, including but not limited to our Marks) through any Alternative Methods of Distribution in or outside your Development Area, including, without limitation, through retail establishments or via the internet;
 - (d) to establish and operate, and grant to others the right to establish and operate, Chatime Stores at locations outside the Development Area, including locations near, on or adjacent to your Development Area's boundaries;
 - (e) offer and sell to persons outside your Development Area, using the Marks, services and products that are the same as the services and products offered by Chatime Stores, including without limitation the Products and the Raw Materials;
 - (f) in or outside your Development Area, to offer and sell different services and products not offered within a Chatime Store, using the Marks, without offering you the right to participate;
 - (g) acquire and continue to operate, directly or indirectly, any business operating under different trademarks in or outside the Development Area;
 - (h) acquire and retain, directly or indirectly, the rights and obligations of any franchisor or licensor of any business similar to an Chatime Store operating under different trademarks in or outside the Development Area;
 - (i) in or outside the Development Area, to establish and promote other franchise systems involving different services or products using different trademarks, and to establish company-owned or franchised outlets for those systems, without offering you the right to participate;
 - (j) offer and sell franchising rights to Multi-Unit Developers who are located outside the Development Area;
 - (k) be acquired, directly or indirectly, in whole or in part, by any person(s) who provide products or services similar or dissimilar to those provided by Chatime Stores;

- (l) provide, offer, sell and grant others the right to provide, offer and sell services and goods similar to and/or competitive with those provided at Chatime Stores, whether identified by the Marks or other trademarks or service marks, at festivals, cultural or trade exhibitions, or other public events, both inside and outside the Development Area;
- (m) develop, manufacture, distribute, and/or sell Raw Materials and other Products through any alternate channel of distribution (including, without limitation, through grocery stores or via the Internet) under or in association with the Marks or any other trademark; and
- (n) The right to operate or grant others the right to operate Outlets under or in association with the Marks or any other trademarks or service marks at such locations outside the Development Area, and on such terms and conditions as Franchisor, in its sole discretion, deems appropriate.

2.4 Development Obligations

- (1) Developer must comply with the Development Quota for each Development Period. The determination as to whether Developer has met its development obligations will be made by Franchisor and based on the number of Outlets opened and operating at the end of a Development Period.
- (2) For the purpose of determining whether the development obligations in clause 2.4(1) have been satisfied, an Outlet that has been opened and in operation and is subsequently rendered inoperable by fire or other casualty (and which is due to no fault of Developer or the applicable Franchisee) or required to be closed due to a Force Majeure Event will be counted towards the satisfaction of the Development Quota. Any other Outlet must be opened and operating in compliance with the applicable Franchise Agreement to be counted towards satisfaction of the Development Quota.
- (3) Developer agrees that during the Initial Term, it will at all times faithfully, honestly, and diligently perform its obligations under this Agreement and continuously use its best efforts to promote and enhance the development of the Chatime Network and operation of Outlets within the Development Area.

2.5 Failure to Meet Development Quota

- (1) If Developer fails to meet the Development Quota for any Development Period or fails to comply with any financial obligation relating to the Development Rights, Franchisor may at its absolute discretion:
 - (a) Terminate Developer's Development Rights;
 - (b) Vary the Development Area by providing written notice to Developer; and/or
 - (c) Terminate the exclusivity attached to the Development Rights (following which Franchisor may itself develop and operate Franchises in the Development Area, or may grant a right to a third party to develop and operate Franchises in the Development Area).
- (2) Subject to clause 2.5(3), termination of Developer's Development Rights pursuant to clause 2.5(1) is without prejudice to Developer's right to operate Outlets already developed under this Agreement and in operation in the Development Area during the Initial Term.

- (3) If Developer's Development Rights are terminated by Franchisor pursuant to clause 2.5(1), all other rights otherwise granted pursuant to this Agreement automatically become non-exclusive.

2.6 Subcontracting

This Agreement is predicated on the ongoing, direct and exclusive involvement of Developer in Developer's Operation. No person other than an employee of Developer or a professional or other advisor appointed on normal commercial terms may be involved in Developer's Operation without Franchisor's prior written consent. Developer will not sub-franchise, sub-license, subcontract, share, divide, or partition rights under this Agreement or any of the Franchise Agreements without Franchisor's prior written consent. Franchisor may in its absolute discretion withhold such consent. Any unpermitted grant shall be null and void.

2.7 Option for New Term

- (1) Franchisor grants to Developer the option to:
 - (a) Operate as Developer in the Development Area; and
 - (b) Enter into a new development business agreement with Franchisor (based on Franchisor's then-current multi-unit development business agreement),for the New Term subject to the conditions set out in these clauses 2.7(1) to 2.7(4) (**Option**).
- (2) Developer must notify Franchisor in writing of its intention to exercise the Option not more than 12 Months and not less than 8 Months prior to the end of the Initial Term.
- (3) The Option is subject to all of the following conditions being satisfied:
 - (a) At the time of notifying Franchisor of its intention to exercise the Option, Developer delivers to Franchisor in writing a proposed development schedule (**Revised Development Schedule**) for the New Term. During the 3-Month period following Franchisor's receipt of the Revised Development Schedule, Franchisor will either notify Developer in writing that the Revised Development Schedule is acceptable or will attempt to negotiate a Revised Development Schedule that is mutually agreeable to Franchisor and Developer. The parties will negotiate any Revised Development Schedule in good faith and act reasonably in all negotiations.
 - (b) If the Revised Development Schedule proposed by Developer under clause 2.7(3)(a) is accepted by Franchisor, or if a Revised Development Schedule is mutually agreed upon within the 3-Month period specified in clause 2.7(3)(a), Franchisor will deliver to Developer its then-standard multi-unit development business agreement (which may contain different terms and conditions to those set out in this Agreement and other significant provisions, but deleting any references to enter into a new development business agreement for a new term unless agreed to the contrary by Franchisor) which will reflect the agreed Revised Development Schedule.
 - (c) Developer has substantially complied with all material provisions of this Agreement throughout the Initial Term.
 - (d) At the date of giving Franchisor notice of its intention to exercise the Option and as at the end of the Initial Term, there is no outstanding breach of this Agreement or any Collateral Agreement which has not been remedied.

- (e) Developer pays the Renewal Development Fee, as provided under the terms of the Franchisor's then-current form of Multi-Unit Development Agreement, in accordance with clause 5.2.
 - (f) Developer undertakes to the satisfaction of Franchisor any additional training required by Franchisor. Developer must bear the full cost of attendance at such training, including all travel, accommodation and meal expenses and payment of any training fee charged by Franchisor.
 - (g) Developer and all guarantors required by Franchisor executing and returning to Franchisor the Current MFA together with all other documents reasonably required by Franchisor within 28 days of delivery to Developer.
 - (h) If required by Franchisor, Developer and all Affiliates, Owners, and Guarantors execute a general release on terms satisfactory to Franchisor in its discretion of any and all claims against Franchisor, its Affiliates, and their respective shareholders, directors, officers, employees, agents, successors, and assigns.
 - (i) Each Owner executes and delivers to Franchisor a guaranty and assumption of obligations.
 - (j) Developer ensures that all Outlets which have been in operations for 5 or more years are renovated and refurbished (including replacing or upgrading any plant, equipment, fixtures, fittings, and signs as Franchisor may reasonably require) in order to bring each such Outlets up to Franchisor's then-current standards and specifications for new Outlets and to comply with any Legal Requirements.
 - (k) Franchisor confirming in writing to Developer that each of the conditions in these clauses 2.7(3)(a) to 2.7(3)(j) have been satisfied.
- (4) If the conditions specified in clauses 2.7(3)(a) to 2.7(3)(j) are not satisfied by the parties or waived by Franchisor prior to the expiration date of the Initial Term, then this Agreement will expire on the expiration date of the Initial Term and Franchisor will be free to operate and grant franchises and development rights for Outlets in the Development Area.

2.8 Collateral Agreements

Developer must comply with all terms and conditions of any Collateral Agreement and acknowledges that a breach of any Collateral Agreement constitutes a breach of this Agreement.

3 Developer's Development and Operational Obligations

3.1 Separate Franchise Agreement for each Outlet

For each Chatime Store to be developed by Developer in the Development Area during the term of this Agreement, Developer shall enter into Franchisor's then-current form of Franchise Agreement, which may contain materially different terms than the current form of Franchise Agreement.

3.2 Site Selection

- (1) Franchisor may from time to time modify site selection criteria and processes. Developer must use the site selection criteria and processes as approved by Franchisor (**Development Area Site Selection Criteria**) for the selection of sites in the Development Area.

- (2) Developer must select sites in the Development Area that it reasonably believes conform with the Development Area Site Selection Criteria.

3.3 Site Approval

- (1) Developer must not establish an Outlet without first obtaining the written approval of Franchisor. To obtain approval for a given site, Developer must comply with the process set out in the Operations Manual.
- (2) Subject to a reasonable belief by Franchisor that Developer will meet all requirements under clause 4.4, Franchisor must provide its approval or non-approval to the proposed Site within 30 days after receiving all the information required by Franchisor. When Franchisor does not approve a proposed Site, it must provide to Developer a written notice:
 - (a) Specifying that approval is withheld; and
 - (b) Setting out why approval is withheld. If any additional information is requested by Franchisor in respect of a proposed Site, the 30 days will begin upon the date of receipt of any such additional information.
- (3) Franchisor may approve a proposed Site for a new Outlet being opened subject to reasonable conditions including, without limitation, renovating and remodeling the interior and exterior of such a new Outlet according to Franchisor's latest design guidelines, as determined in its sole discretion.
- (4) Promptly after receipt by Developer of written approval from Franchisor to establish a new Outlet at the proposed Site, Developer must itself procure an Occupancy Right in relation to the approved Site.
- (5) Any relocation of an Outlet beyond a 2-km radius of the existing site and beyond 90 days of closing the Outlet at the original location is deemed opening a New Outlet and subject to all applicable provisions under this Agreement, and Franchisor shall be entitled to the New Outlet Fee.

3.4 Lease of Site of Each Outlet

- (1) Developer must hold the lease or other Occupancy Right approved by Franchisor for the premises at all Outlets or have step-in rights approved by Franchisor;
- (2) Franchisee must obtain a Lease Addendum, signed by Franchisee, Franchisor, and the Landlord, in the form required under the unit Franchise Agreement, which gives the Franchisor the option but not the obligation to assume the Lease if the Franchisee defaults on the Lease, and which requires the Landlord to give written notice to the Franchisor of any defaults by the Franchisee..
- (3) Unless prohibited by law or commercially impractical (which must be demonstrated to Franchisor) Developer must ensure that all leases, subleases, licenses, or other documents granting an occupancy right to Developer, include a provision which permits Developer's rights under such leases, subleases, licenses, or other documents to be assigned or otherwise transferred to Franchisor or its nominee, at Franchisor's option, on termination or expiration of this Agreement.

3.5 Acknowledgment

Developer acknowledges that Franchisor has the right, but no obligation, to approve architects and other design and construction professionals to help ensure consistency, uniformity, and quality with

the System and the Chatime image.

3.6 Franchisor's Inspection Rights

Franchisor, its Affiliates, consultants and agents have the right to inspect each Outlet and the construction work from time to time during the course of construction to verify the progress of construction and Developer's compliance with the terms of this Agreement.

3.7 Point of Sale System

- (1) Developer must, and must ensure that all Outlets, use a point of sale system nominated or approved by Franchisor. The supplier of the point of sale system must be approved by Franchisor.
- (2) Developer must ensure that connectivity at each Outlet is maintained and available at all times to allow all data generated by the point of sale system to be captured by Franchisor's central polling server.

3.8 Compliance with the System

Developer agrees to diligently and continuously monitor compliance with the System and System Standards, to strictly enforce compliance with the System and System Standards by all Chatime Stores operated by Developer in the Development Area.

3.9 Customer Complaint System

Developer must establish a customer complaint system to redress all customer complaints. Such system must be approved by Franchisor.

4 Other Obligations of Developer

4.1 Records and Reports

- (1) Developer must maintain and preserve at its principal office, full, complete and accurate records and reports pertaining to the development and operation of Outlets and the performance by Developer of its obligations under this Agreement. Such records must include the information prescribed in the Operations Manual or the Global Policies and Procedures.
- (2) In addition to the reports referred to in clause 4.1(1), Developer must deliver to Franchisor in the form periodically required by Franchisor, which may include in an electronic format, the following:
 - (a) A notice of Outlet opening on or before the opening date of each Outlet, the lease agreement, if any, for the site where an Outlet is located, and the Franchise Agreement for such Outlet, including the serial number of such Outlet;
 - (b) By the end of each Wednesday for each Outlet, a report of Gross Sales for the immediately preceding week;
 - (c) By the tenth day of each Month for each Outlet, a report of the daily Gross Sales and a profit and loss account in the prior Month together with a report of the number, location and owner of Outlets opened, closed and under development during the immediately preceding Month;

- (d) Within 30 days after the end of the Financial Year, financial statements of Developer including a Financial Year-end balance sheet for Developer and a profit and loss account for such Financial Year reflecting all year-end adjustments, and a statement of changes in financial condition, all prepared in accordance with generally accepted accounting principles;
 - (e) At least 30 days prior to the end of each Financial Year:
 - (i) A development plan to be implemented by Developer during Franchisor's next Financial Year, including capital and operating budgets and plans for development of Outlets; and
 - (ii) A marketing plan and budget describing the proposed marketing activities and expenditures for the Local Marketing Expenditure for the succeeding Financial Year;
 - (f) Within 30 days following the end of each Financial Year, a report of the receipts and disbursements of advertising, promotion, public relations, market research and other marketing programs and activities undertaken by the Local Marketing Expenditure during the preceding year; and
 - (g) Such other data, reports, information, financial statements and supporting records, in relation to Developer's Operation and Franchisees (including Gross Sales for each Month), as determined and in a format required by Franchisor from time to time, which may include the provision of reports and data in an electronic format.
- (3) Each such report and financial statement furnished by Developer must be verified as correct and signed by Developer in the manner prescribed by Franchisor, by a certified public accountant.
 - (4) Developer must immediately report to Franchisor any events or developments which may have a significant or materially adverse impact on the performance of Developer under this Agreement or the goodwill associated with the Marks or the Outlets.
 - (5) Developer must fully disclose to Franchisor all information concerning Developer's Operation as Franchisor may reasonably require.

4.2 Inspections and Audits

- (1) Franchisor and its agents may at any time during normal Business Hours inspect, audit and make copies or extracts of the records and reports described in clauses 4.1(1) and 4.1(2) and any other business records, bookkeeping and accounting records, electronic records and files, value added, sales, use and service and income tax records and returns, and other records of Developer's Operation and of the Outlets and the books and records of Developer.
- (2) Franchisor may, at any time, during normal Business Hours and one hour before and one hour after normal Business Hours, inspect the premises of any Outlet for the purpose of:
 - (a) Monitoring compliance by Developer of its operational obligations under the terms of this Agreement; and

- (b) Ensuring compliance by Developer of its financial obligations under this Agreement and for the purpose of verifying any financial information provided by Developer to Franchisor.
- (3) Franchisor may conduct an audit of Developer's books of account (and, if applicable, the books of account maintained by Franchisees). The audit may be performed by independent accountants appointed by Franchisor.
- (4) If any such audit discloses an understatement of the initial and/or recurring fees received by Developer under the Franchise Agreements, Developer must pay to Franchisor within 15 days after receipt of the inspection or audit report the fees due on the amount of such understatement plus interest at the rate and on the terms provided for in this Agreement from the date originally due until the date of payment.
- (5) If in Franchisor's opinion an inspection or audit is required because of the failure of Developer to furnish reports, supporting records, other information or financial statements as required, or to furnish such reports, records, information or financial statements on a timely basis, or if an understatement of fees received by Developer for the period of any audit is determined by any such audit or inspection to be greater than 2%, Developer must reimburse Franchisor for the cost of such inspection or audit, including, without limitation, legal fees and accountants fees, and the travel and accommodation expenses applicable per day for employees of Franchisor.
- (6) The remedies referred to in this clause 4.2(6) will be in addition to all other remedies and rights of Franchisor under this Agreement or under any applicable law.

4.3 Governmental Approvals

- (1) Developer agrees to execute any and all instruments and documents, render such assistance, and otherwise cooperate with Franchisor, in order to obtain all governmental approvals Franchisor is required to obtain or which, in the opinion of Franchisor, are necessary at any time during the Initial Term, in the opinion of Franchisor, to comply with any Legal Requirements.

4.4 Compliance with Legal Requirements

- (1) Developer must secure and maintain in force in its name all required licenses, permits, and certificates relating to Developer's obligations under this Agreement. For the avoidance of doubt, Developer must ensure that it is qualified to import the Products, clear the customs and do anything relating thereto at its Cost.
- (2) All advertising by Developer must be completely factual and conform to high standards of ethical advertising. Developer must in all dealings with Franchisor, public officials and other third parties adhere to high standards of honesty, integrity, fair dealing and ethical conduct, and refrain from any practice which may be injurious to the reputation of Franchisor or Developer and the goodwill associated with the Marks and Outlets.
- (3) Developer must notify Franchisor immediately when it becomes aware of the commencement of 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, which may adversely affect the operation or financial condition of Developer, or an Outlet.

4.5 Products and Supply Arrangements

- (1) Developer must establish and maintain supply arrangements on competitive terms and conditions for Products, the shop-fitting and signage of Outlets and equipment to be sold by or used in the operation of Outlets. Such suppliers will be subject to Franchisor's prior written approval and, upon approval, will be deemed to be Approved Suppliers. Franchisor may, at any time and in its discretion, revoke its approval of any Approved Supplier. Franchisor may itself be an Approved Supplier.
- (2) Developer acknowledges that Franchisor may from time to time vary the range of Products.
- (3) Approval of a supplier by Franchisor may be conditional on the supplier meeting Franchisor's quality and standards requirements. Franchisor may require any supplier applying for approval to allow Franchisor to inspect the proposed supplier's facilities to assist Franchisor in determining if the proposed supplier meets Franchisor's criteria.
- (4) Unless otherwise provided in writing by Franchisor, Developer must purchase all Raw Materials sold in the Outlets from Franchisor on the then-current Terms of Trade. Otherwise, Developer must purchase all Raw Materials from suppliers approved by Franchisor in writing.
- (5) Developer must ensure that all Raw Materials and other Products and equipment used in the operation of Outlets comply with the System Standards.
- (6) Franchisor or its Affiliates may receive payments from Approved Suppliers on account of such suppliers' dealings with Developer or Franchisees and may use all amounts so received without restriction and for any purpose Franchisor or its Affiliates deem appropriate (unless Franchisor or its Affiliates agree otherwise with the supplier).

4.6 Payment and Trading Terms

- (1) Developer must pay all Approved Suppliers for all Raw Materials and other Products by the due date for payment and in the manner specified by the Approved Suppliers and comply with the terms of any supplier agreements or terms of trade of the Approved Suppliers.
- (2) In the purchase of Raw Materials and other Products and any other miscellaneous goods from Franchisor, Developer must pay:
 - (a) The total amount owing to Franchisor for Raw Materials, other Products and any other miscellaneous goods provided to Developer by Franchisor from time to time, in accordance with Franchisor's credit policy and Terms of Trade;
 - (b) All amounts in full, net of any bank charges by direct deposit into Franchisor's bank account, as specified in Section 7 of Schedule 1, or in such other manner as Franchisor notifies Developer in writing, including direct debit from Developer's bank or credit account. Developer must execute any forms or documents required by Franchisor in order to effect payments by way of direct debit or any other electronic method.

4.7 Chatime Menu

- (1) Developer acknowledges that the Chatime Menu forms a key part of the Chatime brand and image. Accordingly, Developer must ensure that all outlets strictly comply with the requirements of Franchisor relating to:
 - (a) The Chatime Menu; and
 - (b) The areas and manner of preparation of food items for sale from Outlets,

as set out in the Operations Manual or as otherwise specified from time to time by Franchisor.

5 Initial and Continuing Fees

5.1 Development Fee

Developer must pay the Development Fee to Franchisor in accordance with the payment schedule set out in Section 6 of Schedule 1. You must pay Development Fee in one lump sum when you sign this Multi-Unit Development Agreement. The Development Fee replaces, and serves as a full credit against, the Initial Franchise Fee for each Outlet you agree to open (including but not limited to your first Outlet). The Development fee is fully earned by us upon our receipt, and it is not refundable any circumstances, regardless of how many Outlets you actually open.

5.2 Renewal Development Fee

Where Developer exercises its option to enter into a new development business agreement for the New Term in accordance with clause 2.7, Developer must pay to Franchisor the Renewal Development Fee in accordance with the then-current form of Multi-Unit Development Agreement.

5.3 Interest on Late Payments

- (1) If Developer fails to pay any amount to Franchisor, Developer must pay interest on that amount at the Interest Rate, from the time the amount should have been paid until it is paid. Interest accrues daily, may be capitalized by Franchisor and is payable on demand.
- (2) Developer acknowledges that this clause 5.3 does not constitute any agreement by Franchisor to accept such payments after they are due or a commitment by Franchisor to extend credit to, or otherwise finance Developer or the Initial Store.

5.4 Withholding

- (1) All withholding taxes shall be borne by Developer. That is to say, all payments by Developer must be made without deduction or withholding (including (without limitation) by way of set-off, counterclaim, duty, tax (including goods and services tax, value added tax and other government imposts) or charge) unless Developer is prohibited by law from doing so, in which case Developer must:
 - (a) Promptly pay to Franchisor any additional amount necessary to ensure that the net amount received by Franchisor equals the full amount which would have been received by Franchisor if no deduction or withholding had been made;
 - (b) Pay to the relevant authority within the period for payment permitted by law the full amount of the deduction or withholding (including the full amount of any deduction or withholding from any additional amount paid under clause 5.4(1)(a));
 - (c) Give Franchisor the official receipt from the authority for the amount paid to it within 7 days after Developer receives it; and
 - (d) Assist Franchisor with any reasonable requests for information or supporting documents regarding the calculation and/or payment of the amount paid.

5.5 Currency of Payment

- (1) All payments by Developer to Franchisor under this Agreement will be made in Dollars unless otherwise specified by Franchisor.

- (2) All payments in this Agreement are to be calculated in the currency of the Development Area and converted into Dollars for payment to Franchisor and must be converted at a rate equivalent to the measurement notified by Franchisor on the date the payment is due. However, if a payment is remitted after the date payment is due, the currency exchange rate used will be the rate as of:
 - (a) The date the payment was due; or
 - (b) The date the payment is remitted,whichever rate is the greater.
- (3) All payments from Developer to Franchisor under this Agreement must be made in full, net of any bank charges, by direct deposit into Franchisor's bank account as specified in Section 7 of Schedule 1, or in such other manner as Franchisor notifies Developer in writing, including direct debit from Developer's bank or credit account. Developer must execute any forms or documents required by Franchisor in order to give effect to payments by way of direct debit or any other electronic method.

5.6 Exchange Controls

- (1) Developer must use its best efforts to obtain any consents or authorizations which may be necessary in order to permit timely payments in Dollars of all amounts payable pursuant to this Agreement.
- (2) If at any time, any legal restriction is imposed upon the purchase of Dollars or the transfer to or credit of a non-resident party with payments in Dollars, Developer must notify Franchisor immediately. While such restrictions are in effect, Franchisor may require payment in any currency designated by Franchisor that is available to Developer or, at Franchisor's option, may require Developer to deposit all amounts due but unpaid as a result of such a restriction in any type of account, in any bank or institution in the Development Area designated by Franchisor. Franchisor will be entitled to all interest earned on such deposits. Franchisor may also elect to receive payment in the form of products or services available to Developer, the value of which will be based on the actual cost of such products or services to Developer. If payment is made in products or services, Developer agrees to deliver such products or services to Franchisor or its designated agent or shipper within the Development Area.

5.7 Stamp Duties

Developer must pay all stamp duties and comparable duties and taxes (including any penalties for late payment) assessed to be payable on or in respect of this Agreement any Collateral Agreement.

5.8 Set-off

Franchisor may in its sole discretion set-off against any payment due to Developer by Franchisor any unpaid debts (including contingent debts) of Developer to Franchisor.

- (1) If Developer requests any additional marketing assistance from Franchisor that, in the opinion of Franchisor, is not within the scope of assistance provided for by the International Marketing Fee, then Developer must pay to Franchisor upon invoice by Franchisor any additional fees and charges levied by Franchisor for such additional marketing assistance.

- (2) Developer must not use any marketing or promotional materials unless that marketing or promotional material has been first approved in writing by Franchisor.

5.9 Websites

- (1) Developer must not and must ensure that no other Person establishes a Website referring to the Marks, Outlets or the System without Franchisor's prior written consent.
- (2) Developer must not register the Domain Name or any other domain name or internet address incorporating the Network Name or any part of that name or any similar names or any of the Marks or any part of the Marks or any words or names similar to the Marks. Developer acknowledges that Franchisor has a prior and superior right to registration of any such domain names. If a domain name or Internet address is to be used in Developer's Operation, it must be registered in the name of Franchisor or any other nominee of Franchisor. However, all fees must be paid by Developer.
- (3) Franchisor may, but is not obliged to, designate one or more web pages to describe Developer and/or the Outlets, such web pages to be located within Franchisor's Website.
- (4) If Developer becomes aware of any Person using or referring to the Marks on their Website, then it must immediately notify Franchisor.

6 Confidential Information

6.1 Obligation to Maintain Confidentiality

- (1) Developer and Guarantor acknowledge and agree that neither Developer nor any Guarantor will acquire any interest in the Confidential Information, other than the right to utilize the Confidential Information in performing their obligations under this Agreement, and that the use or duplication of any Confidential Information would constitute an unfair method of competition.
- (2) Developer and Guarantor hereby agree that during the term of this Agreement and following the expiration or termination of this Agreement that they:
 - (a) Will not use the Confidential Information in any other business operation or capacity;
 - (b) Will maintain the absolute confidentiality of the Confidential Information;
 - (c) Will not make unauthorized copies of any portion of the Confidential Information; and
 - (d) Will adopt and implement all reasonable procedures that Franchisor prescribes from time to time to prevent unauthorized use or disclosure of the Confidential Information, including, without limitation, restrictions on the disclosure of the Confidential Information to Franchisees, Outlet personnel and others;
- (3) Notwithstanding anything to the contrary contained in this Agreement, the restrictions set out in clause 6.1(2) will not apply to information that:
 - (a) Is or becomes publicly available, other than by breach of this Agreement;
 - (b) Developer or Guarantor (as applicable) is legally compelled to disclose, provided Developer/Guarantor must have used its best efforts and afforded Franchisor the opportunity to obtain an appropriate protective order or other assurance

satisfactory to Franchisor of confidential treatment for the information required to be disclosed; or

- (c) Is otherwise permitted under the terms of this Agreement.
- (4) If required by Franchisor, Developer must ensure that Developer's Owner managers, directors, shareholders, agents, employees and any Interested Party enter into a confidentiality agreement in a form that is acceptable to Franchisor.

7 Protection of Goodwill

7.1 Acknowledgements and Restriction

Developer Parties acknowledge that:

- (1) The System used in connection with Developer's conduct of Developer's Operation, the Marks, the Raw Materials and other Products is unique and has been developed by Franchisor at great effort and expense;
- (2) Franchisor has considerable and recognized goodwill in the conduct of its business of developing and promoting the System;
- (3) Franchisor should be entitled to protect that goodwill for its own benefit by restricting Developer's and Guarantor's ability to damage that goodwill by competing with Franchisor; and
- (4) Each of the restraints imposed upon Developer and Guarantor under clause 7.2 is fair and reasonable and is no greater than is reasonably necessary to protect this goodwill.

7.2 No Other Business Interests

Developer Parties jointly and severally agree with Franchisor that neither Developer nor any Guarantor will:

- (1) During the Initial Term or any New Term finance, invest in or have a financial interest in any business other than Developer's Operation without the prior written consent of Franchisor; or
- (2) During the Restraint Period, in the Restraint Area, directly or indirectly do any of the following things:
 - (a) be concerned or interested in any Restrained Business (directly or indirectly, or through any interposed corporate entity, trust, partnership, or entity as trustee, principal, agent, shareholder, beneficiary, or as an independent contractor, consultant, adviser or in any other capacity);
 - (b) advise, assist, consult with or for or in connection with any Restrained Business or any person associated with or in any manner whatsoever connected to or engaged by or in connection with any Restrained Business;
 - (c) hold or own (beneficially or non-beneficially) whether directly or indirectly and whether absolutely or contingently or hold options over shares or any other securities or units of any entity engaging in a Restrained Business; and
 - (d) procure, employ, seek to employ or engage, or appoint in any capacity (whether as a consultant, director or otherwise), any person who is or has been in the 12 months

prior to such action an employee, independent contractor, or prospective franchisee of the Franchisor, its affiliates, or any Chatime Store Business.

- (e) These restraints shall not apply to the Developer's or its affiliates' continued operation of individual Chatime Stores being operated under valid Franchise Agreement, which have not been terminated and are not in default.

7.3 Restraint Applies to Conduct in Any Capacity

The agreement by Developer Parties in clause 7.2 applies to any of them, the Interested Parties, and those acting:

- (1) In partnership or association with another person;
- (2) As principal, agent, representative, director, officer, employee, or financier;
- (3) As member, shareholder, debenture holder, note holder, or holder of any other security;
- (4) As trustee of or as a consultant or adviser to any person; or
- (5) In any other capacity.

7.4 Separate Restraint Agreements

Clauses 7.2 and 7.3 have effect as comprising each of the separate provisions which results from each combination of a capacity referred to in clause 7.3, a category of conduct referred to in clause 7.2, a geographical area specified in Schedule 1 and a period of time specified in Schedule 1. Each of these separate provisions operates concurrently and independently. If any separate provision is unenforceable, illegal or void that provision is severed and the other separate provisions remain in force.

7.5 Directors, Manager, and Key Employees

Developer must ensure that any of its directors who are not a party to this Agreement, any Interested Party, manager and any of its key employees nominated by Franchisor enter into a confidentiality and non-competition agreement before they receive or are granted access to any of the Confidential Information. The agreements must contain a similar reasonable restraint as imposed pursuant to clause 7.

7.6 Other Interested Parties

Developer must procure that any Interested Party specified by Franchisor enters into a non-compete and confidentiality agreement with Franchisor that contains:

- (1) Similar reasonable restraints as imposed on Developer and Guarantor pursuant to clause 7.2; and
- (2) Similar confidentiality obligations to the obligations imposed pursuant to clause 6, as and when required by Franchisor.

7.7 Acceptable Conduct

Nothing in this clause prevents Developer or Guarantor from:

- (1) Owning less than 5%, by value, of securities in a listed corporation;
- (2) Engaging or being concerned or interested in Developer's Operation in accordance with this Agreement; or

- (3) Engaging or being concerned or interested in any business or activity pursuant to which Franchisor has given its prior written consent.

7.8 Disgorgement

In addition to all other remedies and rights of Franchisor under this Agreement, if any of Developer, Developer Affiliate, Franchisee, Guarantor or their Interested Parties breaches clause 7.2 or 7.3, Developer must account for and pay to Franchisor all compensation, profits, monies, accruals, increments or other benefits derived or received as a result of any such breach.

8 Indemnity and Limitation of Liability

8.1 Indemnity

- (1) Developer Parties indemnify Franchisor and each of its Affiliates (**Chatime Group**) against all:
 - (a) Losses incurred by the Chatime Group;
 - (b) Liabilities incurred by the Chatime Group; and
 - (c) All Legal Costs and other Costs and expenses incurred by the Chatime Group in connection with a demand, action, arbitration or other proceeding (including mediation, compromise, out of court settlement or appeal),arising directly or indirectly as a result of or in connection with:
 - (d) A breach by Developer Parties of this Agreement or any Collateral Agreement;
 - (e) Any injury to, or loss of property of, any person in or on premises from which the business is conducted;
 - (f) Developer's taxes, liabilities or Costs of Developer's Operation;
 - (g) Any negligent or willful act or omission of Developer, its employees, agents, servants, or contractors; and
 - (h) Any warranty, promise or representation made by Developer Parties or any employee, agent, or other person acting on behalf of Developer Parties being incomplete, inaccurate, or misleading.
- (2) Franchisor's rights at law and under this Agreement, including its right to be indemnified under this clause, are not affected by:
 - (a) Franchisor ending the Franchise or the termination of any Collateral Agreement;
 - (b) Franchisor accepting Developer's repudiation of this Agreement or any related Agreement; or
 - (c) Anything else.

8.2 Limitation of Liability

To the extent permitted by law, Franchisor will have no liability in relation to:

- (1) Any approval of premises or a site for an Outlet provided by Franchisor to Developer pursuant to the terms of this Agreement;

- (2) Any other approvals provided by Franchisor to Developer in connection with Developer's Operation pursuant to the terms of this Agreement;
- (3) The conduct of Developer's Operation by Developer, the success or failure of which largely depends upon the business abilities and efforts of Developer; and
- (4) The location, design, construction, or renovation of any Outlet or the furnishings, fixtures and equipment to be required, notwithstanding the right of Franchisor to approve any plans, and to inspect the construction and/or renovation work and such Outlet. Such rights of Franchisor are exercised solely for the purpose of ensuring compliance with the terms and conditions of this Agreement.

9 Intellectual Property

9.1 License to Use Intellectual Property

Franchisor grants Developer a license to use the Intellectual Property in the Development Area only during the Initial Term.

9.2 Use of Intellectual Property

- (1) Developer must:
 - (a) Only use the Intellectual Property as authorized by Franchisor;
 - (b) Not alter the Intellectual Property, except with Franchisor's prior written consent; and
 - (c) Not do anything which may prejudice Franchisor's ownership of, or the goodwill associated with, the Intellectual Property.
- (2) Developer must not use any other trademarks, corporate or business names, trade names, slogans, domain names or other items of Intellectual Property without the prior written consent of Franchisor.

9.3 Ownership of Intellectual Property

Developer acknowledges that by its use of the Intellectual Property, it does not acquire any right to, title or interest in the Intellectual Property. All rights to, and interests in, the Intellectual Property reside with Franchisor.

9.4 Protection of Intellectual Property

- (1) Developer must:
 - (a) Provide all reasonable assistance to Franchisor to register and enforce Franchisor's intellectual property rights in the Development Area;
 - (b) Take all reasonable steps to protect the Intellectual Property against any action or infringement by any person;
 - (c) Immediately notify Franchisor of any actual or potential threat or claim of infringement with respect to the Intellectual Property.
- (2) Franchisor, at its absolute discretion, will determine whether to commence or defend legal proceedings relating to the Intellectual Property.

- (3) Payment of all Costs incurred in commencing or defending legal proceedings relating to the Intellectual Property will be made by Franchisor, provided that Franchisor has authorized the taking of any such action.
- (4) Developer must co-operate fully with Franchisor in relation to any actions conducted under this clause 9.4 and must not bring any actions itself relating to the Intellectual Property.
- (5) Save for remittance of Costs under clause 9.4(3) (if any), Franchisor will be entitled to receive the proceeds of all actions conducted under this clause 9.4.

9.5 Goodwill

Developer acknowledges that:

- (1) Franchisor is the owner of all goodwill in the Intellectual Property;
- (2) All goodwill associated with Developer's use of the Intellectual Property, and its activities under this Agreement, inures to the benefit of Franchisor; and
- (3) When this Agreement ends, Developer is not entitled to any payment from Franchisor for goodwill which may exist in relation to Developer's Operation.

9.6 Developer and Guarantor Must Not Register Similar Intellectual Property Developer and Guarantor must:

- (1) If it is the owner of any intellectual property (e.g., business or corporate names, trademarks, or domain names) similar or identical to the Intellectual Property in the Development Area, immediately upon execution of this Agreement, take all steps necessary to transfer ownership of that intellectual property to Franchisor at Developer's cost;
- (2) If, during the Initial Term, either Developer or any Guarantor registers any intellectual property (e.g., business or corporate names, trademarks, or domain names) similar or identical to the Intellectual Property in the Development Area, the relevant party must immediately upon such registration, take all steps necessary to transfer ownership of that intellectual property to Franchisor at Developer's cost; and
- (3) Not, except as otherwise agreed or directed by Franchisor in writing, register any intellectual property (e.g., business or corporate names, trademarks, or domain names) similar or identical to the Intellectual Property or that contains or consists of any Intellectual Property or anything that is substantially identical or deceptively similar thereto or otherwise relates to the Chatime brand or the System. In particular, if Developer or Guarantor is a corporation, each must not use the word "Chatime" or any other similar word or derivatives of that word in its corporate name, with acknowledgement that the factors determining similarity of trademarks as stated above include, without limitation, the appearances, concepts, pronunciations, designated classes, and designated goods and services of trademarks.

9.7 Developer's Improvements

- (1) If any Developer's Improvements are developed by or on behalf of Developer during the Initial Term from which Developer obtains any intellectual property rights, Developer assigns all of Developer's rights to and intellectual property in Developer's Improvements to Franchisor or its nominee as and when the intellectual property rights are created, free of all encumbrances.

- (2) If Developer's rights to or intellectual property rights in Developer's Improvements are not capable of assignment to Franchisor, Developer grants to Franchisor or its nominee as and when the intellectual property rights are created an exclusive, worldwide, royalty free, fully assignable perpetual license in respect of Developer's Improvements, which may only be terminated by Franchisor, for Franchisor to use Developer's Improvements and grant others the right to use Developer's Improvements.
- (3) If Franchisor wishes to register the intellectual property rights in any of Developer's Improvements and Developer is the owner, or a necessary applicant for that registration, Developer must immediately upon the request by Franchisor apply in Developer's own name for registration and then sign all documents and deeds, perform all acts and do all things necessary to assign that registration or application to Franchisor or its nominee.

10 Transfer and Other Dealings by Franchisor

10.1 Assignment or Novation

Franchisor may transfer all or any part of its rights, interests, obligations, or liabilities under this Agreement by assignment or novation.

10.2 Refinancing and restructuring

Franchisor may, in addition to or as part of an assignment or novation pursuant to clause 10.1:

- (1) Sell itself, its assets, and any of the Intellectual Property which it owns to a third party;
- (2) Issue additional shares or other securities in itself;
- (3) Engage in a private placement of some or all of its securities; and
- (4) Undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring.

10.3 Acknowledgment and Agreement If Franchisor elects to:

- (1) Assign all or any part of its rights, interests, obligations, or liabilities under this Agreement, Developer Parties must, upon request by Franchisor, execute any deed, agreement or notice of assignment acknowledging and agreeing to the assignment by Franchisor; or
- (2) Transfer all or any part of its rights, interests, obligations, or liabilities under this Agreement by novation to a third party, Developer Parties must, upon request by Franchisor, execute a deed or agreement of novation, in a form prepared by Franchisor, substituting in place of Franchisor a third party as being entitled to the benefits, and responsible for the rights, obligations and liabilities, of Franchisor under this Agreement.

10.4 Merger

Franchisor may purchase, merge, acquire, or affiliate with an existing competitive or non-competitive franchise network, chain, or any other business and operate, franchise, or license those businesses to operate using the Marks and Intellectual Property of Franchisor from premises wherever located.

10.5 Consent

Developer Parties consent to Franchisor at any time assigning or novating any of its rights, interests, obligations, or liabilities under this Agreement or undertaking any of the actions outlined

in clauses 10.1, 10.2, and 10.4 and waive any requirement for prior notice to Developer Parties of the action.

11 Transfer and Other Dealings by Developer

11.1 Acknowledgements by Developer

Developer acknowledges that:

- (1) The Franchise has been granted to Developer following a consideration by Franchisor of the character, business experience, and capability and financial capacity of Developer Parties; and
- (2) Because of this there are important restrictions in this clause 11 on Developer's ability to deal with the Franchise and Developer's Operation.

11.2 Prohibition Against Transfer by Developer

- (1) Developer must not sell or otherwise Dispose of its interest in the Franchise or Developer's Operation, whether in whole or in part, voluntarily or involuntarily, by operation of law (including as a result of bankruptcy, divorce, death or disability, without Franchisor's prior written consent, and without first offering to sell the Ownership Interest of Outlets (**Business**) to Franchisor in accordance with clause 11.4.
- (2) If an offer made by Developer pursuant to clause 11.2(1) is not accepted, Developer may sell or otherwise Dispose of its interest in the Developer's Operation subject to obtaining Franchisor's written consent which must not be unreasonably withheld if all of the conditions mentioned in clause 11.3 have been satisfied.
- (3) A request for Franchisor's consent under clause 11.2(2) must be made in writing.

11.3 Conditions to be Satisfied Before Assignment can be Approved

Franchisor must not unreasonably withhold its consent under clause 11.2(2) if the sale, assignment, or other Disposal is of the whole of Developer's interest in the Developer's Operation and each of the following conditions are satisfied:

- (1) Developer establishes to Franchisor's reasonable satisfaction that the proposed assignee (and its directors and Owners if the assignee is a business entity):
 - (a) Possesses the financial resources necessary to conduct and operate Developer's Operation as a Developer and to service any borrowings it makes in order to acquire Developer's Operation;
 - (b) Is a reputable and responsible and has the business experience and capabilities necessary to operate Developer's Operation successfully; and
 - (c) Otherwise meets Franchisor's criteria for the selection of new Chatime developers;
- (2) Developer pays to Franchisor the Transfer Fee;
- (3) Developer, both when seeking consent to the assignment and when the assignment is to occur, is not in default under this Agreement or any Collateral Agreement;
- (4) At the option of Franchisor:

- (a) The assignee executes Franchisor's then-standard form development business agreement for the balance remaining of the Initial Term (including any existing option for a New Term); or
 - (b) Developer and the assignee execute an assignment of Developer's rights and obligations under this Agreement to the assignee in a form required by Franchisor, and Developer and the assignee execute any other documents then used by Franchisor for the grant of Chatime development business;
- (5) When the assignee is a business entity, those directors and Owners or other Affiliates of the assignee nominated by Franchisor each:
 - (a) Execute and deliver a personal guarantee and indemnity and undertake similar personal restraints to those given by Guarantor under this Agreement in favor of, and in a form required by, Franchisor; and
 - (b) Execute and deliver a confidentiality and non-competition agreement in the Franchisor's then-current form.
- (6) Developer:
 - (a) Gives to Franchisor all details of the proposed assignment including a copy of the applicable contract (which must comply with Franchisor's requirements) and any other agreements between Developer and the assignee.

Developer acknowledges that:

 - (i) These documents must be provided to Franchisor so that Franchisor can ensure that its interests are protected (for example, that the contract of sale does not purport to sell the Intellectual Property); and
 - (ii) Franchisor will not sell Developer's Operation on behalf of Developer or negotiate the sale on behalf of Developer and does not hold itself out as performing these functions; and
 - (b) Sells to the assignee all of Developer's essential assets used in the business;
- (7) Developer establishes to Franchisor's reasonable satisfaction that the proposed assignment will not have a significantly adverse effect on the System or the Network;
- (8) Developer pays all of Franchisor's Costs in connection with or incidental to the request for Franchisor's consent to the transfer of the Franchise and the sale of the Business, whether or not the assignment or sale is actually completed or the consent is granted; and
- (9) Developer and its Owners execute and deliver to Franchisor a general release in the form required under Developer's then-current Franchise Agreement.

11.4 Franchisor's Right of First Refusal

- (1) If Developer wants to:
 - (a) Sell Developer's Operation; or
 - (b) Allow the Disposal of shares or units,

Developer must first offer to sell Developer's Operation to Franchisor on the same terms

as any offer Developer has received from an arm's length third party (**Third Party Offer**) by giving to Franchisor a written notice (**Offer Notice**) setting out the terms and conditions of the Third Party Offer.

- (2) Franchisor may accept the offer contained in the Offer Notice by giving notice of acceptance (**Acceptance Notice**) to Developer before the end of the Offer Period.
- (3) For the purpose of this clause 11.4, "**Offer Period**" means the period of 45 days after Franchisor receives the Offer Notice.
- (4) The Acceptance Notice may contain terms which vary the terms of the Offer Notice if the terms upon which Franchisor agrees to buy the Business are not commercially less favorable to Developer than those contained in the Offer Notice. For example, if the consideration, terms and/or conditions offered by a third party are such that Franchisor is not reasonably able to furnish the same types of consideration, terms and/or conditions, then Franchisor may purchase the interests proposed to be transferred for the reasonable equivalent in cash.
- (5) If Developer receives the Acceptance Notice during the Offer Period Developer must sell and Franchisor must purchase the Business upon the terms and conditions contained in the Offer Notice as may be varied by the Acceptance Notice.
- (6) If Franchisor does not accept the offer contained in the Offer Notice within the Offer Period Developer is entitled to sell the Business or allow the Disposal of shares or units to a third party within 60 days after the end of the Offer Period as long as the:
 - (a) Developer complies with clause 11.3; and
 - (b) Sale or Disposal is not made for less than the price specified in the Offer Notice or on terms and conditions more favorable to the third party than those contained in the Offer Notice.
- (7) If Developer does not sell the Business or allow the Disposal of shares or units within the period referred to in clause 11.4(6) the rights of Franchisor are revived and Developer must not permit any sale or Disposal without first offering the Business to Franchisor in accordance with this clause 11.4.

11.5 No Encumbrances

Developer must not create or allow the creation of any encumbrance over this Agreement, the Franchise or Developer's Operation without first obtaining Franchisor's written consent.

11.6 No Subfranchises

Developer must not lease, license, franchise, or part with possession of Developer's Operation or the Franchise without first obtaining Franchisor's written consent.

- 11.7 Transfer Upon Death or Incapacitation. Upon the death or permanent incapacity (mental or physical) of any person with a majority or controlling interest in this Agreement, in you, or in all or substantially all of the assets of the Developer's Operations, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by Franchisor within one year after such death or mental incapacity. Such transfers, including transfers by devise or inheritance, shall be subject to the requirements in this Clause 11.

- 11.8 Transfers Void. Any purported or attempted transfer, by operation of law or otherwise, made without Franchisor's prior written consent will be considered null and void and will be considered a material breach of this Agreement.

12 Temporary Operation by Franchisor

12.1 Circumstances of Operation by Franchisor

If Developer ceases to conduct Developer's Operation or abandons the Development Business, Franchisor or its nominee may, but does not have to, enter Developer's business premises and operate and manage Developer's Operation (including directing the Franchisees) until Developer complies with any direction or notice of Franchisor requiring Developer to recommence operation of the Development Business in accordance with its obligations under this Agreement.

12.2 Management Fees and Income Received

- (1) Developer must pay to Franchisor a reasonable management fee prescribed by Franchisor for operating and managing the Development Business and any travelling, accommodation or other expenses in relation to such operation and management.
- (2) Franchisor must account to Developer for all net income received by Franchisor while operating and managing the Development Business less a reasonable management fee prescribed by Franchisor for operating and managing the Development Business and any travelling, accommodation or other expenses in relation to such operation and management. Developer must bear any losses incurred during Franchisor's operation and management of the Development Business and pay or reimburse such losses to Franchisor upon demand.

12.3 Liability of Temporary Operation

Franchisor will not be liable to Developer in any way for anything done by Franchisor while it operates and manages the Development Business in accordance with this clause 12, except for acts or omissions arising from the gross negligence or willful misconduct of Franchisor. Developer indemnifies Franchisor and its employees and agents against all damages, sums of money, costs, charges, expenses, actions, claims, liabilities, injuries and demands made against or suffered by Franchisor, its employees and agents for the period Franchisor operates and manages the Development Business pursuant to this clause 12.

13 Termination of Agreement

13.1 Developer May Terminate During Cooling Off Period

- (1) Developer may terminate this Agreement by giving written notice to Franchisor within 7 days of the date of this Agreement.
- (2) If Developer terminates this Agreement in accordance with clause 13.1(1), Franchisor must, within 14 days after receiving the notice of termination, return all payments (whether of money or other valuable consideration) made by Developer to Franchisor under this Agreement less the following amounts which constitute the reasonable Costs of Franchisor in connection with the grant of this Agreement:
 - (a) 20% of the Development Fee representing the reasonable Costs of Franchisor in relation to the selection and induction of Developer;

- (b) The amount of \$5,000 representing the reasonable Costs of Franchisor in connection with the instructions for and the negotiation, preparation and execution of this Agreement and the Collateral Agreements; and
- (c) All reasonable Costs of Franchisor in connection with the training of Developer, including all payments made to Developer by Franchisor during the course of training.

13.2 Termination by Developer

- (1) If:
 - (a) Developer is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement;
 - (b) Developer gives written notice of such breach to Franchisor (which such notice must include details of the breach and what is required by Franchisor to rectify the breach) and gives Franchisor a reasonable period (of no less than 60 days) to remedy the breach; and
 - (c) Franchisor does not remedy the breach within the time set out in the breach notice or, in a case where Franchisor's breach cannot reasonably be remedied within 60 days after Franchisor receives written notice of its breach, fails to provide Developer with reasonable evidence of Franchisor's continuing efforts to correct its breach within a reasonable time,

then Developer may terminate this Agreement by providing 60 days' written notice of termination to Franchisor.
- (2) Developer does not have a separate right to terminate the Development Rights alone. It only has the right to terminate this Agreement in its entirety. Any termination of this Agreement by Developer other than as provided in clause 13.2(1) will be deemed a termination by Developer without cause.

13.3 Termination by Franchisor

- (1) Franchisor may terminate this Agreement if:
 - (a) Developer or Guarantor (**Defaulting Party**) breaches any provision of this Agreement or any Collateral Agreement;
 - (b) Franchisor gives to the Defaulting Party a written notice that:
 - (i) Specifies the breach;
 - (ii) Tells the Defaulting Party what Franchisor wants the Defaulting Party to do to remedy the breach;
 - (iii) Gives the Defaulting Party a reasonable time (which can be any number of days between 3 days and 30 days) to remedy the breach; and
 - (iv) States that Franchisor proposes to terminate this Agreement and the Franchise if the breach is not remedied within that time; and
 - (c) The Defaulting Party does not remedy the breach within the time allowed by a notice issued under clause 13.3(1)(b).

- (2) If the breach is remedied in accordance with, and within the time allowed by, a notice issued under clause 13.3(1)(b), Franchisor cannot terminate this Agreement because of that breach.
- (3) If Developer does not perform or observe any obligation under this Agreement Franchisor may, but does not have to, remedy that default. In doing so, Franchisor is entitled to rely on the power of attorney in clause 21.
- (4) Notwithstanding any other provision in this clause 13, Franchisor may terminate this Agreement immediately upon written notice to Developer if:
 - (a) The Defaulting Party breaches any provision under clause 6 (Initial and Continuing Fees), 9.2 (No other business interests) or 9.3 (Restraint applies to conduct in any capacity).
 - (b) A force majeure event (as referred to in clause 20) continues for more than 180 days;
 - (c) Developer voluntarily abandons Developer's Operation;
 - (d) Developer or a Guarantor is convicted of a serious offense;
 - (e) Developer's Operation is operated in a way that endangers public health or safety;
 - (f) Developer is fraudulent in connection with the operation of Developer's Operation;
 - (g) Developer files a voluntary petition in bankruptcy, files any pleading seeking any reorganization, liquidation, or dissolution under any law, admits or fails to contest the material allegations of any such pleading filed against it, or is adjudicated a bankrupt or insolvent; or
 - (h) A receiver, manager, liquidator or other Person acting in a comparable capacity is appointed for a substantial part of the assets of Developer.

13.4 Other Remedies. In the event of grounds for a default by the Developer, Franchisor is entitled in its sole discretion to exercise any other remedies in lieu of or prior to terminating the Agreement, which may include but are not limited to reduction in the geographic area of the Development Area, removal of exclusivity within the Development Area, termination or suspension of any and all services provided to Developer by Franchisor, its Affiliates, or approved suppliers; suspension of delivery of product or supplies to Developer by Franchisor, its Affiliates, or approved suppliers; imposition of different credit terms for delivery of product or supplies to Developer by Franchisor, its Affiliates or approved suppliers; temporary operation of the Developer's Operation pursuant to this Agreement; removal of Developer from the Franchisor's website, directory, or social media; execution and delivery of a Release, and imposition of any additional or different requirements for Developer to maintain its right to continue operating the Developer's Operation. Franchisor's exercise of any of these other remedies shall not in any way impair or waive Franchisor's right in the future to terminate the Agreement or to exercise any other rights under this Agreement.

14 Dispute Resolution

14.1 Notice of Dispute. If a dispute arises relating to or in connection with this Agreement or the relationship of the parties ("Dispute"), a party to the Dispute must give to the other party or parties to the dispute notice specifying the dispute and requiring its resolution under this clause 14 ("**Notice of Dispute**").

14.2 Mediation. If the parties cannot resolve their Dispute within 30 days from the date of service of the Notice of Dispute, either party may refer the matter to a mediator and if the parties cannot agree upon the appointment of a mediator, either party may submit the matter to the American Arbitration Association ("AAA") and obtain the appointment of a mediator under the AAA mediation rules from the AAA Franchise Panel.

- (1) The mediation may take place by videoconference, unless the parties agree upon a different location. The mediator may decide the date and time for mediation and the parties will attend the mediation and use reasonable endeavors to resolve the dispute.
- (2) The parties to the mediation agree that: everything that occurs before the mediator will be in confidence and in closed session; all discussions will be without prejudice; and no documents brought into existence specifically for the purpose of the mediation process will be called into evidence in any subsequent litigation by either of the parties. The mediator will deal with any matter as expeditiously as possible by no later than 30 Business Days after referral to the mediator.
- (3) The parties to the mediation will bear the costs of the mediation on an equal basis. Each party will bear its own costs of attending and preparing for the mediation.
- (4) The mediator will have no power to make any decision binding on the Parties to resolve the dispute.

14.3 Arbitration. Except as otherwise provided in this Agreement, if the mediation is not successful, any controversy, claim, cause of action or dispute arising out of, or relating to this Agreement or related agreements, or the relationship of the parties, shall be resolved exclusively by binding arbitration.

- (1) The right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed exclusively by the Federal Arbitration Act, as amended, and arbitration shall be conducted pursuant to the then-prevailing Commercial Arbitration Rules of AAA.
- (2) The arbitration shall be conducted in New York, New York, and parties and witnesses may appear by videoconference, unless the parties agree otherwise.
- (3) Any dispute as to the arbitrability of any controversy, claim, cause of action or dispute shall also be determined by arbitration.
- (4) All proceedings in the Arbitration shall be strictly confidential, and everything that occurs before the arbitrator will be in confidence and in closed session
- (5) The arbitration panel shall consist of three arbitrators. AAA shall send each of the Parties a separate list of at least at least ten (10) Arbitrator candidates from the AAA Franchise Panel. AAA shall also provide each Party with a brief description of the background and experience of each Arbitrator candidate.
- (6) Within seven (7) calendar days of service upon the Parties of their list of names, each Party may select one Arbitrator from their respective list. The two party-appointed Arbitrators shall name a third Arbitrator who shall act as the Chairperson.
- (7) The fees and expenses of the proceeding may be awarded by the Arbitrator to the prevailing party. If not so awarded, the parties shall bear their own fees, costs and expenses, and the charges of the arbitration service and arbitrator shall be split between the parties.
- (8) After accepting the appointment and during the arbitration, the arbitrator may: require the parties to lodge security or further security towards the arbitrator's fees and expenses; and

apply any security towards those fees and expenses, but the arbitrator may not direct a party to the dispute to provide security for the costs of the arbitration to be incurred by any other party.

- (9) The arbitrator shall have no authority to amend or modify the terms of this Agreement.
- (10) The arbitrator must include in the arbitration award the findings on material questions of law and of fact, including references to the evidence on which the findings of fact were based.
- (11) An arbitration initiated by a Developer can only be brought by a single franchisee or developer, and shall only resolve the claims by the Developer. Developer is not permitted to bring or participate in any group, collective, multi-party, or class action claims against Franchisor or its Affiliates or their respective owners and officers. An Arbitrator shall not have authority to decide any group, collective, multi-party or class action claims against Franchisor or its Affiliates or their respective owners and officers.
- (12) Despite anything in this clause 14, a party at any time may commence court proceedings in relation to any dispute or claim arising under or in connection with this Agreement solely for the purpose of obtaining urgent interlocutory relief pending resolution of the Arbitration.
- (13) Subject to this clause 14, a party must not commence or maintain a court action or proceeding upon a dispute in connection with this Agreement if the dispute is referred to arbitration under this clause 14.

14.4 Waiver of Jury Trial. EACH PARTY HERETO HEREBY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

14.5 Survival of Dispute Resolution Provisions. This clause 14 continues in force even where the Agreement has been fully performed, terminated or rescinded or where the parties or any of them have been discharged from the obligation to further perform the Agreement for any reason. The obligations with respect to dispute resolution outlined in this Article shall survive termination or expiration of this Agreement. This clause 14 applies even where the Agreement is otherwise void or voidable.

15 Rights and Obligations Upon Termination or Expiration

15.1 Consequences of Termination

Developer agrees that upon the termination or expiration of this Agreement, it will:

- (1) Not directly or indirectly identify itself as a current or former Developer of Franchisor;
- (2) Within 10 Business Days of the effective date of termination or expiration of the Agreement, pay all money owed to Franchisor or any Affiliate and Developer's employees, contractors and material trade creditors which are then unpaid; and
- (3) No longer have any Development Rights whatsoever, and it will cease all development efforts.

15.2 No Compensation Payable on Termination

No compensation is payable by Franchisor to Developer or any other person for the termination or expiration of this Agreement and Developer will have no right of indemnity against Franchisor.

16 Guarantee and Indemnity

16.1 Interested Party's Guarantee

Developer must ensure that:

- (1) Each Interested Party give a guarantee and indemnity on the terms set out in this clause 16; and
- (2) Any new Interested Party, upon becoming an Interested Party, sign a guarantee and indemnity in respect of Developer's obligations under this Agreement on the then-current terms used by Franchisor.

16.2 Consideration

Guarantor has requested Franchisor to enter into this Agreement with Developer and Franchisor does so in consideration of this guarantee and indemnity.

16.3 Guarantee

Guarantor unconditionally and irrevocably guarantees to Franchisor prompt performance of all of the obligations of Developer contained or implied in this Agreement. If the obligation is to pay money, Franchisor may recover the money from Guarantor as a liquidated debt.

16.4 Indemnity

- (1) If Developer is not bound by some or all of its obligations under this Agreement, Guarantor agrees, by way of indemnity and principal obligation, to pay to Franchisor the amount which would have been payable by Guarantor to Franchisor under the guarantee in clause 16.3 had Developer been bound.
- (2) Guarantor indemnifies Franchisor and agrees to hold it harmless in respect of any failure by Developer to perform any of its obligations under this Agreement including any obligation to pay money to Franchisor.

16.5 Continuing Security

This guarantee and indemnity is a continuing security, and is not discharged or prejudicially affected by any settlement of accounts, but remains in full force until a final release is given by Franchisor.

16.6 Matters Not Affecting Guarantor's Liability

Guarantor's liability under this clause 16 is not affected by:

- (1) The granting of time, forbearance, or other concession by Franchisor to Developer or any Guarantor;
- (2) An absolute or partial release of Developer or any Guarantor or a compromise with Developer or any Guarantor;
- (3) A variation of this Agreement;
- (4) A transfer of this Agreement by Developer;
- (5) The termination of this Agreement;
- (6) Any disputes or differences between Developer and Franchisor;

- (7) The fact that this Agreement is wholly or partially void, voidable, or unenforceable;
- (8) The non-execution of this Agreement by one or more of the persons named as Guarantor or the unenforceability of the guarantee or indemnity against one or more Guarantors; or
- (9) The exercise or purported exercise by Franchisor of its rights under this Agreement.

16.7 Payment Later Avoided

Guarantor's liability is not discharged by a payment to Franchisor which is later avoided by law. If that happens, the parties are restored to their respective rights and obligations as if the payment had not been made.

16.8 Indemnity on Disclaimer

If a liquidator or trustee in bankruptcy disclaims this Agreement, Guarantor indemnifies Franchisor against any resulting loss.

16.9 Guarantor Not to Prove in Liquidation or Bankruptcy

Until Franchisor has received all money payable to it by Developer, Guarantor must:

- (1) Not prove or claim in any liquidation, bankruptcy, composition, arrangement, or assignment for the benefit of creditors; and
- (2) Hold any claim it has and any dividend it receives on trust for Franchisor.

16.10 Guarantee to Continue on Transfer of Rights

If Franchisor transfers its rights under this Agreement, the benefit of the guarantee and indemnity in this clause 16 extends to the transferee and continues concurrently for the benefit of Franchisor regardless of the transfer unless Franchisor releases Guarantor in writing.

16.11 Certificate as to Liability

A certificate signed by Franchisor or its solicitors about a matter or about a sum payable to Franchisor in connection with this Agreement is sufficient evidence of the matter or sum stated in the certificate unless the matter or sum is proved to be false.

17 Corporate Developer

17.1 Application of Clause

This clause 17 applies if Developer is a business entity.

17.2 Constitution

- (1) Before the Commencement Date, Developer must give to Franchisor a certified copy of Developer's constitution and certified copies of any other documents requested by Franchisor from Developer's company register.
- (2) Developer warrants that the constitution does not preclude Developer from being granted the Franchise or otherwise from exercising its rights and performing its obligations under this Agreement.

17.3 Directorship and Ownership of Developer

Developer:

- (1) Warrants that the Owners, directors and officers of Developer as at the date of execution are as notified to Franchisor by Developer; and
- (2) Must provide to Franchisor immediately upon request details of the Owners of Developer, including the number and class of Ownership Interests held by each Owner as at:
 - (a) The date of execution of this Agreement; and
 - (b) Any other date specified by Franchisor.

17.4 No Changes Without Franchisor's Consent

- (1) Developer must not allow any of the following to occur without first obtaining Franchisor's written consent:
 - (a) Any change in the composition of Developer's Owners, directors, and officers;
 - (b) Any alteration to Developer's constitution;
 - (c) Any Disposal of Ownership Interests in Developer; or
 - (d) Any reduction or alteration of Developer's capital.
- (2) Franchisor must not withhold consent unreasonably if:
 - (a) In the case of a Disposal of Ownership Interests, the requirements of clause 17.5 are met;
 - (b) Developer executed and delivers to Franchisor a general release;
 - (c) All new Owners execute and deliver to Franchisor a signed personal guarantee.
 - (d) All new Owners execute and deliver to Franchisor a confidentiality and non-competition agreement in the form specified by Franchisor; and
 - (e) In any other case, the change does not adversely affect Developer's ability to perform its obligations under this Agreement.

17.5 Transfer of Ownership Interests

Any Disposal of Ownership Interests in Developer must be treated as a Disposal by Developer of the Franchise and clause 17 will apply to that Disposal.

18 Acknowledgements, Representations, and Warranties

18.1 Acknowledgements and Representations

- (1) Developer and Guarantor each acknowledge that:
 - (a) They have relied upon their own investigations and judgment in entering this Agreement;
 - (b) Before signing this Agreement, they have undertaken their own due diligence and sought such professional advice and assistance as they consider appropriate in relation to Franchisor and all other matters relevant to this Agreement;
 - (c) They are not entering into this Agreement on the basis of any financial or other information provided by Franchisor or any express or implied statement or

representation by Franchisor or any Affiliate of Franchisor or any of their officers, employees, agents, or representatives; and

- (d) They have not been introduced to Franchisor by any broker or agent acting or purporting to act on behalf of Franchisor.
- (2) Developer acknowledges that Franchisor has agreed to grant the Development Business to Developer in reliance on the character, skills and financial capacity of Developer, the Owners and the General Manager, that the establishment and operation of Developer's Operation will involve significant financial risks, and that the success of Developer's Operation will depend upon the skills and financial capacity of Developer and the Owners and also upon changing economic and market conditions.
- (3) Developer acknowledges and agrees that it has conducted an independent investigation of the business contemplated by this Agreement and recognizes that it involves business risks making the success of the venture largely dependent on the business abilities of Developer. Franchisor expressly disclaims the making of, and Developer acknowledges that it has not received or relied upon, any warranty or guarantee expressed or implied as to the potential volume, profits or success of the business venture contemplated by this Agreement.
- (4) Developer and Guarantor represent that all information provided to Franchisor in support of Developer's application to acquire the Development Business including in relation to its financial capacity, resources, business experience and skills are complete, true and correct.
- (5) Franchisor makes no representation or warranty as to the suitability or otherwise of any premises or the site for an Outlet approved by it or that the operation of an Outlet will necessarily be profitable or successful.
- (6) Franchisor is not responsible for the acts or omissions of any person involved in the design of any Outlet, including any architects or consultants engaged by Franchisor.

18.2 Warranties

- (1) If Developer is a corporate entity, Developer represents and warrants that it is duly organized and validly existing in good standing under the laws of the jurisdiction of its incorporation.
- (2) Developer warrants that it has done everything necessary to do business lawfully in all jurisdictions in which its business is carried on, and has the power to enter into and perform this Agreement and has obtained all necessary consents and fulfilled all necessary Legal Requirements to enable it to do so.
- (3) Developer and Guarantor represent and warrant that the terms and conditions of this Agreement have been explained to each of them by an independent legal adviser and an independent business adviser and that they understand and accept the terms and conditions of this Agreement.
- (4) If Developer and Guarantor are corporate entities, they represent and warrant that the execution of this Agreement is in accordance with the requirements of their respective articles of incorporation and creates a binding obligation on them in accordance with the terms of this Agreement.

19 Notices

19.1 A notice or other communication connected with this Agreement (**Notice**) has no legal effect unless it is in writing.

19.2 In addition to any other method of service provided by law, the Notice may be:

- (1) Sent by prepaid priority post to the address of the addressee set out in this Agreement or subsequently notified;
- (2) Sent by email to the email address of the addressee set out, respectively, in Sections 8-10 of Schedule 1, or subsequently notified; or
- (3) Delivered at the address of the addressee set out in this Agreement or subsequently notified.

19.3 If the Notice is sent or delivered in a manner provided by clause 19.2, it must be treated as given to and received by the party to which it is addressed:

- (1) If sent by post, on the third Business Day (at the address to which it is posted) after posting;
- (2) If sent by email before 5:00 pm on a Business Day at the place of receipt, on the day it is sent and otherwise on the next Business Day at the place of receipt; or
- (3) If otherwise delivered before 5:00 pm on a Business Day at the place of delivery, upon delivery, and otherwise on the next Business Day at the place of delivery.

20 Force Majeure

20.1 A party (**Affected Party**) is not liable for any delay or failure to perform an obligation (other than to pay money) under this Agreement caused by:

- (1) Act of God;
- (2) War, terrorism, riot, insurrection, vandalism, or sabotage;
- (3) Strike, lockout, ban, limitation of work, or other industrial disturbance; or
- (4) Law, rule, or regulation of any government or governmental agency and executive or administrative order or act of general or particular application.

20.2 The Affected Party must notify each other party as soon as practical of any anticipated delay or failure caused by an event referred to in clause 20.1 (**Event**).

20.3 The performance of the Affected Party's obligation is suspended for the period of delay caused by the Event.

21 Power of Attorney

- (1) To secure performance by Developer of its obligations under this Agreement, Developer Parties irrevocably appoint Franchisor and each of its officers severally to be their attorney (**Attorney**) to exercise the powers described in this clause 21.
- (2) If Developer Parties breach any provision of this Agreement or any Collateral Agreement or at the end of the Development Business the Attorney may, in the name and at the Cost of either Developer or Guarantor, do anything required to be done by Developer Parties that Developer Parties have not done or have not done promptly or properly. This includes the execution and delivery of documents, transfers, assignments, deeds, forms, notices or other instruments, specifically relating to the Marks and the Website.

- (3) The powers granted under this clause 21 commence when this Agreement is executed and continue despite the end of the Development Business.
- (4) Developer Parties:
 - (a) Ratify and confirm anything an Attorney lawfully does under this clause 21; and
 - (b) Must pay on demand all the Costs or other liabilities incurred by or on behalf of Franchisor or the Attorney under this clause 21.

22 Changes in Laws

22.1 Taxes and Charges

If any laws are changed or new laws are introduced or courts or any relevant authority interpret laws differently which results in Franchisor having to pay a tax, duty, excise or levy (**Impost**) on amounts received from Developer, Developer Affiliate, and a Chatime Store under this Agreement (other than income tax) or on goods or services supplied by Franchisor under this Agreement, Developer, Developer Affiliate and the Chatime Store must pay to Franchisor an additional amount so that after Franchisor has paid the Impost its yield under this Agreement is unchanged.

22.2 Amend Agreement to Comply with Future Laws

The parties agree that if any laws are changed or introduced or any relevant authority publishes or issues any statement, rules, code or requirement which in the reasonable opinion of Franchisor or its legal representatives renders or is likely to render all or part of this Agreement unenforceable, illegal, or void, the parties will immediately amend this Agreement and do all things (including executing documents) necessary or desirable to ensure that this Agreement is not unenforceable, illegal, or void.

23 Miscellaneous

23.1 Choice of Law. This Agreement, and any dispute or controversy arising from or relating to this Agreement, shall be governed and decided by the law of the State of Delaware, without reference to choice of law rules.

23.2 Taxes

Franchisor will have no liability for any sales, value added, use, service, stamp duty, occupation, excise, gross receipts, income, property, payroll, or other taxes, whether levied upon this Agreement, Developer, one or more Outlets, Franchisees or Developer's property, or upon Franchisor, in connection with operations conducted by Developer (except any taxes that Franchisor is required by law to collect from Developer with respect to purchases from Franchisor or taxes. Payment of all such taxes will be the responsibility of Developer.

23.3 Subcontracting and Agency

- (1) Franchisor is entitled to subcontract the performance of any of its obligations to be performed in the Development Area under this Agreement and exercise any of its rights in the Development Area under this Agreement to any person nominated by Franchisor, and any notice required to be given by Franchisor shall be validly given if given by such person.
- (2) Developer must not subcontract the performance of any of its obligations to be performed in the Development Area under this Agreement without the prior consent of Franchisor.

23.4 Exercise of Rights

A party may exercise a right, power, or remedy at its discretion, and separately or concurrently with

another right, power or remedy. A single or partial exercise of a right, power, or remedy by a party does not prevent a further exercise of that or of any other right, power, or remedy. Failure by a party to exercise or delay in exercising a right, power, or remedy does not prevent its exercise.

23.5 Approvals and Consents

Franchisor may give conditionally or unconditionally or withhold its approval or consent in its absolute discretion unless this Agreement expressly provides otherwise. Franchisor may require Franchisee and its Owners to execute and deliver to Franchisor a general release as a condition for granting any approval or consent or for agreeing to any amendment of this Agreement.

23.6 Indemnities

Each indemnity in this Agreement is a continuing obligation, separate and independent from the other obligations of the parties and survives termination of this Agreement. It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity conferred by this Agreement. Any indemnities and assumptions of liabilities or obligations under this Agreement survive termination or expiration of this Agreement.

23.7 Survival of Obligation After Termination and Expiration

Termination or expiration of this Agreement does not release any party from that party's obligations which expressly survive of or are capable of survival of this Agreement and specifically including but not limited to clauses 4.1, 4.2, 6.1, 7.2, 7.8, 8.1, 9.2, 9.6, 13.1(2), 14, 15, 16, 19, and 21.

23.8 Costs and Expenses

- (1) Developer must pay, or reimburse Franchisor on demand for, all Franchisor's Costs (including legal Costs on a solicitor and own client or full indemnity basis, whichever is the greater) in connection with or incidental to:
 - (a) Any default by Developer in observing or performing any of its obligations under this Agreement;
 - (b) Any termination of this Agreement; and
 - (c) The contemplated, attempted, or actual enforcement, preservation, or exercise of any right under this Agreement including the obtaining by Franchisor of any advice or information as to its rights under this Agreement or otherwise arising from a breach of this Agreement by Developer.

23.9 Authority to Complete

By their execution of this Agreement, Developer Parties authorize Franchisor to complete any Sections in Schedule 1 that are blank on the date of execution, with the details that Franchisor determines.

23.10 Severability

- (2) If any provision in this Agreement is unenforceable, illegal, or void or makes this Agreement or any part of it unenforceable, illegal, or void, then that provision is severed and the rest of this Agreement remains in force.
- (3) If any provision in this Agreement is unenforceable, illegal, or void in one jurisdiction but not in another jurisdiction or makes this Agreement or any part of it unenforceable, illegal, or void in one jurisdiction but not in another jurisdiction, then that provision is severed only

in respect of the operation of this Agreement in the jurisdiction where it is unenforceable, illegal, or void.

23.11 Entire Understanding

Subject to the provisions of any written material entered into and approved by Franchisor and to which Franchisor and Developer are parties, this Agreement:

- (1) Is the entire agreement and understanding between the parties on everything connected with the subject matter of this Agreement; and
- (2) Supersedes any prior agreement or understanding on anything connected with that subject matter.

Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the representations made in the Development Business Disclosure Document, its exhibits and amendments.

23.12 Variation

An amendment or variation to this Agreement is not effective unless it is in writing and signed by the parties.

23.13 Waiver

- (3) A party's failure or delay to exercise a power or right does not operate as a waiver of that power or right.
- (4) The exercise of a power or right does not preclude either its exercise in the future or the exercise of any other power or right.
- (5) A waiver is not effective unless it is in writing.
- (6) Waiver of a power or right is effective only in respect of the specific instance to which it relates and for the specific purpose for which it is given.

23.14 Adverse Effect

In exercising, or deciding not to exercise, any right or discretion under this Agreement, a party is not required to take into account any adverse effect on another party.

23.15 Further Assurance

Each party must promptly at its own Cost do all things (including executing and if necessary delivering all documents) necessary or desirable to give full effect to this Agreement.

23.16 Governing Law and Jurisdiction

The law of the State of Delaware.

23.17 Non-merger

Each obligation which expressly survives or is capable of surviving the end of the Development Business, continues in force despite the termination of this Agreement and the end of the Development Business.

23.18 Time of the Essence

- (1) Time is of the essence of this Agreement.
- (2) If the parties agree to vary a time requirement the time requirement so varied is of the essence of this Agreement.
- (3) An agreement to vary a time requirement must be in writing.

23.19 Execution of Counterparts

- (1) This Agreement may be executed in any number of counterparts. Each counterpart is an original but the counterparts together are one and the same agreement.
- (2) This Agreement is binding on the parties on the exchange of executed counterparts. A copy of an original executed counterpart sent by facsimile machine or by email:
 - (a) Must be treated as an original counterpart;
 - (b) Is sufficient evidence of the execution of the original; and
 - (c) May be produced in evidence for all purposes in place of the original.

23.20 Special Conditions

Any conditions set out in Section 11 of Schedule 1 form part of this Agreement. If there is any inconsistency between a provision of the Special Conditions and a provision of this Agreement, the provision of the Special Conditions prevails to the extent of the inconsistency.

[Signatures on the following page.]

EXECUTED and delivered on the date shown on the first page.

FRANCHISOR

Signed and delivered for and on behalf of
Chatime Franchise, LLC by its authorized
representative:

Signature

Date

Name of authorized signatory
(BLOCK LETTERS)

DEVELOPER

Signed and delivered for and on behalf of
#insert name of Developer# by Franchisee
or its authorized representative:

Signature

Date

Name of authorized representative
(BLOCK LETTERS)

GUARANTOR

Signed and delivered for and on behalf of
#insert name of Guarantor# by its
authorized representative in the presence of:

Signature

Date

Name of Guarantor
(BLOCK LETTERS)

Schedule 1

Section 1 **Developer**

Name: #insert#
Company Number: #insert#
Address: #insert#

Section 2 **Owner(s)**

Name: #insert#
Address: #insert#

Name: #insert#
Address: #insert#

Section 3 **Guarantor(s)**

Name: #insert#
Address: #insert#

Name: #insert#
Address: #insert#

Section 4 **Development Area**

List Census Tracts or Zip Codes, and attach map:

as reflected on the below or attached Map (Attach Map)

Section 5 **Development Quota and Development Period**

Development Period (By Month)	Development Quota (Number of new outlets opened)	Development Quota (Number of outlets in operation by end of each)

Section 6 **Development Fee**

Section 7 **Franchisor's Bank Account**

Name of Bank: East West Bank
Address of Bank: 9300 Flair Drive, 4th Fl.
El Monte, CA 91731

SWIFT CODE: EWBKUS66XXX
Account name: Chatime Franchise LLC
Account Number: 8627007092

Section 8 **Franchisor's Address for Service**

6000 Sepulveda Blvd.
Culver City, CA 90230
Tel. +61 202840880

Section 9 **Developer's Address for Service**

Address: #insert#
Attn: #insert#
Email address: #insert#
Contact no.: #insert#






Section 10 **Guarantor's Address for Service**

Address: #insert#
Attn: #insert#
Email address: #insert#
Contact no.: #insert#

Section 11 **Special Conditions**

Schedule 2 – Marks and Websites

REGISTERED MARKS

Trademark	Registration Number	Registration Date
CHATIME	Registration No. 5,321,339	Registered October 31, 2017
“Chatime Ri Chu Cha Tai”  (and design)	Registration No. 4,178,239	Registered July 24, 2012
 (design only)	Registration No. 6,310,008	Registered March 30, 2021
“Chatime”  (and design)	Registration No. 6,817,092	Registered August 16, 2022
	Registration No. 7,078,475	Registered June 13, 2023
	Registration No. 7,208,570	Registered October 31, 2023

Websites and social media:

Meta: <https://www.facebook.com/ChatimeUSA>

Instagram: <https://www.instagram.com/chatimeusa/>

Twitter: https://twitter.com/Chatime_USA

Other: <https://www.tiktok.com/@chatimeusa>

Exhibit D to the Franchise Disclosure Document

LIST OF AGENTS FOR SERVICE OF PROCESS AND REGULATORY AUTHORITIES

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
<i>California</i>	California Commissioner of Financial Protection and Innovation: Los Angeles: 320 West Fourth Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505 or (866) 275-2677 Sacramento: 2101 Arena Boulevard Sacramento, CA 95834 (916) 445-7205 or (866) 275-2677 San Diego: 1350 Front Street, Suite 2034 San Diego, CA 92101-3697 (619) 525-4233 or (866) 275-2677 San Francisco: One Sansome Street, Suite 600 San Francisco, CA 94104 (415) 972 8559 or (866) 275-2677	Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505 or (866) 275-2677
<i>Hawaii</i>	Commissioner of Securities Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 204 Honolulu, HI 96813 (808) 586-2722	Business Registration Division Hawaii Department of Commerce and Consumer Affairs 335 Merchant Street, Room 204 Honolulu, HI 96813 (808) 586-2722
<i>Illinois</i>	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Office of the Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465
<i>Indiana</i>	Indiana Secretary of State Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State Securities Division Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681
<i>Maryland</i>	Maryland Securities Commissioner Office of Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Office of Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
<i>Michigan</i>	[Not Applicable]	Michigan Department of Attorney General Consumer Protection Division Franchise Section G. Mennen Williams Building 525 West Ottawa, First Floor Lansing, MI 48913 (517) 373-7117
<i>Minnesota</i>	Commissioner of Commerce Minnesota Department of Commerce 85 Seventh Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Department of Commerce 85 Seventh Place East, Suite 280 St. Paul, MN 55101-2198 (651) 296-6328
<i>New York</i>	New York Secretary of State New York Department of State 99 Washington Avenue, Sixth Floor Albany, NY 12231	New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222
<i>North Dakota</i>	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capitol 14 th Floor Dept. 414 Bismarck, ND 58505-0510	North Dakota Securities Department 600 East Boulevard Avenue State Capitol 14 th Floor Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712
<i>Rhode Island</i>	Director of Rhode Island Department of Business Regulation Division of Securities 1511 Pontiac Avenue John O. Pastore Complex, Building 69-1 Cranston, RI 02920 (401) 462-9527	Division of Securities 1511 Pontiac Avenue John O. Pastore Complex, Building 69-1 Cranston, RI 02920 (401) 462-9527
<i>South Dakota</i>	Director of the Division of Securities Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Franchise Administrator Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563
<i>Texas</i>	[Not Applicable]	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769
<i>Utah</i>	[Not Applicable]	Division of Consumer Protection Utah Department of Commerce 160 East Three Hundred South P.O. Box 45804 Salt Lake City, UT 84114 (801) 530-6601

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
<i>Virginia</i>	Clerk of the State Corporation Commission 1300 East Main Street, First Floor Richmond, VA 23219 (804) 371-9733	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, Ninth Floor Richmond, VA 23219 (804) 371-9051
<i>Washington</i>	Director of Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater WA 98501 (360) 902-8760	Administrator Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater WA 98501 (360) 902-8760
<i>Wisconsin</i>	Wisconsin Commissioner of Securities P.O. Box 1768 345 West Washington Avenue, Fourth Floor Madison, WI 53703 (608) 261-9555	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 West Washington Avenue, Fourth Floor Madison, WI 53703 (608) 261-9555

Exhibit E to the Franchise Disclosure Document

STATE ADDENDA

CALIFORNIA

**CALIFORNIA ADDENDUM TO THE CHATIME FRANCHISE, LLC
FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the California Franchise Investment Law, Cal. Corporations Code §31000 *et seq.* the Chatime Franchise, LLC Franchise Disclosure Document for use in the State of California will be amended as follows:

1. Neither Chatime Franchise, LLC (“we” or “us”) nor any person identified in Item 2 of the Disclosure Document is currently 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.

2. Item 17 of the Disclosure Document will be supplemented with the following:

California Business and Professions Code §§20000 through 20043 provide rights to you concerning termination, transfer, or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §101 *et seq.*)

The Franchise Agreement requires application of the laws of the state of Delaware. This provision may not be enforceable under California law.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the Franchise Agreement. This provision may not be enforceable under California law.

The Franchise Agreement contains a forum selection clause that requires you to litigate any dispute with us in New York, and you must pay all expenses, including attorneys’ fees and costs, incurred by us (a) to remedy any defaults of, or enforce any rights under, the Franchise Agreement; (b) to effect termination of the Franchise Agreement; and (c) to collect any amounts due under the Franchise Agreement. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code §20040.5 and Code of Civil Procedure §1281) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

3. §31125 of the California Corporation Code requires us to give you a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, prior to a solicitation of a proposed material modification of an existing franchise.

4. The Franchise Agreement requires that any action that is brought by you against us be commenced in New York and that you must irrevocably submit to the jurisdiction of such court. This provision may not be enforceable under California law.
5. Exhibit F to the Franchise Disclosure Document (Acknowledgement Addendum to Franchise Agreement) is deleted. Franchisee and its principals are not required to complete and sign the Acknowledgement Addendum.
6. 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.
7. 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.
8. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

ILLINOIS

**ILLINOIS ADDENDUM TO THE
CHATIME FRANCHISE, LLC FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, the Chatime Franchise, LLC Franchise Disclosure Document for use in the State of Illinois will be amended as follows:

1. The third paragraph on the Cover Page is amended to read as follows:

“The total investment for three to ten locations is \$360,600 to \$713,900. This includes \$166,900 to \$319,400 that must be paid to us or our affiliates.”

2. Items 5 and 7 of the Franchise Disclosure Document will be supplemented with the following:

“Illinois law governs the Franchise Agreement.

In conformance with §4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in §§19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with §41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.”

3. Exhibit F to the Franchise Disclosure Document (Acknowledgement Addendum to Franchise Agreement) is deleted. Franchisee and its principals are not required to complete and sign the Acknowledgement Addendum.
4. 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.

**ILLINOIS AMENDMENT TO THE
CHATIME FRANCHISE, LLC FRANCHISE AGREEMENT**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, the parties to the Chatime Franchise, LLC Franchise Agreement (the “Franchise Agreement”) agree as follows:

1. Illinois law governs the Franchise Agreement.
2. In conformance with §4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in §§19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with §41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

CHATIME FRANCHISE, LLC

FRANCHISEE

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

**ILLINOIS AMENDMENT TO THE
CHATIME FRANCHISE, LLC MULTI-UNIT DEVELOPMENT AGREEMENT**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, the parties to the Chatime Franchise, LLC Multi-Unit Development Agreement (the “Multi-Unit Development Agreement”) agree as follows:

1. Illinois law governs the Multi-Unit Development Agreement.
2. In conformance with §4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in §§19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with §41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Multi-Unit Development Agreement on the same date as that on which the Franchise Agreement was executed.

CHATIME FRANCHISE, LLC

DEVELOPER

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

MARYLAND

**MARYLAND ADDENDUM TO THE
CHATIME FRANCHISE, LLC FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Bus. Reg. Code Ann. §14-201 *et seq.*, the Chatime Franchise, LLC Franchise Disclosure Document for use in the State of Maryland will be amended as follows:

1. Items 5 and 7 of the Disclosure Document will be supplemented with the following:

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

2. Items 17(c) and 17(m), under the headings entitled "Requirements for Franchisee to Renew or Extend" and "Conditions for Franchisor Approval of Transfer," will be amended by the addition of the following language at the end of those sections:

However, a general release required as a condition of approval will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Item 17(f), under the heading entitled "Termination by Franchisor With Cause," will be amended by the addition of the following language at the end of the section:

The provision in the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et seq.*).

4. Item 17(v), under the heading entitled "Choice of Forum," will be amended by the addition of the following language at the end of those sections:

However, you may sue us in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. Exhibit F to the Franchise Disclosure Document (Acknowledgement Addendum to Franchise Agreement) is deleted. Franchisee and its principals are not required to complete and sign the Acknowledgement Addendum.

6. 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.

**MARYLAND AMENDMENT TO THE
CHATIME FRANCHISE, LLC FRANCHISE AGREEMENT**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Bus. Reg. Code Ann. §14-201 *et seq.*, the parties to the attached Chatime Franchise, LLC Franchise Agreement (the “Franchise Agreement”) agree as follows:

1. Clause 6 of the Franchise Agreement is amended to add the following:

Notwithstanding the foregoing, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by multi-unit developers shall be deferred until the first franchise under the multi-unit development agreement opens.

2. Clauses 2.6(3)(h) and 26.2 of the Franchise Agreement, entitled “Options for New Term,” and “Governing Law and Jurisdiction,” and Clause 2.7(3)(h) of any Multi-Unit Development Agreement, will be amended by the addition of the following at the end of the clauses:

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

3. Clause 16.3 of the Franchise Agreement is amended to add the following:

This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

4. Clause 25.12 of the Franchise Agreement, entitled “Entire Understanding,” will be amended by the addition of the following at the end of the clause:

Nothing in this Agreement or any other agreement is intended to disclaim Franchisor’s representations in Franchisor’s Franchise Disclosure Document.

5. Clause 25.1 of the Franchise Agreement, entitled “Choice of Law,” will be amended by the addition of the following at the end of the clause:

Notwithstanding the above, Maryland franchisees are permitted to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. Clauses 20.1(1), (2), and (3), and 20.2(3) of the Franchise Agreement are deleted.

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. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independently of the Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

CHATIME FRANCHISE, LLC

FRANCHISEE

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

**MARYLAND AMENDMENT TO THE
CHATIME FRANCHISE, LLC MULTI-UNIT DEVELOPMENT AGREEMENT**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Bus. Reg. Code Ann. §14-201 *et seq.*, the parties to the attached Chatime Franchise, LLC Multi-Unit Agreement (the “Multi-Unit Development Agreement”) agree as follows:

1. Clause 5.1 of the Multi-Unit Development Agreement is amended to add the following:

Notwithstanding the foregoing, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by multi-unit developers shall be deferred until the first franchise under the multi-unit development agreement opens.

2. Clause 14.3 of the Multi-Unit Development Agreement is amended to add the following:

This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

3. Clauses 18.1(1), (2) and (3), and 18.2(3) of the Multi-Unit Development Agreement are deleted.

4. 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.

5. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independently of the Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

CHATIME FRANCHISE, LLC

MULTI-UNIT DEVELOPER

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

Minnesota

MINNESOTA

**MINNESOTA ADDENDUM TO THE
CHATIME FRANCHISE, LLC FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat. §§80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§2860.0100 through 2860.9930, the Chatime Franchise, LLC Franchise Disclosure Document for use in the State of Minnesota will be amended to include the following:

1. In Item 17(m), under the heading entitled “Conditions for Franchisor Approval of Transfer,” will be amended by adding the following language at the end of the section:

Any general release will not apply to any liability under the Minnesota Franchise Law.

2. In Items 17(b), 17(c), 17(f), and 17(k), under the headings entitled “Renewal or Extension of the Term,” “Requirements for Franchisee to Renew or Extend,” “Termination by Franchisor With Cause,” and “‘Transfer’ by Franchisee – Defined,” will be amended by adding the following language at the end of those sections:

Minnesota law provides you with certain termination, non-renewal, and transfer rights. In sum, Minn. Stat. §80C.14 (Subd. 3, 4, and 5) currently requires, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably denied.

3. In Item 17(v), under the heading entitled “Choice of Forum,” will be amended by adding the following language at the end of the section:

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minn. Stat. §80C, or your rights to any procedure, forum, or remedies provided for by the laws of the State of Minnesota.

4. In Item 17(w), under the heading entitled “Choice of Law,” will be amended by adding the following language at the end of the section:

This provision may not be enforceable under Minnesota law.

5. The Franchisor will protect the Franchisee's right to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the Franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.
6. Minn. Rules §2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
7. Any limitations of claims must comply with Minn. Stat. §80C.17, Subd. 5.
8. Exhibit F to the Franchise Disclosure Document (Acknowledgement Addendum to Franchise Agreement) is deleted. Franchisee and its principals are not required to complete and sign the Acknowledgement Addendum.
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.
10. Each provision of this Addendum to the Disclosure Document will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act, Minn. Stat. §§80C.01 through 80C.22 and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§2860.0100 through 2860.9930 are met independently without reference to this Addendum to the Disclosure Document.

**MINNESOTA AMENDMENT TO THE
CHATIME FRANCHISE, LLC FRANCHISE AGREEMENT**

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat. §§80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§2860.0100 through 2860.9930, the parties to the attached Chatime Franchise, LLC Franchise Agreement (the “Franchise Agreement”) agree as follows:

1. Clauses 2, 13, and 15 of the Franchise Agreement, under the headings “Grant of rights,” “Transfer and other dealings by the Franchisee,” and “Termination of Agreement,” will be supplemented by the addition of the following language:

Minnesota law provides franchisees with certain termination, non-renewal, and transfer rights. In sum, Minn. Stat. §80C.14, Subd. 3, 4, and 5 currently requires, except specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.

2. Clause 25.1 of the Franchise Agreement, under the heading entitled “Choice of Law,” will be supplemented by the addition of the following language:

Pursuant to Minn. Stat. §80C.21, this Section 27.16 will not in any way abrogate or reduce any of Franchisee’s rights as provided for in the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

3. The Franchisor will protect the Franchisee’s right to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the Franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

4. Minn. Rule §2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

5. Any limitations of claims must comply with Minn. Stat. §80C.17, Subd. 5.

6. Sections 20.1(1), (2), and (3), and 20.2(3) of the Franchise Agreement are deleted, and if applicable, Sections 18.1(1), (2) and (3), and 18.2(3) of the Multi-Unit Development Agreement are deleted.

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. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act, Minn. Stat. §§80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§2860.0100 through 2860.9930, are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

CHATIME FRANCHISE, LLC

FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

New York

NEW YORK

**NEW YORK ADDENDUM TO THE
CHATIME FRANCHISE, LLC FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the New York General Business Law, Article 33, §§680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, §§200.1 through 201.16, the Chatime Franchise, LLC Franchise Disclosure Document for use in the State of New York will be amended as follows:

1. The “Special Risks to Consider About This Franchise” listed on page “iv” of the Franchise Disclosure Document will be supplemented with the following additional risk(s):

4. The franchisor may, if it chooses, negotiate with you about items covered in the Franchise Disclosure Document. However, the franchisor cannot use the negotiating process to prevail upon a prospective franchisee to accept terms which are less favorable than those set forth in this Franchise Disclosure Document.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor’s principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded *nolo contendere* to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded *nolo contendere* to a misdemeanor charge or has been the subject of a civil action alleging violation of a franchise, antifraud, or securities law, fraud; embezzlement, fraudulent conversion or misappropriation of property, unfair or deceptive practices, or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange, or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought

by a public agency or department including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), “Requirements for franchisee to renew or extend,” and Item 17(m), “Conditions for franchisor approval of transfer:”

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force; it being the intent of this provision that the non-waiver provisions of General Business Law §§687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), “Termination by franchisee:”

You may terminate the Agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), “Choice of forum,” and Item 17(w), “Choice of law:”

The foregoing choice of law should not be considered a waiver of any right conferred upon the Franchisor or upon the Franchisee by Article 33 of the General Business Law of the State of New York.

6. Exhibit F to the Franchise Disclosure Document (Acknowledgement Addendum to Franchise Agreement) is deleted. Franchisee and its principals are not required to complete and sign the Acknowledgement Addendum.

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.

**NEW YORK AMENDMENT TO THE
CHATIME FRANCHISE, LLC FRANCHISE AGREEMENT**

In recognition of the requirements of the New York General Business Law, Article 33, the parties to the attached Chatime Franchise, LLC Franchise Agreement (the “Franchise Agreement”) agree as follows:

1. Section 2.6(3)(h) of the Franchise Agreement, “Option for New Term,” will be amended by adding the following language at the end of the Section:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force; it being the intent of this provision that the non-waiver provisions of General Business Law §§687.4 and 687.5 be satisfied.

2. Clause 25.1 of the Franchise Agreement, “Choice of Law,” will be amended by adding the following language at the end of the Clause:

However, the foregoing choice of law should not be considered a waiver of any right conferred upon the Franchisor or upon the Franchisee by Article 33 of the General Business Law of the State of New York.

3. Sections 20.1(1), (2), and (3), and 20.2(3) of the Franchise Agreement are deleted, and if applicable, Sections 18.1(1), (2) and (3), and 18.2(3) of the Multi-Unit Development Agreement are deleted.

4. 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.

5. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the New York General Business Law, Article 33, §§680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, §§200.1 through 201.16, with respect to each such provision, are met independent of the Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

CHATIME FRANCHISE, LLC

FRANCHISEE

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title: _____

North Dakota

NORTH DAKOTA

**NORTH DAKOTA ADDENDUM TO THE
CHATIME FRANCHISE, LLC FRANCHISE DISCLOSURE DOCUMENT**

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST, OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NORTH DAKOTA CENTURY CODE (“NDCC”) §51-19-09):

- A. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC §9-08-06, without further disclosing that such covenants will be subject to the statute.
- B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee’s business.
- C. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- E. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
- F. Waiver of Trial by Jury: Requiring North Dakota franchises to consent to the waiver of a trial by jury.
- G. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damage.
- H. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
- I. Limitation of Claims: Franchise agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- J. Enforcement of Agreement: Franchise agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

In recognition of the requirements of NDCC §51-19-09, the Franchise Disclosure Document of Chatime Franchise, LLC for use in the State of North Dakota will be amended to include the following:

1. Items 5 and 7 of the Disclosure Document will be supplemented with the following:

Payment of all initial fees is postponed until after all of Franchisor's initial obligations owed to Franchisee under the Franchise Agreement or other documents have been fulfilled by the Franchisor and the Franchisee has commenced doing business pursuant to the Franchise Agreement.

2. Item 17(c) will be supplemented by the addition of the following language:

You will not be required to sign a general release upon renewal of the Franchise Agreement or Multi-Unit Development Agreement.

3. Item 17(i) will be supplemented by the addition of the following language:

You will not be required to consent to liquidated damages or termination penalties.

4. Item 17(r) will be supplemented by the addition of the following language:

All covenants restricting competition are subject to NDCC §9-08-06. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

5. The language in Item 17(u) will be deleted and replaced by the following language:

Most disputes and claims relating to the Franchise Agreement and Multi-Unit Development Agreement will be settled by arbitration under the Arbitration Rules of the American Arbitration Association arbitration service at a location agreeable to all parties.

6. The language in Item 17(v) will be deleted and replaced by the following language:

All litigation must be brought in North Dakota.

7. The language in Item 17(w) will be deleted and replaced by the following language:

All disputes will be governed by the laws of the State of North Dakota.

8. Exhibit F to the Franchise Disclosure Document (Acknowledgement Addendum to Franchise Agreement) is deleted. Franchisee and its principals are not required to complete and sign the Acknowledgement Addendum.

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.

**NORTH DAKOTA AMENDMENT TO THE
CHATIME FRANCHISE, LLC FRANCHISE AGREEMENT**

In recognition of the requirements of North Dakota Century Code (“NDCC”) §51-19-09, the parties to the attached Chatime Franchise, LLC Franchise Agreement (the “Franchise Agreement”) and, if applicable, the attached Chatime Franchise LLC Multi-Unit Development Agreement (“Multi-Unit Development Agreement”), agree as follows:

1. Clause 6 of the Franchise Agreement is amended to add the following:

Notwithstanding the foregoing, payment of all initial fees is postponed until after all of Franchisor’s initial obligations owed to Franchisee under the Franchise Agreement or other documents have been fulfilled by the Franchisor and the Franchisee has commenced doing business pursuant to the Franchise Agreement.

2. The following language will be added at the end of Clause 2.6(3)(f) of the Franchise Agreement, and if applicable Clause 2.7.3(h) of the Multi-Unit Development Agreement:

You will not be required to sign a general release upon renewal of the Franchise Agreement.

3. The following language will be added at the end of Clause 9.2(2) of the Franchise Agreement:

All covenants restricting competition are subject to NDCC §9-08-06. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

4. Clause 16.3(2) of the Franchise Agreement, and if applicable Clause 14.3(2) of the Multi-Unit Development Agreement, is hereby deleted in its entirety, and replaced with the following:

The site of the arbitration shall be agreeable by all parties and may not be remote from the franchisee’s place of business. The parties and witnesses may appear by videoconference unless the parties agree otherwise.

6. The language in Clause 25.9 of the Franchise Agreement, under the heading “Costs and Expenses,” is hereby deleted in its entirety, and replaced with the following:

The prevailing party must pay or reimburse the non-prevailing party, on demand, for all of its Costs (including Legal Costs) in connection with or incidental to:

- (a) Any default by the Franchisee in observing or performing any of its obligations under this Agreement
- (b) Any termination of this Agreement; and
- (c) The contemplated, attempted or actual enforcement, preservation or exercise of any right under this Agreement including the obtaining by the Franchisor of any advice or

information as to its rights under this Agreement or otherwise arising from a breach of this Agreement by the Franchisee.

7. The language in Clause 25.1 of the Franchise Agreement, and if applicable Clause 23.1 of the Multi-Unit Development Agreement, is hereby deleted in its entirety, and replaced with the following:

This Agreement will be interpreted and construed exclusively under the laws of the State of North Dakota.

8. Sections 20.1(1), (2), and (3), and 20.2(3) of the Franchise Agreement are deleted, and if applicable, Sections 18.1(1), (2) and (3), and 18.2(3) of the Multi-Unit Development Agreement are deleted.

9. Section 16.4 of the Franchise Agreement, and if applicable Section 14.4 of the Multi-Unit Development Agreement, entitled "Waiver of Jury Trial," is deleted.

10. 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.

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

IN WITNESS WHEREOF, the parties hereto have duly executed this North Dakota Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

CHATIME FRANCHISE, LLC

FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

SOUTH DAKOTA

**SOUTH DAKOTA ADDENDUM TO THE
CHATIME FRANCHISE, LLC FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the South Dakota Securities Regulation Office, the Chatime Franchise, LLC Franchise Disclosure Document for use in the State of South Dakota will be amended to include the following:

1. Exhibit F to the Franchise Disclosure Document (Acknowledgement Addendum to Franchise Agreement) is deleted. Franchisee and its principals are not required to complete and sign the Acknowledgement Addendum.
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.

**SOUTH DAKOTA AMENDMENT TO THE
CHATIME FRANCHISE, LLC FRANCHISE AGREEMENT**

In recognition of the requirements of the South Dakota Securities Regulation Office, the parties to the attached Chatime Franchise, LLC Franchise Agreement (the "Franchise Agreement") agree as follows:

1. 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.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

CHATIME FRANCHISE, LLC

FRANCHISEE

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

VIRGINIA

**VIRGINIA ADDENDUM TO THE
CHATIME FRANCHISE, LLC FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the Virginia State Corporation Commission, the Chatime Franchise, LLC Franchise Disclosure Document for use in the State of Virginia will be amended to include the following:

1. Exhibit F to the Franchise Disclosure Document (Acknowledgement Addendum to Franchise Agreement) is deleted. Franchisee and its principals are not required to complete and sign the Acknowledgement Addendum.
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.

**VIRGINIA AMENDMENT TO THE
CHATIME FRANCHISE, LLC FRANCHISE AGREEMENT**

In recognition of the requirements of the Virginia State Corporation Commission, the parties to the attached Chatime Franchise, LLC Franchise Agreement (the "Franchise Agreement") agree as follows:

1. 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.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

CHATIME FRANCHISE, LLC

FRANCHISEE

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

WASHINGTON

**WASHINGTON ADDENDUM TO THE
CHATIME FRANCHISE, LLC FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the Washington Franchise Investment Protection Act, RCW §§19.100.010 through 19.100.940, the Chatime Franchise, LLC Franchise Disclosure Document for the offer and sale of franchises in the State of Washington will be amended as follows:

1. The Disclosure Document is amended to add the following risk factor:

Use of Franchise Brokers. The franchisor uses the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Carefully evaluate any information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

2. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, RCW §19.100 will prevail.

3. RCW §19.100.180 may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.

4. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

5. A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights, or remedies under the Act such as a right to a jury trial may not be enforceable.

6. Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

7. Pursuant to RCW §49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an

independent contractor of a franchisee under RCW §49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

8. RCW §49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor, or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

9. Exhibit F to the Franchise Disclosure Document (Acknowledgement Addendum to Franchise Agreement) is deleted. Franchisee and its principals are not required to complete and sign the Acknowledgement Addendum.

10. 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 to the Franchise Disclosure Document will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, RCW §§19.100.010 through 19.100.940, are met independently without reference to this Addendum.

**WASHINGTON AMENDMENT TO THE
CHATIME FRANCHISE, LLC FRANCHISE AGREEMENT AND THE MULTI-UNIT
DEVELOPMENT AGREEMENT**

In recognition of the requirements of the Washington Franchise Investment Protection Act, RCW §§19.100.010 through 19.100.940, the parties to the attached Chatime Franchise, LLC Franchise Agreement (the “Franchise Agreement”) and any Multi-Unit Development Agreement (if applicable) agree as follows:

1. Clause 2.1(3) of the Franchise Agreement, under the heading “Grant of rights for the Initial Term,” will be supplemented by the addition of the following language:

We agree not to compete unfairly with you within your Territory.

2. Clause 6 of the Franchise Agreement is amended to add the following:

Notwithstanding the foregoing, collection of the initial franchisee fees (including all initial franchise fees described in Item 5 of the Franchise Disclosure Document) shall be deferred until the franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee is open for business.

3. Clause 5.1 of the Multi-Unit Development Agreement is amended to add the following:

Notwithstanding the foregoing, collection of the multi-unit development fee shall be pro-rated proportionally, with a portion of the development fee being collected after each unit opens franchisor has met all its pre-opening obligations with respect to each such location..

4. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, RCW §19.100 will prevail.

5. RCW §19.100.180 may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.

6. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

7. A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

8. Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

9. Pursuant to RCW §49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW §49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

10. RCW §49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor, or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

11. Sections 20.1(1), (2), and (3), and 20.2(3) of the Franchise Agreement are deleted, and if applicable, Sections 18.1(1), (2) and (3), and 18.2(3) of the Multi-Unit Development Agreement are deleted.

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

13. Exhibit F to the Franchise Disclosure Document (Acknowledgement Addendum to Franchise Agreement) is deleted. Franchisee and its principals are not required to complete and sign the Acknowledgement Addendum.

Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, RCW §§19.100.010 through 19.100.940, are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

CHATIME FRANCHISE, LLC

FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Exhibit F to the Franchise Disclosure Document

**ACKNOWLEDGMENT ADDENDUM TO
CHATIME FRANCHISE, LLC
FRANCHISE AGREEMENT**

[Do not sign this Acknowledgement Addendum if you are resident of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin, or the business is to be operated in any of these states].

As you know, you and we are entering into a Franchise Agreement for the operation of a Chatime franchise. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations

1. Did you receive a copy of our Franchise Disclosure Document (and all exhibits and attachments) at least 14 calendar days prior to signing the Franchise Agreement? Check one: () Yes () No. If no, please comment:

2. Have you studied and reviewed carefully our Franchise Disclosure Document and Franchise Agreement? Check one: () Yes () No. If no, please comment:

3. Did you understand all the information contained in both the Franchise Disclosure Document and the Franchise Agreement? Check one () Yes () No. If no, please comment:

4. Was any oral, written, or visual claim or representation made to you which contradicted the disclosures in the Franchise Disclosure Document? Check one: () Yes () No. If yes, please state in detail the oral, written, or visual claim or representation:

5. Except as stated in Item 19 of the Franchise Disclosure Document, did any employee or other person speaking on behalf of Chatime Franchise, LLC make any oral, written, or visual claim, statement, promise, or representation to you that stated, suggested, predicted, or projected sales, revenues, expenses, earnings, income, or profit levels at any Chatime location or business, or the likelihood of success at your franchised business? Check one: () Yes () No. If yes, please state in detail the oral, written or visual claim or representation:

6. Did any employee or other person speaking on behalf of Chatime Franchise, LLC make any statement or promise regarding the costs involved in operating a franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document? Check one: () Yes () No. If yes, please comment:

7. Do you understand that that we and our affiliates have the right to issue franchises or operate competing businesses for or at locations, as we determine, as described in the Franchise Agreement? Check one: () Yes () No. If no, please comment:

8. Do you understand that the Franchise Agreement and Franchise Disclosure Document contain the entire agreement between you and us concerning the franchise for the System, meaning that any prior oral or written statements not set out in the Franchise Agreement or Franchise Disclosure Document will not be binding? Check one: () Yes () No. If no, please comment:

9. Do you understand that the success or failure of your franchise business will depend in large part upon your skills and experience, your business acumen, your location, the local market for products under the Chatime trademarks, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition, and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your Chatime Store may change?

Check one () Yes () No. If no, please comment:

10. Do you understand that you are bound by the non-compete covenants (both in-term and post-term) listed in the Franchise Agreement and that an injunction is an appropriate remedy to protect the interest of the System if you violate the covenant? Further, do you understand that the term “you” for purposes of the non-compete covenants is defined broadly in the Franchise Agreement, such that any actions in violation of the covenants by those holding any interest in the franchisee entity may result in an injunction, default and termination of the Franchise Agreement?

Check one () Yes () No. If no, please comment:

11. On the receipt pages of your Franchise Disclosure Document you identified

as the franchise sellers involved in this franchise sales process. Are the franchise sellers identified above the only franchise sellers involved with this transaction?

Check one () Yes () No. If no, please identify any additional franchise sellers involved with this transaction:

[SIGNATURE PAGE FOLLOWS]

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

NOTE: IF THE RECIPIENT IS A BUSINESS ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

FRANCHISEE:

By: _____

Name: _____

Title: _____

By: _____

Individually

Name: _____

By: _____

Individually

Name: _____

Exhibit G to the Franchise Disclosure Document
LIST OF OUTLETS OPEN AS OF DECEMBER 31, 2023

State	Name	Address	Telephone No.	Contact Person
Georgia	Mai Bakery Inc.*	7804 Abercorn Steet FD-9, Savannah, GA 31406	(917) 346-5056	Xian Zi Wu
Kansas	Chatime KC LLC**	0150-A West 119 th Street, Overland Park, KS 66213	(816)509-6373	Jainarine Ramkumar
Maryland	Lucky Leaf, LLC**	8137 Honeygo Blvd Nottingham, MD 21236	(215) 796-1128	Wai Li Lau
Maryland	Lucky Leaf, LLC**	512 Baltimore Pike, Bel Air, MD 21014	(215 796-1128	Wai Li Lau
Maryland	Lucky Leaf, LLC**	40 W. Chesapeake Ave, Suite TN1, Towson, MD 21204	(215 796-1128	Wai Li Lau
Maryland	Lucky Leaf, LLC**	5219 Buckeystown Pike, Fredrick, MD 21704	(215 796-1128	Wai Li Lau
New York	Wowlol Inc. **	858 Lexington Avenue, NY, NY	(631) 565-1691	Steven Cui Yue
North Dakota	Boba Time Inc. **	551A S. 7 th Street, Bismarck, ND 58504	(626) 278-6779	Windra Hiu

Former Franchisees

The chart below includes all franchisees, subfranchisees or licensees that had an outlet transferred, terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased doing business in our last fiscal year, or that had not communicated with us or our affiliates within ten weeks of the date of this Disclosure Document.

State	Name	Address	Telephone No.	Contact Person
California	JK Chatime Corp.*	168 Las Tunas Drive, #103, Arcadia, CA 91007	(619) 399-6096	Xuxin Zhang (Bella)
Maryland	Lucky Leaf, LLC**	1114 Light Street Baltimore, MD 21230	(215) 796-1128	Wai Li Lau
Maryland	Lucky Leaf, LLC**	10902 Boulevard Circle, Suite 2, Owings Mills, MD 21117	(215 796-1128	Wai Li Lau

Notes to both tables:

“*” means outlets issued franchise or license agreements by our affiliate La Kaffa.

**” means outlets issued franchise or license agreements by our affiliate Chatime USA.

All of the current and former franchisees listed in this Exhibit are or were operated by franchisees, licensees, subfranchisors, or subfranchisees pursuant to franchise agreements issued by our affiliates Chatime USA LLC or La Kaffa or the subfranchisees of Chatime USA LLC's subfranchisors. The franchisees, licensees, and subfranchisees of our affiliates Chatime USA LLC and La Kaffa are included in these tables because they are outlets of a type substantially similar to that offered to you. Because we have just started issuing franchises, we have never had any franchised outlets.

Exhibit H to the Franchise Disclosure Document

OPERATIONS MANUAL TABLE OF CONTENTS

CHATIME OPERATIONS MANUAL

TABLE OF CONTENTS

Subject	Pages
01 Introduction	15
02 Shaking Tea Up	213
03 Customer Satisfaction	24
04 Store Management	78
05 People Management	104
06 Sanitation and Safety	17
07 Cash Management	8
08 Management Tools	57
09 Delivery System	7
10 Chatime Operation Review	18
11 Tea Knowledge Module	26
12 Total Dissolved Solids (TDS)	20
Total Pages	397

Exhibit I to the Franchise Disclosure Document

STATE EFFECTIVE DATES

State Effective Dates

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

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

State	Effective Date
California	May 30, 2024
Hawaii	Pending
Illinois	August 2, 2024
Indiana	May 10, 2024
Maryland	August 2, 2024
Michigan	May 15, 2024
Minnesota	July 12, 2024
New York	June 24, 2024
North Dakota	June 21, 2024
Rhode Island	May 15, 2024
South Dakota	May 9, 2024
Virginia	May 14, 2024
Washington	Pending
Wisconsin	April 25, 2024

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.

Exhibit J to the Franchise Disclosure Document

RECEIPT

This Franchise Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully.

If Chatime Franchise, LLC offers you a franchise, it must provide this Franchise Disclosure Document to you: (a) 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 or at your reasonable request, or (b) under New York and Rhode Island law, if applicable, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) ten business days before you sign a binding agreement with, or make payment to the franchisor or an affiliate in connection with the proposed franchise sale, or (c) under Michigan law, if applicable, at least ten business days before you sign any binding franchise or other agreement or pay any consideration to the franchisor or an affiliate, whichever occurs first.

If Chatime Franchise, LLC does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in Exhibit C to this Franchise Disclosure Document.

The name, address and telephone number of the franchise seller offering the franchise are listed below:

This Franchise Disclosure Document was issued: April 19, 2024 (see Exhibit I for state effective dates).

Chatime Franchise, LLC, authorizes the respective state agencies identified in Exhibit D to receive service of process for it in the particular state. For all other states, the franchisor's agent for service of process is A Registered Agent, Inc., 8 The Green, Suite A, Dover, Delaware 19901.

I received a Franchise Disclosure Document issued April 19, 2024. Included are the following :

Exhibit A – Financial Statements
Exhibit B –Franchise Agreement
Exhibit C – Multi-Unit Development Agreement
Exhibit D – List of Agents for Service of Process and Regulatory Authorities
Exhibit E – Addenda Required by State(s)
Exhibit F – Acknowledgment Addendum to Chatime Franchise, LLC Franchise Agreement
Exhibit G – List of Franchisees
Exhibit H – Operations Manual Table of Contents
Exhibit I – State Effective Dates
Exhibit J – Receipt

Date: _____

By: _____

Name: _____

Please remove this page, sign and date this page, and keep it for your records.

RECEIPT

This Franchise Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully.

If Chatime Franchise, LLC offers you a franchise, it must provide this Franchise Disclosure Document to you: (a) 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 or at your reasonable request, or (b) under New York and Rhode Island law, if applicable, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) ten business days before you sign a binding agreement with, or make payment to the franchisor or an affiliate in connection with the proposed franchise sale, or (c) under Michigan, if applicable, at least ten business days before you sign any binding franchise or other agreement or pay any consideration to the franchisor or an affiliate, whichever occurs first.

If Chatime Franchise, LLC does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in Exhibit C to this Franchise Disclosure Document.

The name, address and telephone number of the franchise seller offering the franchise are listed below:

This Franchise Disclosure Document was issued: April 19, 2024 (see Exhibit I for state effective dates).

Chatime Franchise, LLC, authorizes the respective state agencies identified in Exhibit D to receive service of process for it in the particular state. For all other states, the franchisor's agent for service of process is A Registered Agent, Inc., 8 The Green, Suite A, Dover, Delaware 19901.

I received a Franchise Disclosure Document issued April 19, 2024. Included are the following:

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Exhibit D – List of Agents for Service of Process and Regulatory Authorities
Exhibit E – Addenda Required by State(s)
Exhibit F – Acknowledgment Addendum to Chatime Franchise, LLC Franchise Agreement
Exhibit G – List of Franchisees
Exhibit H – Operations Manual Table of Contents
Exhibit I – State Effective Dates
Exhibit J – Receipt

Date: _____

By: _____

Name: _____

Please remove this page, sign and date this page and return this page to Chatime Franchise, LLC, 6000 Sepulveda Blvd., Culver City, CA 90230 or David.Prince@chatime.com