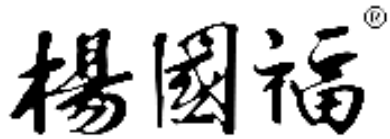


FRANCHISE DISCLOSURE DOCUMENT



CAPTAIN BUSINESS MANAGEMENT CO., LIMITED

1521 Concord Pike, Suite 201

Wilmington, DE 19803

(929) 977-6123

Fei.feng@yangguofu.global

<http://www.ygfchina.com>

You will operate a restaurant under the name “YGF” and/or “YANGGUOFU” that provides “Malatang”, a widely known Chinese fast cuisine and related products.

The total initial investment necessary to begin the operation of a YGF restaurant (“Restaurant,” “YGF Restaurant,” or “YANGGUOFU Restaurant”) ranges from \$346,600 to \$774,000. This amount includes payments that range from \$57,600 to \$76,000 that must be paid to us or an affiliate of ours.

This Disclosure Document summarizes certain provisions of our franchise agreement and other information in plain English. Undefined capitalized terms used in this disclosure document have the meaning assigned to them in the Franchise Agreement attached as Exhibit B. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive this Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the franchise development office at 1521 Concord Pike, Suite 201, Wilmington, DE 19803, at (929) 977-6123.

The terms of your franchise agreement will govern our franchise relationship. Do not rely on this Disclosure Document alone to understand your franchise agreement. Read the franchise agreement and all your other contracts carefully. Show the franchise agreement and all your other contracts and this Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

ISSUANCE DATE: March 31, 2025

## HOW TO USE THIS FRANCHISE DISCLOSURE DOCUMENT

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You may 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 C.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit E includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only YGF Restaurant in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be an YGF franchisee?</b>	Item 20 or Exhibit C lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	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 A.

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 Delaware or the franchisor's principal place of business. 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 Delaware than in your own state.
2. **Mandatory Minimum Payments**. You must make mandatory minimum royalty payments regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.

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

**CAPTAIN BUSINESS MANAGEMENT CO., LIMITED  
FRANCHISE DISCLOSURE DOCUMENT**

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

Captain Business Management Co., Limited (referred to in this Disclosure Document as “YGF,” “YANGGUOFU,” “we,” “us,” “our,” or “franchisor” and where the context requires also includes our affiliates) was formed as a Delaware limited liability company on April 8, 2024. Our principal place of business is 1521 Concord Pike, Suite 201 Street, New Castle, Wilmington, Delaware 19803, and we do business under our corporate name and the Marks as described below. In this Disclosure Document, we refer to the person or entity that will be signing the Franchise Agreement (defined below) as “you,” “your,” or “franchisee,” which includes all franchise owners and partners, if you are a corporation, partnership or other entity.

**The Franchisor**

We plan to begin offering YGF franchises in 2024. YGF franchises will sell “Malatang”, a widely known Chinese fast cuisine and related products under our proprietary Marks. We do not own or operate any businesses of the type being franchised. We have not offered franchises in any other line of business, and we do not engage in any other business activity.

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

**Our Parents, Predecessors and Affiliates**

We have no predecessor. Our parent, YGF Blessing Pte. Ltd., a Singapore private company limited by shares, was formed on October 27, 2023, and has the registered office address at 346C King George’s Avenue, King George’s Building, Singapore (208577). It does not own or operate a business of the type being franchised, it has never offered franchises in this or any other line of business, and it is not an approved supplier of any product or service you must purchase or lease.

We have four relevant affiliates. Our first affiliate, Xinxu (Shanghai) Information Technology Service Co., Ltd. (“Xinxu”), a Chinese limited liability company, was formed in January 2019 and has the registered office at Room 1504-3, 1065 West Zhongshan Road, Changning District, Shanghai, China. As of December 31, 2023, Xinxu is the licensor of 6,518 YGF restaurants located in China. Xinxu will be responsible for training and the majority of pre-opening obligations to our franchisees.

Xinxu has previously granted licenses to others to operate under the YGF name and offer the same products and services as YGF restaurants. As of the issuance December 31, 2024, there are eight (8) licensee locations currently open and operating. The above YGF licenses are not considered franchises since no substantial assistance has or will be provided by Xinxu to these licensees and it does and will not substantially control their operations.

Our second affiliate, Shanghai Yuelan Food and Beverages Management Co., Ltd. (“Yuelan”), a Chinese limited liability company, was formed on March 17, 2015, and has its registered office at Room 333, Block E, 753 Yuyuan Road, Changning District, Shanghai, China. Yuelan owns and operates two YGF restaurants located in Shanghai, China. It does not own or operate a business of the type being franchised, and it has never offered franchises in this or any other line of business.

Our third affiliate, Sichuan Yang Guofu Food Co., Ltd. (“SCYGF”), a Chinese limited liability company, was formed on September 14, 2015, and has the registered office at No. 716, Yongle Road, Functional Zone, China Sichuan Cuisine Industrial Park, Ande Town, Pidu District, Chengdu, Sichuan Province, China. SCYGF primarily manufactures YGF proprietary sauces & seasonings and related products and sells

them to YGF Restaurants in China. SCYGF is an approved supplier of certain products or services you must purchase. It does not own or operate a business of the type being franchised, and it has never offered franchises in this or any other line of business.

Our fourth affiliate, Shanghai Yuna Supply Chain Management Co., Ltd. (“Yuna”), a Chinese limited liability company, was formed on 27 March 2020 and has its registered office at 1650 Lianhang Road, Minhang District, Shanghai, China. SCYGF’s primary activities are the sale of supplies and merchandise that are self-manufactured or sourced from third parties to YGF Restaurants in China. Yuna is an approved supplier of certain products or services you must purchase. It does not own or operate a business of the type being franchised, and it has never offered franchises in this or any other line of business.

Other than as described in Item 1, none of our affiliates have ever offered franchises in this or any other line of business (though they may do so in the future).

### **Description of Franchise**

We offer franchises for YGF restaurants (“Restaurant,” “YGF Restaurant,” or “YANGGUOFU Restaurant”), offering “Malatang”, a widely known Chinese fast cuisine and related products.

The Restaurants are established and operated under a comprehensive and unique system (the “System” or “YGF System”). The System includes distinctive signage, interior and exterior design, décor and color scheme; special recipes and menu items, including proprietary products and ingredients; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; training and assistance; all of which we may change, improve, and further develop, in our discretion. Certain aspects of the System are more fully described in this Disclosure Document and once developed, our Confidential Operations Manual (the “Manual”), which you should expect to evolve over time, that may be provided to you as a franchisee.

The Restaurants operate under the trade name and mark “YGF” and the additional principal service marks, trademarks, trade names, logos, emblems and indicia of origin identified in Item 13. These principal marks and all other marks which may be designated by us in the future in writing for use with the System are referred to in this Disclosure Document as the “Marks” or “Proprietary Marks”.

Unless we indicate otherwise, all references in this Disclosure Document to a YGF Restaurant will refer to a standard Restaurant that offers Malatang and other related products either operated by ourselves or our franchisees under the System. Each YGF Restaurant must be constructed and operated in compliance with the System as defined above, and use the Marks as defined above.

A business that operates under the System and uses the Marks is referred to in this disclosure document as a “YGF Restaurant.” We franchise the non-exclusive right to use the System in the operation of YGF Restaurants that sell “Malatang” in relevant States of the United States.

We do not have company-owned YGF Restaurants and we only offer franchises to our franchisees for the establishment and operation of YGF Restaurants in the United States.

### **Franchise Agreement**

We offer the right to establish and operate a Restaurant under the terms of a single-unit franchise agreement within a designated location (the “Franchise Agreement”). Our current form of Franchise Agreement is Exhibit B to this Disclosure Document. You may be an individual, corporation, partnership or other form of legal entity. Under the Franchise Agreement, certain parties are characterized as

Franchisee's Owners (referred to in this Disclosure Document as "your Owners"). The Franchise Agreement is signed by us, by you, and by those of your Owners whom we designate as Managing Owners. In most instances, we will designate your principal equity owners, executive officers, and certain affiliated entities as Managing Owners. By signing the Franchise Agreement, your Managing Owners agree to be individually bound by certain obligations in the Franchise Agreement, including covenants concerning confidentiality and non-competition, and to personally guarantee your performance under the Franchise Agreement. Depending on the type of business activities in which you or your Owners may be involved, we may require you or your Owners to sign additional confidentiality and non-competition agreements.

You must designate a general manager who will be the main individual responsible for your business ("General Manager"). Your General Manager does not have to own an equity interest in you or the franchise. The General Manager must sign covenants to maintain the confidentiality of information he/she learns while employed as your General Manager, and your General Manager must sign non-competition covenants.

You must also designate a head chef who will manage the kitchen of the Restaurant ("Head Chef"). The Head Chef must sign covenants to maintain the confidentiality of information he/she learns while employed as your Head Chef, and your Head Chef must sign non-competition covenants.

### **Market and Competition**

The market for restaurants in general is well developed and intensely competitive. You will serve the general public and will compete with a variety of businesses, including locally owned to regional, national and chain restaurants, some of which may be franchise systems. We may establish other Restaurants in your area (if permitted under the Franchise Agreement) and/or sell or license others to sell products in your area. Also, we may sell products through the internet, toll-free telephone numbers, catalogs, or other similar means of distribution to customers at any location, which may be located in your area. See Items 12 and 16 for a description of your permitted activities and your rights, and our permitted and restricted activities and rights.

### **Industry Regulations**

The restaurant industry is heavily regulated. A wide variety of federal, state and local laws, rules and regulations have been enacted that may impact the operation of your Restaurant, and may include those which: (a) establish general standards, zoning, permitting restrictions and requirements and other specifications and requirements for the location, construction, design, maintenance and operation of the Restaurant's premises; (b) set standards pertaining to employee health and safety; (c) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants and laws and regulations relating to access by persons with disabilities; employee practices concerning the storage, handling, cooking and preparation of food; restrictions on smoking; availability of and requirements for public accommodations and requirements for fire safety and general emergency preparedness; (d) establish requirements for food identification and labeling; and (e) regulate advertisements. State and local agencies inspect restaurants to ensure that they comply with these laws and regulations. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your Restaurant and you should consider both their effect and costs of compliance.

Many of the laws, rules and regulations that apply to business generally, such as the Americans With Disabilities Act, Federal Wage and Hour Laws and the Occupational Safety and Health Act, also apply to restaurants. The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and

local health departments administer and enforce laws and regulations that govern food preparation and service and restaurant sanitary conditions. The federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particulate matters, including caps on emissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality.

To serve alcohol at the Restaurant, you will need to comply with local and/or state alcoholic beverages licensing rules and regulations. These laws and regulations vary from state to state, and sometimes vary depending upon the city or county in the state. We recommend that you contact a lawyer who specializes in securing these licenses in your jurisdiction to assist with the process. You will also be subject to “dram-shop” laws, which may impose liability on sellers of alcohol for accidents or injuries caused by patrons of a restaurant, bar, or other seller of alcohol. There also may be regulations that pertain to sanitation, food preparation, food handling, grease and other waste disposal, environmental compliance, and food service.

You must identify, investigate, satisfy and comply with all laws, ordinances and/or regulations applicable to your Restaurant, including employment, workers’ compensation, insurance, corporate, tax, public health, privacy, immigration and similar laws and regulations, because they vary from place to place, can change over time and may affect the operation of your Restaurant. You should independently research and review the legal requirements of the food services industry with your own attorney before you sign any binding documents or make any investments.

**ITEM 2**  
**BUSINESS EXPERIENCE**

**Xingyu Yang – Director and President**

Mr. Yang has served as our Executive Director and President since our formation. He has also been the Chief Executive Officer and an Executive Director of our affiliate Shanghai Yang Guofu Enterprise Management (Group) Co. (“SYGEM”), since May 2019 and November 2021, respectively, responsible for its brand operation, informatization management, and management and coordination of various departments. From October 2017 to June 2019, he served as a deputy general manager of SYGEM. From January 2016 to April 2017, he served as the manager of the procurement department of SYGEM.

**Fei Feng – Director of Marketing**

Ms. Feng has served as our Director of Marketing since our formation. She has been the Chief Global Marketing Officer of SYGEM since August 2023, responsible for overseas franchise development, coordination of overseas supplies of products and goods, as well as implementation of overseas expansion strategies. From November 2018 to July 2023, she was a Regional Manager of 36Kr. From July 2017 to November 2018, she was a Marketing Director of MeetBest.

**Ying Li – Training Manager**

Ms. Li has served as our Training Manager since our formation. She has been the Chief Training Officer of our affiliate Xinxu since April 2024, responsible for training of Chinese YGF restaurants personnel and System standards. From May 2022 to April 2024, she was a Senior Manager of Sichuan Baicha Baidao Industrial Co., Ltd. From January 2021 to May 2022, she was the General Manager of the Company Business School of Sichuan Shi Da Wu Catering Co., Ltd. From June 2020 to January 2021, she was a Department Head of Guoquan Food Shanghai Co., Ltd. From June 2007 to June 2020, she was a Regional Manager of Yum China Holdings, Inc.

**ITEM 3**  
**LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4**  
**BANKRUPTCY**

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

**ITEM 5**  
**INITIAL FEES**

You must pay us an initial franchise fee for the right to establish a single YGF Restaurant under a Franchise Agreement. We may elect franchise fee arrangement in either a Fixed Fee Arrangement or a Variable Fee Arrangement. If we elect the Fixed Fee Arrangement, you must pay a lump sum fee of \$20,000 as the initial franchise fee. If we elect the Variable Fee Arrangement, you must pay a lump sum fee of \$10,000 as the initial franchise fee. Our choice of the fee arrangement is at our sole discretion (which will be provided to you no less than 14 days prior to your execution of the Franchise Agreement), and we may consider various commercial factors, such as your qualifications, experiences, financial conditions, and the site selected by you. The initial franchise fee is not refundable under any circumstances.

Prior to opening your Restaurant, and upon signing your Franchise Agreement, you must pay a deposit of \$8,000 (the "Deposit"). The Deposit will be used to offset indemnification, overdue penalties, penalties in the event of violations of System standards, and other liquidated damages or penalties, if any. In the event of the termination or rescission of the Franchise Agreement, we will refund to you the unapplied balance, interest-free, of the Deposit within ninety (90) days following your completion and satisfaction of the post-termination obligations described in the Franchise Agreement.

Prior to opening your Restaurant, you must pay us or our affiliates for: (1) the purchase of equipment (such as freezer and small wares), signs, and fixtures (such as floor and wall tiles) ranging from \$26,500 to \$32,000; (2) the purchase of opening inventory to include proprietary soup base, sauces, seasonings, paper goods, packing box and other sundries ranging from \$12,400 to \$15,000; and (3) the purchase of uniforms ranging from \$700 to \$1,000. These fees are imposed uniformly on all franchisees and are not refundable under any circumstances.

**ITEM 6**  
**OTHER FEES**

All of the fees listed below are not refundable, are paid to us unless otherwise noted. We reserve the right to require you to pay the fees and other amounts due to us via electronic funds transfer (ACH) or similar means.

<b>Type of fee</b>	<b>Amount or Estimated Range</b>	<b>Due date</b>	<b>Refund</b>	<b>Remarks</b>
Additional Site Assistance	Actual costs	As incurred	Non-refundable	(Note 1)
Opening Assistance	Actual costs	As incurred	Non-refundable	(Note 2)
Additional Training Fee	\$2,000/person	Prior to training	Non-refundable	(Note 3)
Subsequent Franchise Fee	Fixed Fee Arrangement: 3% of your Gross Sales	Monthly	Non-refundable	(Note 4)
	Variable Fee Arrangement: Fee for Gross Sales below \$50,000 is \$2,000; fee for Gross Sales from \$50,000.00 to \$80,000.00 is \$2,000.00 plus 6% of the portion of monthly Gross Sales which exceed \$50,000.00; fee for Gross Sales from \$80,000.01 to \$120,000.00 is \$3,800.00 plus 7% of the portion of monthly Gross Sales which exceed \$80,000.00; fee for Gross Sales above \$120,000.00 is \$6,600.00 plus 8% of the portion of monthly Gross Sales which exceed \$120,000.00	Monthly	Non-refundable	
Late fee; interest on delinquent payments	Late fee of \$1,400 per month; as well as an interest of 18% per annum or the highest rate permitted by laws, whichever is less	Upon demand	Non-refundable	(Note 5)
Supplier approval process fee	Actual costs	As incurred	Non-refundable	Actual cost of the inspection and its actual cost of testing or evaluating, including travel costs
Temporary managing fee	3% of the Gross Sales, plus out-of-pocket expenses	As incurred	Non-refundable	(Note 6)

Minimum Advertising Requirement	Our sole discretion but to not exceed 10% of your Gross Sales	As incurred	Non-refundable	Paid to third-parties vendors
Audit fee	Cost of examination, including legal fees and accountant's fee, plus travel expenses, room and board	As incurred	Non-refundable	(Note 7)
Transfer service fee	Actual service fee for transfer	As incurred	Non-refundable	(Note 8)
Managing fee in case of a material default	No more than 15% of the Gross Sales, plus out-of-pocket expenses	As incurred	Non-refundable	(Note 9)
Liquidated Damages	Fees otherwise due for the remainder of the Term	On demand upon termination	Non-refundable	(Note 10)
Damages and Cost of Enforcement	Varies	Upon demand	Non-refundable	(Note 11)
Appraisal	Actual costs. The parties will retain three appraisers to determine the fair market value of the Site. Each party will bear the cost of their own appraisers and share equally the fees and expenses of the third appraiser chosen by the two party-appointed appraisers	As incurred	Non-refundable	(Note 12)
Indemnification	Varies	Upon demand	Non-refundable	(Note 13)
Damages, cost and attorneys' fees	Varies	Upon demand	Non-refundable	(Note 14)
Replacement of equipment, fixtures, and signs	\$26,500 to \$32,000	As incurred	Non-refundable	(Note 15)

Notes:

Note 1: We will approve and agree to a site of your YGF Restaurant. If you request other guidance, consultation, assistance and on-site evaluation from the Franchisor, we may charge Franchisee the actual costs for such additional services, including per diem charges for travel and living expenses for its personnel.

Note 2: If you request, we may (but is not obligated to) offer on-site assistance at the opening of the Restaurant, when the travel costs (including fees for visa, transport, accommodation, etc.) of the personnel Franchisor sends will be borne by you.

Note 3: We will provide Initial Training to up to three (3) trainees at no charge, and we may charge the then current actual costs for each additional trainee, including trainees attending repeated trainings or trainees replacing the original trainees.

Note 4: We, Franchisor, at our sole discretion, may elect to offer you either the Fixed Fee Arrangement or Variable Fee Arrangement, which election will be specified in Appendix A of the Franchise Agreement and will be provided to you no less than 14 days prior to your execution of the Franchise Agreement. Our choice of the fee arrangement is at our sole discretion, and we may consider various commercial factors, such as your qualifications, experiences, financial conditions, and the site selected by you. Under the Fixed Fee Arrangement, you must pay a Subsequent Fee equals to 3% of your monthly Gross Sales. Under the Variable Fee Arrangement, you must pay a Subsequent Fee determined based on your monthly Gross Sales. Fee for Gross Sales below \$50,000 is \$2,000; fee for Gross Sales from \$50,000.00 to \$80,000.00 is \$2,000.00 plus 6% of the portion of monthly Gross Sales which exceed \$50,000.00; fee for Gross Sales from \$80,000.01 to \$120,000.00 is \$3,800.00 plus 7% of the portion of monthly Gross Sales which exceed \$80,000.00; fee for Gross Sales above \$120,000.00 is \$6,600.00 plus 8% of the portion of monthly Gross Sales which exceed \$120,000.00. In making our choices between the Fixed Fee Arrangement or Variable Fee Arrangement, we may consider various commercial factors, such as your qualifications, experiences, financial conditions, and the site selected by you.

Note 5: If you fail to pay any amounts owed to us or our affiliates or our designated suppliers, you must pay us daily interest, calculated from date such payment was due until Franchisor or its affiliates or the designated supplier receives it, at the rate of 18% per annum or the highest rate permitted by Applicable Laws, whichever is less. In addition, we are entitled to deduct a late fee monthly of \$1,400 for each month (or portion thereof) from the Deposit that any payment is delinquent.

Note 6: If the franchised restaurant no longer has a general manager or managing owner and you fail to arrange a properly trained individual to replace the previous general manager or managing owner, or, in the event of your Managing Owner's death or disability, we may, but are not required, on a temporary basis, manage the franchised restaurant, and charge managing fee and out-of-pocket expenses.

Note 7: If you fail to furnish reports, supporting records or other information as required and an inspection or audit is deemed necessary, you will reimburse us for the cost of examination and out-of-pocket expenses.

Note 8: When you make a transfer of the franchised restaurant, we can collect the actual costs of the service fee for its assistance in the transfer.

Note 9: In case of a material default, we may, but are not required to, directly manage the restaurant, and collect the managing fee, on a temporary basis, and charge a management fee.

Note 10: In the case of a termination by either party, you will pay us all amounts that you would have paid us during what would have been the remainder of the Term had it not been terminated.

Note 11: You will pay to us all damages, costs and expenses, including reasonable attorneys' fees, that we incur after the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provision of the post-term obligations.

Note 12: upon the expiration or termination of the Franchise Agreement, if you elect to sell the Site to us, and the parties cannot agree on the purchase price of the Site, the parties will retain three appraisers to determine the fair market value of the Site. Each party will bear the cost of their own appraisers and share equally the fees and expenses of the third appraiser chosen by the two party-appointed appraisers.

Note 13: You must reimburse the Franchisor for claims and liabilities relating to the franchised restaurant or premise or any debt or obligation of the franchisee, including without limitation, insurance, franchisor's time, reasonable attorneys' fees, damages, other expenses.

Note 14: In the event of a dispute between you and us, the arbitrator has the right to award money damages, attorneys' fees and costs.

Note 15: Replacement of Equipment, Fixtures and Signs. Franchisees may be periodically required to undertake remodeling and updating the Restaurant. This includes replacement of fixtures, furnishings, equipment, signs, and décor, some of which are purchased from us or our affiliates. You may be required to pay approximately \$26,500 to \$32,000 to us or our affiliates, which includes: \$1,500 to \$2,000 for signs, \$16,000 to \$20,000 for fixtures such as floor and wall tiles and deco, and \$9,000 to \$10,000 for equipment such as freezer and small wares.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee (Note 1)	\$20,000	Lump Sum	When sign the Franchise Agreement	Us
Deposit (Note 2)	\$8,000	Lump Sum	When sign the Franchise Agreement	Us
Rent (3 months); Lease; Utility and Security Deposits (Note 3)	\$20,000 to \$40,000	As incurred	As arranged	Landlord; third parties.
Training Related Expenses	\$4,500 - \$5,500 / person	As incurred	As arranged	Third parties (e.g. accommodation, food, transportation, travel, living expenses)
Equipment, Fixtures and Signs (Note 4)	\$100,000 to \$180,000	Lump Sum or financed	As incurred, before opening	Us, our affiliates or third parties (including \$26,500 to \$32,000 paid to us or our affiliates)
Design & Architect Fees (Note 5)	\$15,000 to \$45,000	As arranged	As arranged	Designer or Architect
Leasehold Improvements (Note 6)	\$50,000 to \$200,000	As arranged	As arranged	Contractor
Business Licenses, Permits, Fees (Note 7)	\$1,500 to \$3,000	Lump Sum	Before opening	Third parties (e.g. government agencies)
POS System Fee (Note 8)	\$4,500 to \$5,500	Lump Sum	As incurred	Third parties
Opening Inventory (Note 9)	\$17,400 to \$20,000	Lump Sum	Before opening	Us, our affiliates and/or third parties (including \$12,400 to \$15,000 paid to the us or our affiliates and \$5,000 paid to third parties)

Uniforms	\$700 to \$1,000	Lump Sum	Before opening	Us or our affiliates
Insurance (Note 10)	\$5,000 to \$16,000	As arranged	As arranged	Insurance Companies
Additional Funds for First 3 Months of Operation (Note 11)	\$80,000 to \$150,000	Lump Sum	Monthly and As Incurred	Us, our affiliates or third parties
Professional Fees (Note 12)	\$20,000 to \$80,000	As arranged	As arranged	Attorney, Accountant
<b>Estimated Total Initial Investment</b>	<b>\$346,600 to \$774,000</b>			

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating the Restaurant. Our estimates are based on our experience, the experience of our affiliates and/or their licensees, and our current requirements for YGF Restaurants. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for utility deposits and other payments.

We and our affiliates do not finance any part of the initial investment.

Note 1: Initial Franchise Fee. We may elect a franchise fee arrangement in either a Fixed Fee Arrangement or a Variable Fee Arrangement. Our choice of the fee arrangement is at our sole discretion, and we may consider various commercial factors, such as your qualifications, experiences, financial conditions, and the site selected by you. If we elect the Fixed Fee Arrangement, you must pay a lump sum fee of \$20,000 as the initial franchise fee. If we elect the Variable Fee Arrangement, you must pay a lump sum fee of \$10,000 as the initial franchise fee. (See Item 5).

Note 2: Deposit. Prior to opening your Restaurant, and upon signing your Franchise Agreement, you must pay a deposit of \$8,000 (the "Deposit"). The Deposit will be used to offset indemnification, overdue penalties, penalties in the event of violations of System standards, and other liquidated damages or penalties, if any. In the event of the termination or rescission of the Franchise Agreement, we will refund to you the unapplied balance, interest free, of the Deposit within ninety (90) days following your completion and satisfaction of the post-termination obligations described in the Franchise Agreement.

Note 3: Rent. Generally, we require a YGF Restaurant to have a construction area of no less than 60 m<sup>2</sup> for a street outlet, and no less than 80 m<sup>2</sup> for a restaurant opened in a shopping mall. Estimated monthly lease expenses vary based on the size, location and character of the space, market conditions. Your landlord may require a security deposit before leasing the premises to you, which is typically equal to one month's rent. Some utility companies also may require a security deposit before commencing services.

Note 4: Equipment, Fixtures and Signs. This amount includes the cost of the equipment for the operation of your Restaurant, including the Restaurant appliances (dishwasher, grill, oven, freezer, walk-in cooler/freezer, ice machine and other similar food service equipment), small wares (pots, pans, kitchen

knives, food processors, storage containers, etc.), fountain equipment, and office equipment. The variation in the costs of furniture and fixtures is based on differences in size, configuration, and location of the Restaurant site. Typical furniture and fixtures include tables and chairs for both indoor and outdoor (if applicable) seating, and other trade dress that are not included as landlord improvements. Of the total investment range of \$100,000 to \$180,000, approximately \$26,500 to \$32,000 is paid to the franchisor or its affiliates, which includes: \$1,500 to \$2,000 for signs, \$16,000 to \$20,000 for fixtures such as floor and wall tiles and deco, and \$9,000 to \$10,000 for equipment such as freezer and small wares. Except for the items noted, all other equipment and fixtures are paid to third parties of your choice.

Note 5: Design and Architect fees. You must construct your Restaurant in accordance with our standards and specifications. This estimate includes the expense of building out a Restaurant, including carpentry, all interior finishes, mechanical, electrical, and plumbing. This estimate also includes fees for architectural and engineering services such as site planning, state approvals and other permits for building, heating and air conditioning, and plumbing, bid review, construction coordination, pay request review, and project closeout. The construction costs for a building will vary significantly depending on many factors including the size of the building, difficulty of site work, labor costs, local taxes and development fees and the availability of financing.

Note 6: Leasehold Improvements. A typical leased premises will require build-out. Your landlord may contribute or provide leasehold improvements depending on your lease terms. In addition, you may need installation and setup of phone lines, high speed internet service, and computer equipment. You will need to construct improvements to, or “build out,” the premises at which you will operate the Restaurant. These improvements may include, for example, wiring, flooring, sheetrock, plumbing, paint, HVAC, lighting, and décor items which must be constructed according to our specifications. These costs are likely to vary depending upon the size, location, configuration, installation costs, and overall condition of the premises, and may be much higher, if you already have or wish to establish your Restaurant in an area where special requirements of any kind (e.g., historical, architectural, or preservation requirements) will apply. A landlord allowance covering a portion of the costs of constructing the leasehold improvements may be able to be obtained from the landlord. Any allowance will be negotiated between you and the landlord. We cannot estimate the amount, scope or type of allowance that may be available, if any, for a particular site or from any particular landlord. Your actual cost may be more or less than the figures in the chart. There are other variables regarding potential sites that are likely to be site-specific and may impact overall construction and/or operating costs, such as, for example, asbestos or other materials within walls of existing locations, special permitting rules and regulations, special HVAC requirements, or site-specific design criteria. These situations are site-specific and we cannot estimate the costs; a franchisee should evaluate those potential costs for any specific site that might be considered.

Note 7: Business Licenses, Permits, Fees. This is the estimated cost of the permits and licenses that you must have in order to operate your Restaurant and the costs may vary greatly depending on your state’s requirements. Each state establishes its own licensing requirements, and those requirements may change. You are solely responsible for investigating and determining the licensing requirements and costs in your state and taking all necessary actions to ensure that your Restaurant remains in compliance with those requirements at all times. We strongly recommend that you consult with an attorney to determine exactly what permits and licenses you will need and how much those permits and licenses will cost. The amount necessary to obtain a liquor license varies greatly depending on the city, county and state licensing authority involved and may be based on whether a license is available from the licensing authority or must be purchased from a third party.

Note 8: POS System Fee. A fee of between \$4,500 and \$5,500 will be paid to third parties and the variation is due to optional add-ons the franchisees may choose to purchase.

Note 9: Opening Inventory. This is the estimated cost of the opening inventory includes \$12,400 to \$15,000 paid to us or our affiliates for proprietary soup base, sauces, seasonings, paper goods, packing box and other sundries, as well as \$5,000 paid to local suppliers for other materials and supplies, meat, dry goods, and produce. The cost listed here does not include shipping cost.

Note 10: Insurance. You must obtain insurance coverage with the limits required by us as described in Item 8 of this Disclosure Document. Your landlord may require additional insurance. The low estimate is for a semi-annual premium and the high estimate is for annual premium.

Note 11: Additional Funds for First 3 Months of Operation. You will need capital to support on-going expenses, such as payroll, interest and principal repayments, marketing materials and services, and utilities, to the extent that your revenue does not cover these costs. A Restaurant is required to have one General Manager (which can be but not required to be you or your Owner) and one Head Chef. A typical Restaurant usually have (but not required) one assist manager and approximately ten staff members. The need for additional funds will vary widely among franchisees. When making this estimate, we relied upon the experience of our affiliates.

Note 12: Professional Fees. We recommend that you consult with professionals including an attorney, accountant, and other advisors prior to signing a Franchise Agreement.

**ITEM 8**  
**RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must purchase or lease and install all fixtures, furnishings, equipment (including point of sales system), uniforms, décor items, signs and related items we require, all of which must conform to the standards and specifications stated in our Manual or otherwise in writing, unless you have first obtained our written consent to do otherwise. You may not install or permit to be installed on the Restaurant premises any fixtures, furnishings, equipment, décor items, signs, games, vending machines or other items without our written consent or that do not comply with our specifications.

To make sure that the highest degree of quality and service is maintained, you must operate the Restaurant in strict conformity with the methods, standards and specifications that we prescribe in the Manual or otherwise in writing. You must maintain in sufficient supply and use and sell at all times only those food and beverage items, ingredients, products, materials, supplies, packaging and paper goods that meet our standards and specifications. All menu items must be prepared in accordance with the recipes and procedures specified in the Manual or other written materials. You must not deviate from these standards and specifications by the use or offer of non-conforming items, or differing amounts of any items, without obtaining our written consent first. We can, and expect to, modify our standards and specifications as we deem necessary. We will provide you notice in the Manual or otherwise in writing (such as via email) of any changes in our standards and/or specifications.

You must permit us or our agents, during normal business hours, to remove a reasonable number of samples of food or non-food items from your inventory or from the Restaurant free of charge for testing by us or by an independent laboratory to determine whether the samples meet our then-current standards and specifications. In addition to any other remedies we may have, we may require you to pay our then-current evaluation fee and reimburse our costs for the testing if we have not previously approved the supplier of the item or if the sample fails to conform to our specifications.

You must obtain all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including point of sale system and communication systems), and other products used or offered for sale at the Restaurant solely from suppliers who demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards or in accordance with our standards and specifications. A complete list of our approved products and suppliers will be included in the Manual and is subject to change over time. We will provide you notice in the Manual or otherwise in writing (such as via email) of any changes to the lists of approved products and approved suppliers.

We and/or our affiliates have developed, and may continue to develop, for use in the System certain products which are prepared from confidential proprietary recipes and other proprietary products which bear the Marks, including our proprietary soup base, sauces and seasonings. Because of the importance of quality and uniformity of production and the significance of those products in the System, it is to your and our benefit that we closely control the production and distribution of those products. Therefore, you will use only our proprietary recipes and other proprietary products and will purchase those items solely from us or from a source designated by us all of your inventory of those products.

Currently us and our affiliate are the sole approved supplier for our proprietary soup base, sauces and seasonings, paper goods, certain equipment, fixtures and signs, and uniforms, we have the right to earn a profit from the sale of these items to our franchisees and earn mark-up or rebates from third party suppliers. We reserve the right to designate ourselves and our affiliates as a sole supplier for other services and supplies in the future and to earn a profit from the sale of these items to our franchisees. Based on our affiliate SCYGF's unaudited financial statements for 2024, it derived approximately \$2,233,444.33 in revenue from franchisees' required purchases. This is approximately 2.86% of SCYGF's total revenues for

2024. Based on our affiliate Yuna's unaudited financial statements for 2024, it derived approximately \$943,498.48 in revenue from franchisees' required purchases. This is approximately 62.52% of Yuna's total revenues for 2024. We have earned a markup of \$563 from franchisees' required purchases based on SCYGF and Yuna's sale of these items. This is approximately 4.37% of our total revenues for 2024. None of the officers listed in Item 2 has an ownership interest in us or any approved supplier.

If you would like to use any supplies or services that we have not approved or designated, you must submit a written request for approval and provide us with any information that we request. We have the right to inspect the proposed supplier's facilities and test samples of the proposed products and to evaluate the proposed service provider and the proposed service offerings. You will pay us a charge not to exceed the actual cost of the inspection and its actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs, whether or not the item, service, supplier, or service provider is approved. We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards. We will notify you in writing after you have requested our approval whether the proposed product or supplier is, in fact, approved or disapproved. If you do not receive our approval within 90 days after submitting all of the information that we request, our failure to respond will be deemed a disapproval of the request. We are not required to make available to you or to any supplier our criteria for product or supplier approval. We are not obligated to approve any specific product or supplier if we believe that approval of that product or supplier is not in the best interests of the System. We may revoke our prior approval of any product or supplier at any time, and after your receipt of written notice from us regarding our revocation you must stop using that product or stop purchasing from that supplier.

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of the System. As of the date of this Disclosure Document, there are no purchasing or distribution cooperatives in which you must participate. When determining whether to grant new, additional or renewal franchises, we consider many factors, including your compliance with the requirements described in this Item 8, but your compliance with these requirements does not automatically give you the right to an additional or renewal franchise.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the Restaurants in our System. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products, equipment and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System or the franchised network of Restaurants.

We have the right to collect and retain any and all allowances, rebates, credits, incentives, or benefits (collectively, "Allowances") offered by manufacturers, suppliers, and distributors to you, to us, or to our Affiliate based upon your purchases of products and services from manufacturers, suppliers, and distributors. We or our affiliates will have all of your right, title, and interest in and to any and all of these Allowances. We or our affiliates may collect and retain any or all of these Allowances without restriction (unless otherwise instructed by the manufacturer, supplier, or distributor).

All advertising and promotional plans, materials, design materials and marketing materials (including menus and all forms and stationery used in the Restaurant) and other items we designate must bear the Marks in the form, color, location and manner we prescribe. In addition, you must obtain our prior written approval of all advertising and promotional plans, materials, design materials and marketing materials before use. You will submit all such items to us, and we will promptly decide on the approval/disapproval. If you do not receive

written approval within thirty (30) days of our receipt of such items, we will be deemed to have disapproved the items. You may not use any plans, materials or marketing materials that we have not developed or approved, and will promptly discontinue use of any advertising or promotional plans, materials, or marketing materials, whether or not previously approved, upon notice from us. We will have the final decision on all creative development of advertising and promotional messages. Any advertising and promotional materials you submit to us for our review will become our property.

You must obtain our acceptance of the site for the Restaurant before you acquire the site. You must also obtain our acceptance of any contract of sale or lease for the Restaurant before you sign the contract or lease. You must provide us with a copy of the fully signed lease for the Restaurant premises.

Your Restaurant must be constructed according to plans that we have approved. We will provide you with sample plans and/or our mandatory and recommended specifications for a YGF Restaurant, and we have the right to designate the architect/designer that you must use. We also have the right to approve the contractor you select. You must arrange for construction plans to be created that incorporate our requirements into the size and shape of the approved site for your Restaurant. You may not use the plans or begin building out your Restaurant until we have approved the construction plans, and any changes to the construction plans must also be approved by us before the change may be implemented. Our review is not meant to assess compliance with any applicable laws, regulations or building codes. Our review is only to verify that the construction plans accurately present our trade dress, the Marks and meet our specifications. We reserve the right to inspect your Restaurant while it is being constructed. You may not open your Restaurant for business without our approval. You must certify to us that your Restaurant has been constructed in compliance with the Americans with Disabilities Act.

Before you begin construction of the Restaurant, you must obtain the insurance coverage for the Restaurant that is required by the terms of your lease and applicable law, and that we specify in the Manual or otherwise in writing. Your insurance coverage must be maintained during the term of the Franchise Agreement and must be obtained from a responsible, duly licensed carrier or carriers acceptable to us and having a rating of at least "A" by Best's Insurance Reports (or any similar rating that Franchisor periodically designate). All insurance must be on an "occurrence" basis. Currently you must maintain the following insurance: (a) commercial general liability insurance of \$1,000,000 per occurrence and \$3,000,000 aggregate; (b) liquor liability insurance of \$1,000,000 per occurrence and \$3,000,000 aggregate (if applicable); (c) automobile liability insurance (including owned, hired and non-owned vehicles) of \$1,000,000 per occurrence; (d) business interruption insurance of \$1,000,000; (e) property and building insurance for replacement cost; (f) excess liability insurance of \$3,000,000; (g) employer's liability insurance of \$1,000,000; (h) workers' compensation insurance required by law; (i) any insurance required by the terms of your lease or mortgage agreement; and (j) any insurance coverages we may require in the future.

All insurance policies, except for workers' compensation, shall name us, our affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional named insureds. Each insurance policy must contain a waiver of all subrogation rights against Franchisor and its Affiliates, and their successors and assigns. These insurance policies must provide for thirty (30) days' prior written notice to Franchisor of a policy's material modification, cancellation or expiration. You must provide us with a certificate of insurance showing that you have obtained the required policies before construction of your Restaurant begins and upon each policy's renewal. We have the right to require that you obtain from your insurance company a report of claims made and reserves set against your insurance. We reserve the right to change our insurance requirements during the term of your Franchise Agreement, including the types of coverage and the amounts of coverage, and you must comply with those changes. If you do not obtain any insurance as required, we have the right (but

not the obligation) to purchase insurance on your behalf and you must reimburse our costs related to this purchase plus the actual services fee.

We estimate that your purchases from us or approved suppliers, or that must conform to our specifications, will represent approximately 40% to 50% of your total purchases in establishing the Restaurant, and approximately 40% to 50% of your total purchases in the continuing operation of the Restaurant.

**ITEM 9**  
**FRANCHISEE'S OBLIGATIONS**

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

In the table below, the following abbreviations have these meanings: FA means the Franchise Agreement.

<b>Obligation</b>	<b>Article or Section in Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/ lease	FA – Section 3	Items 6, 8 and 11
b. Pre-opening purchases/leases	FA – Section 3	Items 6, 7, 8 and 11
c. Site development and other pre-opening requirements	FA – Sections 3 and 4	Items 8 and 11
d. Initial and ongoing training	FA – Section 4	Items 6, 7 and 11
e. Opening	FA – Section 3	Item 11
f. Fees	FA – Sections 2, 3, 4, 5, 6, 7, 8, 12, 13, 14 and 18	Items 5, 6, 7 and 11
g. Compliance with standards and policies/ operating manual	FA – Sections 2, 3, 6, 8, 9, 10, 11 and 12	Items 8, 9, 11, 13 and 14
h. Trademarks and proprietary information	FA – Sections 9 and 10	Items 13 and 14
i. Restrictions on products/services offered	FA – Sections 6	Items 8 and 16
j. Warranty and customer service requirements	FA – Section 6	Not applicable
k. Territorial development and sales quotas	FA – N/A	Not applicable
l. Ongoing product/service purchases	FA – Section 6	Items 6 and 8
m. Maintenance, appearance and remodeling requirements	FA – Sections 3 and 6	Items 6, 11 and 16
n. Insurance	FA – Section 15	Items 6, 7 and 8
o. Advertising	FA – Section 7	Items 6, 8 and 11
p. Indemnification	FA – Section 15	Items 6, 13
q. Owner's participation/ management/staffing	FA – Section 6	Items 1, 11 and 15
r. Records and reports	FA – Section 8	Items 6, 11

s. Inspections and audits	FA – Section 8	Items 6, 8 and 11
t. Transfer	FA – Section 12	Items 6 and 17
u. Renewal	FA – Section 2	Items 6 and 17
v. Post-termination obligations	FA – Sections 9, 10, 11 and 14	Items 6 and 17
w. Non-competition covenants	FA – Section 11 and Appendix C	Item 17
x. Dispute resolution	FA – Section 18	Items 6 and 17
y. Liquidated damages	FA – Sections 5, 8, 13, 14 and Appendix G	Item 6
z. Personal Guaranty	FA – Section 1 and Appendix B	Items 1 and 15

**ITEM 10**  
**FINANCING**

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

**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**

Before the opening of a Restaurant, we will provide the following assistance and services:

1. We will use reasonable standards to review and accept or reject a site proposal of your proposed site. We will insert a description of the specific site in Appendix A of the Franchise Agreement when we have accepted the site for your Restaurant (Franchise Agreement, Section 3.A.)
2. At the then current fee and our per diem cost payable by you, we may provide other guidance, consultation, assistance and on-site evaluation for your proposed site, as we deem appropriate. (Franchise Agreement, Section 3.A.)
3. We will provide you with mandatory and recommended specifications and layouts for building and furnishing the Restaurant, which you will use to have site plans and build-out plans prepared, at your expense. We have the right to require you to use the architect/designer we designate and to inspect your Restaurant during its construction. (Franchise Agreement, Section 3.C.)
4. Upon your request, we may (but is not obligated to) offer on-site assistance at the opening of the Restaurant. You will be responsible for the costs (such as travel, lodging, and meals) of the personnel we send. (Franchise Agreement, Section 3.E.)
5. We will provide an initial training program in person or online for up to three trainees free of charge. You must be responsible for the trainees' expenses such as travel, lodging, and meals. (Franchise Agreement, Section 4.A.)
6. We will provide you with access to our Manuals which we may revise during the term of your Franchise Agreement. (Franchise Agreement, Section 4.H.) We may provide all or a portion of the Manual to you electronically, such as via a password-protected website.

**Continuing Obligations**

During the operation of a Restaurant, we will provide the following assistance and services:

1. At our sole discretion, we may from time to time, provide the Restaurant with training programs concerning management and techniques. (Franchise Agreement, Section 4.C.)
2. We may update the Manuals from time to time, at our sole discretion. (Franchise Agreement, Section 4.H.)
3. We will review and approve all advertising materials and marketing plans for the Restaurant. At our sole discretion, we may also provide additional assistance to you such as finished advertising materials, including advertising posters, WeChat postings, advertising product pictures and pictures on delivery platforms, etc. (Franchise Agreement, Section 7.B.)

### **Site Selection:**

You will select the site for the Restaurant subject to our acceptance. You must obtain our acceptance of the site for the Restaurant before you acquire the site. You must deliver to us for our review a complete site proposal and other materials and information we request for the proposed site. We will use reasonable standards to review and accept or reject a site proposal within fifteen (15) days after receiving the complete site proposal and other materials we request. If we do not accept the proposed site within such 15-day period, the proposed site is deemed rejected. If you request other guidance, consultation, assistance and on-site evaluation from us, we may charge you a fee for such additional services, including per diem charges for travel and living expenses for its personnel. If we and you cannot agree on a site, your franchise agreement may be terminated, the initial franchise fee and part of or all of the deposit will be forfeited.

We generally do not own the premises and lease it to you. Once the location for your Restaurant has been determined, your Restaurant may not be relocated without our prior written consent. You must provide us with a copy of the signed lease for your Restaurant location.

The factors we consider in approving sites include safety, building appearance, visibility and ease of access, parking, size, layout, demographics, business in the area, traffic, and building condition. Our acceptance or proposal of a proposed site is not a warranty or representation, express or implied, as to the potential success or profitability of your Restaurant. While we may provide assistance and guidance, it is solely your responsibility to select a suitable site for the Restaurant.

### **Opening:**

We estimate that the time from when the Franchise Agreement is signed to the opening of the Restaurant will be approximately 6 to 12 months. Your total timeframe may be shorter or longer depending on the time necessary to obtain an accepted site, to obtain financing, to obtain the permits and licenses for the construction and operation of the Restaurant, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Restaurant, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Restaurant, including purchasing inventory and supplies. We do not provide assistance with conforming the site to local ordinances and building codes, obtaining the permits and licenses for the construction of the Restaurant, completing construction or remodeling, or hiring and training your employees. You must open the Restaurant and begin business within the planned Restaurant opening schedule as agreed by Franchisor in writing after you sign the Franchise Agreement. If you are not able to open your Restaurant within this period, we have the right to terminate your Franchise Agreement or we may extend the period of time for you to open. You may not open your Restaurant for business until we have approved you to do so.

Your Restaurant must be constructed according to plans that we have approved. We will provide you with sample plans and/or our mandatory and recommended specifications for a Restaurant, and we have the right to designate the architect/designer that you must use. We also have the right to approve the contractor you select. You must arrange for construction plans to be created that incorporate our requirements into the size and shape of the approved site for your Restaurant. You may not use the plans or begin building out your Restaurant until we have approved the construction plans, and any changes to the construction plans must also be approved by us before the change may be implemented. Our review is not meant to assess compliance with any applicable laws, regulations or building codes. Our review is only to verify that the construction plans accurately present our trade dress, the Marks and meet our specifications. We reserve the right to inspect your Restaurant while it is being constructed. You may not open your Restaurant for business without our approval. You must certify to us that your Restaurant has been constructed in compliance with the Americans with Disabilities Act.

We do not provide assistance with equipment, signs, fixtures, opening inventory or supplies except that you must purchase your supply of proprietary sauces and seasonings, food packaging and logoed paper products, uniforms, and other proprietary products and supplies from us or our affiliates, and you may choose to purchase equipment and other items from us, our affiliates, or qualified third-parties. No other assistance is given by us except by our providing a list of approved suppliers in the Manual and by providing our written specifications. We do not deliver or install these items.

You must maintain the condition and appearance of the Restaurant (including adjacent parking areas and grounds that are part of the Restaurant premises), as we prescribe in the Manual. You must, at your own expense, replace worn out, broken and obsolete fixtures, equipment, furniture, signs, décor items, flooring and trade dress, purchase any additional equipment, and other items necessary for the operation of the Restaurant as we prescribe, repair the interior and exterior of the Restaurant, and regularly clean and maintain the Restaurant.

**Grand Opening Marketing:**

We have no grand opening marketing requirement. If you choose to do so, you must submit all marketing plans and materials for our approval.

**National or Regional Marketing Fund:**

We currently have no national or regional marketing program or fund, but reserve the rights to establish such.

If and when we establish a national or regional fund, the fund received will be used for national and regional advertising, marketing, publicity and promotional activity relating to our business and to maintain our websites. We will determine, in our fully unrestricted discretion, the manner in which the fund will be spent. Some portion of the fund may be used for creative concept production, marketing surveys, test marketing and related purposes.

If and when we establish a national or regional fund, we will have the right to direct all advertising activities with sole discretion over creative concepts, materials and media used, as well as their placement and allocation. We may conduct advertising activities in-house, or hire national or regional agencies. We also will have the right to determine, in our sole discretion, the composition of all geographic and market areas for the implementation of these advertising and promotional activities. The fund may be used to meet any and all costs of maintaining, administering, directing and preparing national and/or regional advertising materials, programs and public relations activities (including, without limitation, the cost of preparing and conducting television, radio, magazine, billboard, newspaper, direct mail and other media programs and activities, for conducting marketing surveys, test marketing, employing advertising agencies to assist therewith, and providing promotional brochures, coupons and other marketing materials to all franchisees of the System). The fund is intended to maximize general public recognition in all media of the Marks and patronage of YGF Restaurants and we have no obligation to ensure that expenditures of the fund in or affecting any geographic area are proportionate or equivalent to payments of any fund contribution by franchisees operating in that geographic area, or that any Restaurant will benefit directly or in proportion to the fund contribution paid for the development of advertising and marketing materials or the placement of advertising. We have no obligation to spend any amount on advertising in your territory. No amount of the fund will be spent for advertising that is principally a solicitation for the sale of franchises.

If and when we establish a national or regional fund, we will have the right to reimburse ourselves out of the fund for the total costs (including indirect costs such as salaries for our employees who devote time

and effort to fund related activities and overhead expenses) of developing, producing and distributing any advertising materials and collecting the fund contribution (including attorneys', auditors' and accountants' fees and other expenses incurred in connection with collecting any fund contribution). We also reserve the right to use a portion of the fund to subsidize the cost of presenting refresher training and/or a franchisee meeting. We do not intend to use any portion of the fund to solicit new franchise sales.

If and when we establish a national or regional fund, we will prepare, and furnish to you upon written request, an annual statement of funds collected and costs incurred. We are not required to have any fund statement audited, but if we choose to have the fund audited it will be at the fund's expense.

### **Cooperative Marketing:**

We currently do not have and do not anticipate forming, or approving the formation of, marketing cooperatives. You will not be required to participate in, or contribute to, a marketing cooperative.

### **Local Marketing:**

You must spend in each quarter of the Term a reasonable percentage of the Restaurant's Gross Sales from the prior quarter as we, in our sole discretion, determine, to advertise and promote your Restaurant. In no event this percentage shall exceed 10%. You must submit to us quarterly marketing and advertising expenditure reports accurately reflecting all local advertising expenditures for the preceding quarter and year-to-date by the marketing categories that we specify.

We must approve all marketing materials before you use them. You must not advertise or use our Marks in any fashion on the world wide web or via other means of advertising through telecommunication, including social media, without our express written consent. If you do not receive written approval within thirty (30) days of our receipt of such items, we will be deemed to have disapproved the items.

### **Website:**

We alone may establish, maintain, modify or discontinue all internet, world wide web and electronic commerce activities pertaining to the System.

Any websites or other modes of electronic commerce that we establish or maintain, including but not limited to any mobile applications ("apps") that we may introduce, may – in addition to advertising and promoting the products, programs or services available at YGF Restaurants – also be devoted in part to offering YGF Franchises for sale and be used by us to exploit the electronic commerce rights which we alone reserve.

You may not maintain your own website; otherwise maintain a presence or advertise on the internet or any other mode of electronic commerce in connection with your Restaurant; establish a link to any website we establish at or from any other website or page; or at any time establish any other website, electronic commerce presence or URL which in whole or in part incorporates the "YANGGUOFU" name or any names confusingly similar to the Proprietary Marks.

You are not permitted to promote your Restaurant or use any of the Proprietary Marks in any manner on any social or networking websites, such as Facebook, Foursquare, Instagram, LinkedIn or Twitter, without our prior written consent. We will control all social media initiatives. You must comply with our System standards regarding the use of social media in your Restaurant's operation, including prohibitions on your and the Restaurant's employees posting or blogging comments about the Restaurant or the System, other than on a website established or authorized by us ("social media" includes personal blogs, common social

networks like Facebook, Foursquare, Instagram, LinkedIn and MySpace, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video- sharing sites, and other similar social networking or media sites or tools). We currently do not have but reserve the right to establish branded social media pages/handles/assets. We reserve the right to conduct collective/national campaigns via local social media on your behalf.

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any website we establish and maintain.

**Advisory Council:**

We currently do not maintain a franchisee advertising advisory cooperative to advise us on advertising policies.

**Computer and Point of Sale Systems:**

At your own expense, you must use in the Restaurant a computer system that includes point-of-sale and reporting software, including all existing or future communication or data storage systems, components thereof and associated service, which we select for the System (the “POS System”). You are currently not required to license software used in the operation of the Restaurant from us, an affiliate, or a third party, but we reserve the rights to require so in the future.

As of the issuance date of this Disclosure Document, we require you to purchase the POS System from a third party Approved Supplier. You will be charged a one-time fee ranging from approximately \$4,500 to \$5,500.

We do not provide maintenance for your POS System and we have no obligation to upgrade and update your POS System. You should determine for yourself whether or not any third-party supplier from whom you purchase any component of your computer system is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your computer system, and determine the additional cost for the services. Our computer hardware and software requirements will periodically change and you will be required to upgrade your computer hardware and software, including the POS System, at your own expenses. We estimate the maintenance for your computer hardware and software to be between \$2,500 to \$3,000 per year.

The types of data generated, captured and stored within the POS System may include transaction data, inventory data, customer data, employee data, payment data, and other types of data.

If we (a) establish and maintain any Websites or intranet systems for YGF franchisees and for the promotion of YGF Restaurants; (b) modify or upgrade our proprietary software that we now or in the future may create and license to you; and (c) provide ongoing maintenance and support services associated therewith, then you must pay the Actual costs of technology system fee.

We currently have no access to your operational and financial information and data. We reserve the right to obtain independent access to operational and financial information and data produced by your POS System. There are no contractual limitations on our right to access the information and data.

**Training:**

Prior to the Restaurant’s grand opening, up to three trainees (including you, your General Manager and Head Chef) must have completed, to our satisfaction, our mandatory initial training program. We will conduct

this training at our affiliate’s training center in China, or at another location we designate including online locations. Our initial training program lasts for approximately four (4) days. The initial training program is conducted once prior to your opening on an as-needed basis.

We will provide instructors and training materials for three trainees (the cost of which is included in the initial franchise fee). You may also have additional personnel trained by us for the Restaurant, at your expense. We will determine whether your trainees have satisfactorily completed initial training. If you, the General Manager and the Head Chef do not satisfactorily complete the initial training program or if we determine that these persons cannot satisfactorily complete the training program, you must designate a replacement to satisfactorily complete the training before you will be permitted to open your Restaurant. We estimate the training fee for the initial training provided to a replacement or successor GM or Head Chef to be no more than \$2,000 per person. If the replacement General Manager or Head Chef cannot complete the initial training program to our satisfaction, we have the right to terminate your Franchise Agreement.

Any General Manager or Head Chef subsequently designated by you must also receive and complete the initial training program to our satisfaction, even if this requires sending that General Manager or Head Chef to our headquarters training program, at your expense. You must pay to us the then current training fee for the initial training we provide to a replacement or successor General Manager or Head Chef. You must also pay for all expenses your trainees incur for any training program, including costs of travel, lodging, meals and applicable wages.

If you request that we provide additional training or assistance on-site at your Restaurant and if we determine that additional training or assistance is necessary, you must pay our then-current weekly fee for each trainer we provide, and you must reimburse us for any expenses our trainers incur, such as costs of travel, lodging, and meals.

During the term of your Franchise Agreement, at our sole discretion, we may from time to time provide the Restaurant with training programs concerning management and techniques. The Managing Owner, the General Manager and the Head Chef of Franchisee’s Restaurant are required to attend the additional training programs.

The instructional materials used in the initial training include our Manual, marketing and promotion materials, videos, online resources, training manuals and workbooks, and any other materials that we believe will be beneficial to our franchisees in the training process.

The training schedule and activities of the initial training program are described below:

### **TRAINING PROGRAM**

<b>Subject</b>	<b>Classroom Hours</b>	<b>On-the-Job Training Hours</b>	<b>Location</b>
Introduction to Our Brand	0.50	Not applicable	Shanghai, China / Online
Restaurant Daily Operation	1.00	3.00-4.00	Shanghai, China / Online
Services and Customer Complaints	1.00	2.00-3.00	Shanghai, China / Online
Pre-opening Preparation	0.50	Not applicable	Shanghai, China / Online

Basic Knowledge of Food Safety	1.00	Not applicable	Shanghai, China / Online
Food Safety Laws	1.00	Not applicable	Shanghai, China / Online
Basic Knowledge of Restaurant Management	1.00	Not applicable	Shanghai, China / Online
Beef Bone Procurement	0.25	Not applicable	Shanghai, China / Online
Beef Bone Processing	0.25	Not applicable	Shanghai, China / Online
Beef Bone Soup Making	0.25	Not applicable	Shanghai, China / Online
Ready-made Soup Making	1.00-1.50	3.00-4.00	Shanghai, China / Online
Ingredients Preparation	1.00-1.50	2.00-3.00	Shanghai, China / Online
Food Display Knowledge	1.00-1.50	Not applicable	Shanghai, China / Online
Seasonings in Bowl Bottom	1.50	2.00-3.00	Shanghai, China / Online
Dish cooking	1.50	2.00-3.00	Shanghai, China / Online
TOTAL	12.75-14.25	14-20	

The instructors conducting our initial training program primarily include the field learning team. Each of our instructors has at least one to two years of experience relevant to the subjects they are teaching and with us and/or our affiliates.

The entire training program is subject to change due to updates in materials, methods, manuals and personnel without notice to you. The subjects and time periods allocated to the subjects actually taught to a specific franchisee and its personnel may vary based on the individual needs and/or experience of those persons being trained.

We may choose to hold refresher training courses, and we may designate that attendance at refresher training is mandatory for your General Manager, Head Chef and/or other Restaurant personnel. We do not anticipate charging a fee for refresher training, but you will pay for all of the expenses incurred by your trainees, including travel, lodging, meals and wages.

**ITEM 12**  
**TERRITORY**

We grant to you the right to operate a YGF Restaurant at a specific street address known as the “Site”. The Site will be subject to our written approval, which will not be unreasonably withheld. You may not operate the Restaurant from any location other than the Site without our prior written consent.

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

You may sell our menu items to customers who live anywhere but who choose to dine at or from your Restaurant. You may not engage in any promotional activities or sell products or services, whether directly or indirectly, through or on the internet, the world wide web, or any other similar proprietary or common carrier electronic delivery system; through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. You may place advertisements in printed media and on television and radio that advertising your Site.

There are no restrictions on us from soliciting or accepting orders in the approximate of your Site.

You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell any products to any business or other customer at wholesale.

We reserve all rights not expressly granted to you by the Franchise Agreement. Without limitation and without regard to proximity to the Restaurant, we and our Affiliates reserve the right to:

- (1) establish or license franchised and/or company-owned businesses offering similar or identical products and services, and using YGF System or elements of YGF System (i) under the Marks or (ii) under names, symbols, or marks other than the Marks anywhere outside of the Site;
- (2) develop or become associated with other concepts (including other franchise systems), whether or not using YGF System and/or the Marks, and/or award franchises under such other concepts for locations anywhere;
- (3) acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not) with units located anywhere and, (i) convert the other businesses to YGF Restaurants and Marks and to allow them to operate as part of YGF System, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Restaurants to such other name;
- (4) advertise, or authorize others to advertise, using the Marks anywhere, including inside and outside of the Site; or
- (5) market and sell products and services identified by the Marks or other trademarks, logos, marks, commercial names or symbols to customers located anywhere (in or out of the Site) through any alternative distribution channels (other than Restaurant(s) located at the Site,

including through catalogs, mail order, retail stores or kiosks, e-commerce, applications, online videos, recorded media, or broadcast media, regardless of proximity to the Restaurant without compensation to you.

If, during the term of the Franchise Agreement, you wish to change the Site out of any reasons, you should propose a Substitute Site and obtain our approval within three (3) months before the change. We will use reasonable standards to review and accept or reject a change of site proposal within fifteen (15) days after receiving the complete change of site proposal and other materials we request. If we do not accept the proposed site within such 15-day period, the proposal is deemed rejected. You must also meet certain other requirements, such as being in compliance with the Franchise Agreement, the location meets our then-current requirements for a YGF Restaurant, and you may be required to sign our then-current form of Franchise Agreement.


Neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned Restaurant which sell our proprietary products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

**ITEM 13**  
**TRADEMARKS**

The Franchise Agreement grants you the right to use certain trademarks, trade names, service marks, symbols, emblems, logos and indicia of origin designated by us (“Marks”). These Marks may be used only in the manner we authorize and only for the operation of your Franchised Business.

You may not use the Marks as a part of your corporate or other legal name, and you must comply with our instructions in filing and maintaining trade name or fictitious name registrations. You must sign any documents we require to protect the Marks or to maintain their continued validity and enforceability. In addition, you may not directly or indirectly contest the validity of our ownership of or our rights in and to the Marks.

We own the following principal Marks which have been registered with the U.S. Patent and Trademark Office (“USPTO”) on the Principal Register:

Mark	U.S. Serial Number	Registration Date
YGF	87380319	May 29, 2018
	79181534	October 25, 2016
	79179895	November 1, 2016

We intend to file all affidavits and other documents required to maintain our interest in and to the Marks. There is no agreement that limits our right to use or license the use of the Marks related to the franchise, and we know of no superior prior rights or infringing uses that could materially affect your use of the Marks in any state. There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, no pending infringement, opposition or cancellation proceedings and no pending litigation involving any of the Marks that may significantly affect the ownership or use of any Mark listed above.

We are currently applying for the following Federal registered service marks and the applications are pending with USPTO. We do not have a federal registration of these principal trademark. Therefore, our trademarks below do not have many legal benefits and rights as a federally-registered trademark. If your right to use the trademarks is challenged, you may have to change to alternative trademarks which may increase your expenses.

Mark	Application Number
YANGGUOFU	98578904

<p style="text-align: center;">楊國福</p>	<p style="text-align: center;">98578893</p>
<p style="text-align: center;"></p>	<p style="text-align: center;">98578852</p>

You must immediately notify us of any apparent infringement of the Marks or challenge to your use of any of the Marks or claim by any person of any rights in any of the Marks. You and your Managing Owners are not permitted to communicate with any person other than us, or any designated affiliate, our counsel and your counsel involving any infringement, challenge or claim. We can take action and have the right to exclusively control any litigation or USPTO or other administrative or agency proceeding caused by any infringement, challenge or claim or otherwise relating to any of the Marks. You must sign any and all documents, and do what may, in our counsel’s opinion, be necessary or advisable to protect our interests in any litigation or USPTO or other administrative or agency proceeding or to otherwise protect and maintain our interests and the interests of any other person or entity (including any affiliate) having an interest in the Marks.

We will indemnify you against and reimburse you for all damages for which you are held liable for your use of any of the Marks, provided that the conduct of you and your Managing Owners in the proceeding and use of the Marks is in full compliance with the terms of the Franchise Agreement.

Except as provided above, we are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or to protect you against claims of infringement or unfair competition with respect to them. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy we intend to defend the Marks vigorously.

We may require you, at your expense, to discontinue or modify your use of any of the Marks or to use one or more additional or substitute trade names, service marks, trademarks, symbols, logos, emblems and indicia of origin if we determine that an addition or substitution will benefit the System.

The license to use the Marks granted in the Franchise Agreement is non-exclusive to you. We have and retain all rights in the Marks.

**ITEM 14**  
**PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

**Patents and Copyrights:**

We do not have an ownership interest in any pending or registered patents or copyrights that are material to the franchise.

**Confidential Operations Manual:**

You must operate the Restaurant in accordance with the standards and procedures specified in the Manual. One copy of the Manual will be loaned to you by us for the term of the Franchise Agreement. We may, instead of providing you with a hard copy of the Manual, make our Manual available electronically via a password protected intranet.

You must treat the Manual and any other manuals we create or approve for use in your operation of the Restaurant, and the information contained in them, as confidential. You must also use all reasonable efforts to maintain this information as secret and confidential and you must not duplicate, copy, record or otherwise reproduce these materials, in whole or in part, or make them available to any unauthorized person. The Manual remains our sole property and must be kept in a secure place on the Restaurant premises.

We may revise the contents of the Manual and you must comply with each new or changed standard. You must also insure that the Manual is kept current at all times. If there is a dispute regarding the contents of the Manual, the terms of the master copy maintained by us at our home office will be controlling.

**Confidential Information:**

We claim proprietary rights in certain of our recipes which are included in the Manual and which are our trade secrets. Any and all information, knowledge, know-how and techniques related to the System that we communicate to you, including the Manual, plans and specifications, marketing information and strategies and site evaluation, selection guidelines and techniques, recipes, and the terms of your agreement with us, are considered confidential. You and each of your Owners are prohibited, during and after the term of your Agreement, from communicating, or using for the benefit of any other person or entity, and, after the term of your Agreement, from using for your or their own benefit, any confidential information, knowledge or know-how concerning the methods of operation of the Restaurant that may be communicated to you or any of your Owners or that you may learn about. You and each of your Owners may divulge this confidential information only to your employees who must have access to it to operate the Restaurant. Neither you nor your Owners are permitted at any time, without first obtaining our written consent, to copy, record or otherwise reproduce the materials or information nor make them available to any unauthorized person.

If we ask, you must have your General Manager, Head Chef, and any of your personnel who have received or will have access to confidential information sign similar confidentiality covenants. Your Owners also must sign these covenants.

If you, your Managing Owners, General Manager, Head Chef, or employees develop any new concept, process or improvement in the operation or promotion of the Restaurant, you must promptly notify us and give us all necessary information, free of charge. You, your Managing Owners, General Manager, Head Chef, and employees must acknowledge that any of these concepts, processes or improvements will become our property and we may give the information to other franchisees.

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

When you sign your agreement, you must designate and retain at all times an individual to serve as the “General Manager”. We do not require you to be the General Manager. If you are not actively involved in the daily operation of your Restaurant, then we may communicate with and rely on the decisions made by your General Manager and you must still make sure that your Restaurant is being operated according to the terms of your Franchise Agreement and the Manual. The kitchen of the Restaurant must be managed by a Head Chef. You must also retain other personnel as are needed to operate and manage the Restaurant.

Your General Manager must devote his or her full working time and best efforts to the day-to-day, on-premises operation of the Restaurant, must have satisfactorily completed the Initial Training Program, subsequent training and additional training or a comparable training program at your Restaurant that we have approved, and should not engaged in any other business endeavor except passive investments which do not interfere with the performance of his or her duties as General Manager. We do not require that any of your managers have an ownership interest in you. While your Restaurant is open, you must have at least one General Manager on-site. If you for any reason no longer employ a General Manager, you must notify us within twenty-four (24) hours of the change in circumstances, and arrange for an individual who has been properly trained to temporarily manage the Restaurant or, in our sole discretion, allow us, on a temporary basis, to assume the management of the Restaurant or appoint a third party to manage the Restaurant.

The General Manager must satisfy our educational and business criteria as provided to you in the Manual or other written instructions, must be individually acceptable to us, and must be approved by us to act as a General Manager. The General Manager must be responsible for the supervision and management of the Restaurant, and must devote full time and best efforts to this activity. The General Manager also must satisfy the applicable training requirements in the Franchise Agreement. If the General Manager cannot serve in the position or does not meet the requirements, he or she must be replaced within 30 days after the General Manager stops serving or no longer meets the requirements.

You must have all of your personnel sign covenants that they will maintain the confidentiality of information they receive or have access to based on their relationship with you. You must ensure that your General Manager and Head Chef agree to comply with the restrictions in Sections 10 (Confidential Information), 11 (Non-Compete), and 14 (Effect of Termination or Expiration) of the Franchise Agreement, except that they shall not be required to agree to comply with Section 11.C post-term non-compete provision.

Each of your owners owning, directly or indirectly, at any time during the Term of the Franchise Agreement, 15% or more of the legal or beneficial interests in you must sign and deliver to us our standard form of Owner’s Guaranty undertaking to be bound jointly and severally by all provisions of the Franchise Agreement and any other agreements between the Parties.

You will designate a single non-Entity Owner to serve as the “Managing Owner,” with the responsibility of supervising the daily operations of the Restaurant and the power to bind you in their dealings with us. We have the right to approve the Managing Owner, and you will promptly inform us of any proposed changes to the Managing Owner. We may, in our sole discretion permit you to appoint an individual who is not an Owner to serve in the role of Managing Owner.

**ITEM 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must sell or offer for sale all menu items, food products, merchandise, and other products and services we require, in the manner and style we require, including dine-in and carry-out, as expressly authorized by us in writing. You must sell and offer for sale only the menu items, products and services that we have expressly approved in writing. You must not deviate from our standards and specifications without first obtaining our written consent. You must discontinue selling and offering for sale any menu items, products or services that we may disapprove in writing at any time. We have the right to change the types of menu items, products and services offered by you at the Restaurant at any time, and there are no limits on our right to make those changes.

You must maintain in sufficient supply and use and sell only the food and beverage items, ingredients, proprietary products, merchandise, other products, materials, supplies, and paper goods that conform to our standards and specifications. You must prepare all menu items according to our recipes and procedures for preparation contained in the Manual or other written instructions, including the measurements of ingredients. You must not deviate from our standards and specifications by the use or offer of nonconforming items or differing amounts of any items, without first obtaining our written consent.

We reserve the right to vary the menu items offered at certain YGF Restaurants based on regional or local tastes or ingredients. If we allow a YGF Restaurant to modify its menu to accommodate regional or local tastes or ingredients, we are not required to grant to you a similar variance or modification.

You must keep the Restaurant very clean and maintain it in good repair and condition. You must make any additions, alterations, repairs and replacements, including repainting or replacement of obsolete signs, furnishings, equipment, and décor as we may reasonably direct. You must not make any changes to the premises without obtaining our written consent before you make the changes. You must obtain and pay for any new or additional equipment, including point of sale, computer hardware and software, fixtures, supplies and other products and materials that you must have to offer and sell new menu items from the Restaurant. You may not conduct any other business from the Restaurant or rent out the space without our consent.

We reserve the right to determine the maximum prices for the goods, products and services offered from your Restaurant, as permitted by applicable law.

You are not restricted as to the customers whom you may solicit or service.

We currently have no requirement on your business hours. However, we reserve the right to require you to comply with the future requirements on business hours we set out.

We do not impose any other restrictions in the Franchise Agreement or otherwise, as to the goods or services that you may offer or sell or as to the customers to whom you may offer or sell, except as described in Item 12. You may not directly solicit customers outside of your designated territory.

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

**THE FRANCHISE RELATIONSHIP**

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

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the Franchise Term	FA – Section 2.A	5 years commencing on the Effective Date
b. Renewal or extension of the Term	FA – Section 2.B	1 additional consecutive 5 years’ term
c. Requirements for you to renew or extend	FA – Sections 2.B, 2.C	Written notice, compliance with Franchise Agreement, satisfaction of monetary obligations, sign the then current Franchise Agreement, pay the then current franchise fees, release us, satisfaction of new criteria, remodel, and others. The new agreement that you must sign may contain terms and conditions that are materially different than the original contract.
d. Termination by you	FA – Section 13.A	You may terminate the Franchise Agreement 30 days after notice of Franchisor’s material breach if we fail to remedy the breach(es) within 30 days. (Subject to applicable state law.)
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	FA – Sections 13.B and 13.C	Each of your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination.
g. “Cause” defined – curable defaults	FA – Sections 13.B.(23)-(27) and 13.C.(1).(a)	We may terminate you for cause if you fail to cure certain defaults within 30 days of a notice of default, including: failure to respond to customer complaints; refusal to cooperate with inspection or information requests; failure to compel with other provisions of the Franchise Agreement; failure to maintain system standards; failure to obtain our approvals, and others. See FA – Sections 13.B(23)-(27) and 13.(C).(1).(a) of the Franchise Agreement.

h. "Cause" defined - non-curable defaults	FA – Sections 13.B.(1)-(22) and 13.C.(1).(b)	Misrepresentation of application; failure relating to Site; failure relating to personnel; violation relating to Marks; bankruptcy; abandonment; violation of covenants, and others; see FA – Sections 13.B.(1)-(22) of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
i. Your obligations on termination/nonrenewal	FA – Section 14.A	Cease operating Restaurant, payment of amounts due, return of manuals and other materials, deliver records, cancel assumed names, and others. See FA – Section 14.A of the Franchise Agreement.
j. Assignment of contract by us	FA – Section 12.A	There are no limits on our right to assign the Franchise Agreement.
k. "Transfer" by you – defined	FA – Section 12.B.(1)	Includes transfer of any interest.
l. Our approval of transfer by you	FA – Section 12.B.(2)	We have the right to approve or disapprove all proposed transfers.
m. Conditions for our approval of transfer	FA – Section 12.B.(4)	Full compliance with Franchise Agreement, release us, transferee must sign new Franchise Agreement, pay transfer fee, and others; see FA – Section 12.B.(4) of the Franchise Agreement.
n. Our right of first refusal to acquire your business	FA – Section 12.B.(6)	We have a right of first refusal. If the Franchisee or one or more of the Franchisee's Owners wish to make a Transfer pursuant to any bona fide binding offer received from a third party to purchase that interest, then the proposed seller shall promptly notify the Franchisor in writing of the offer, and provide any additional information and documentation relating to the offer that the Franchisor requires. Franchisor has 30 days to notify the transferee of its intent to acquire the Restaurant.
o. Our option to purchase your business	FA – Section 14.A.(5)	We have the option, within 60 days of termination or expiration, to purchase your tangible and intangible assets relating to the Restaurant, including the Restaurant premises and to an assignment of the lease at fair market value.

<p>p. Your death or disability</p>	<p>FA – Section 12.C</p>	<p>The designated owner’s estate must transfer his interest in the Restaurant to a third party we have approved in accordance to the Transfers provisions in FA – Section 12, within 6 months after his death or after he becomes permanently disabled.</p>
<p>q. Non-competition covenants during the term of the franchise</p>	<p>FA – Section 11.B</p>	<p>Includes prohibition on engaging in any business, which is the same or similar to the Restaurant and diverting or attempting to divert any business or customer of the Restaurant or of any other Restaurant to any competitor, directly or indirectly, or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System, or interfere with the vendor relationship. <i>See</i> FA – Sections 11.A and 11.B of the Franchise Agreement. (Subject to applicable state law.)</p>
<p>r. Non-competition covenants after the franchise is terminated or expires</p>	<p>FA – Section 11.C</p>	<p>Includes a 2-year prohibition similar to “q” (above), at the Site, within 12.5 miles of the Site, or within 12.5 miles of any other YGF Restaurant and diverting or attempting to divert any business or customer of the Restaurant or of any other Restaurant to any competitor, directly or indirectly, or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System, or interfere with the vendor relationship. <i>See</i> FA – Section 11.C of the Franchise Agreement. (Subject to applicable state law.)</p>
<p>s. Modification of the agreement</p>	<p>FA – Section 17.B</p>	<p>Must be in writing signed by both parties.</p>

t. Integration/merger clause	FA – Section 17.A	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representation or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in any 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	FA – Section 18.A	The parties must have internal negotiations before submitting any disputes to binding arbitration administered by American Arbitration Association, except for intellectual property claims and claims for injunctive relief. This provision is subject to state law.
v. Choice of forum	FA – Section 18.A	Delaware or our then current principal place of business. (Subject to applicable state law)
w. Choice of law	FA – Section 18.F	The law of Delaware. (Subject to applicable state law)

**ITEM 18**  
**PUBLIC FIGURES**

We currently do not use any public figure to promote the sale of our franchises but reserve the right to do so.

**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 Franchise Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about 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 Fei Feng, 1521 Concord Pike, Suite 201, Wilmington, DE 19803, phone number: (929) 977-6123, and email: [fei.feng@yangguofu.global](mailto:fei.feng@yangguofu.global), the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table 1  
Systemwide Outlet Summary  
For Years 2022 to 2024**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	7	+7
Company Owed	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	2022	0	0	0
	2023	0	0	0
	2024	0	7	+7

**Table 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For Years 2022 to 2024**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
All	2022	0
	2023	0
	2024	0

**Table 3  
Status of Franchised Outlets  
For Years 2022 to 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
California	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	3	0	0	0	0	3
Georgia	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Indiana	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Massachusetts	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Texas	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Totals	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	7	0	0	0	0	7

**Table 4  
Status of Company-Owned Outlets  
For Years 2022 to 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
All	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Totals	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

**Table 5**  
**Projected Openings for Year 2025 as of December 31, 2024**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In The Next Calendar Year	Projected New Company Owned Outlets In The Next Calendar Year
Washington	0	4	0
California	0	10	0
Massachusetts	0	0	0
Indiana	0	1	0
New York	0	2	0
Illinois	0	1	0
Georgia	0	1	0
Total	0	19	0

The name, address, and telephone number of all franchisees as of December 31, 2024 is included as Exhibit C.

The name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with the franchisor within 10 weeks of the issuance date of this Disclosure Document appear at Exhibit D. If you buy a Franchised Business, your contact information may be disclosed when you leave the franchise system.

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the YGF System.

There are no trademark-specific organizations formed by our franchisees that are associated with the YGF System.

**ITEM 21**  
**FINANCIAL STATEMENTS**

We have not been in business for three years or more and cannot include all the financial statements required by the Rule for its last three fiscal years. Our fiscal year ends December 31. Included as Exhibit E are our audited financial statements since our establishment on April 8, 2024 to December 31, 2024.

**ITEM 22**  
**CONTRACTS**

Attached to this Disclosure Document are the following agreements with exhibits:

Franchise Agreement (with Exhibits) – Exhibit B  
Form of General Release – Exhibit F  
Sample of Product Supply Agreement – Exhibit H

**ITEM 23**  
**RECEIPTS**

The Receipt pages are located on the last two pages of this Disclosure Document.

**EXHIBIT A TO THE DISCLOSURE DOCUMENT**

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

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. Where we are registered to sell franchises, we have appointed the state agency, or as noted below, a state officer, as our agent for service of process in the state. We may not yet be registered to sell franchises in any or all of the states listed. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

<p><b><u>CALIFORNIA</u></b>                  Department of Financial Protection and Innovation                  320 West Fourth Street, Suite 750                  Los Angeles, California 90013-2344                  (866) 275-2677                  Agent: California Commissioner of Financial Protection and Innovation</p>	<p><b><u>NORTH DAKOTA</u></b>                  North Dakota Securities Department                  600 East Boulevard Avenue                  State Capitol                  Fifth Floor                  Dept. 414                  Bismarck, North Dakota 58505-0510                  (701) 328-4712                  Agent: North Dakota Securities Commissioner</p>
<p><b><u>HAWAII</u></b>                  Commissioner of Securities                  Department of Commerce and Consumer Affairs                  335 Merchant Street, Room 203                  Honolulu, Hawaii 96813                  (808) 586-2722                  Agent: Commissioner of Securities of the State of Hawaii</p>	<p><b><u>OREGON</u></b>                  Department of Finance and Corporate Securities                  Labor and Industries Building                  350 Winter Street NE, Room 410                  Salem, Oregon 97301-3881                  (503) 378-4387                  Agent: Director of Oregon Department of Insurance and Finance</p>
<p><b><u>ILLINOIS</u></b>                  Franchise Division                  Office of Attorney General                  500 South Second Street                  Springfield, Illinois 62706                  (217) 782-4465                  Agent: Illinois Attorney General</p>	<p><b><u>RHODE ISLAND</u></b>                  Department of Business Regulation                  Division of Securities                  1511 Pontiac Ave.                  John O. Pastore Complex                  Building 69-1                  Cranston, RI 02920                  (401) 462-9500                  Agent: Director of Business Regulation</p>
<p><b><u>INDIANA</u></b>                  Franchise Section                  Indiana Securities Division                  Room E-111                  302 West Washington Street                  Indianapolis, Indiana 46204                  (317) 232-6681                  Agent: Indiana Secretary of State                  Indiana Securities Division                  201 State House                  Indianapolis, IN 46204</p>	<p><b><u>SOUTH DAKOTA</u></b>                  Department of Labor and Regulation                  Division of Insurance                  Securities Regulation                  124 South Euclid, Suite 104                  Pierre, South Dakota 57501                  (605) 773-3563                  Agent: Director, Division of Insurance-Securities Regulation</p>

<p><u>MARYLAND</u>  <u>Office of the Attorney General Securities Division</u>  <u>200 St. Paul Place</u>  <u>Baltimore, Maryland 21202-2020</u>  <u>(410) 576-6360</u>  <u>Agent: Maryland Securities Commissioner 200 St. Paul</u>  <u>Place</u>  <u>Baltimore, Maryland 21202-2020</u></p>	<p><u>VIRGINIA</u>  <u>State Corporation Commission</u>  <u>Division of Securities and Retail Franchising 1300 East</u>  <u>Main Street, 9th Floor</u>  <u>Richmond, Virginia 23219</u>  <u>(804) 371-9051</u>  <u>Agent: Clerk of the State Corporation Commission</u>  <u>1300 E Main St., 1st. Fl. Richmond, VA 23219</u>  <u>Tel: (804) 371-9733</u></p>
<p><u>MICHIGAN</u>  <u>Consumer Protection Division Antitrust and Franchise</u>  <u>Unit</u>  <u>Michigan Department of Attorney General 670 Law</u>  <u>Building</u>  <u>Lansing, Michigan 48913</u>  <u>(517) 373-7177</u>  <u>Agent: Michigan Department of Commerce Corporations</u>  <u>and Securities Bureau 6546 Mercantile Way</u>  <u>Lansing, MI 48910</u></p>	<p><u>WASHINGTON</u>  <u>Washington Department of Financial Institutions,</u>  <u>Securities Division, PO Box 41200, Olympia, WA</u>  <u>98504-1200 Agent: Securities</u>  <u>Administrator, Director of Department</u></p>
<p><u>MINNESOTA</u>  <u>Minnesota Department of Commerce 85 7th Place East,</u>  <u>Suite 280</u>  <u>St. Paul, Minnesota 55101-2198 (651) 539-1500</u>  <u>Agent: Minnesota Commissioner of Commerce</u></p>	<p><u>WISCONSIN</u>  <u>Securities Division of the Wisconsin Department of</u>  <u>Financial Institutions</u>  <u>345 W. Washington Ave., 4th Floor Madison, Wisconsin</u>  <u>53703</u>  <u>(608) 266-8559</u>  <u>Agent: Wisconsin Commissioner of Securities</u></p>
<p><u>NEW YORK</u>  <u>NYS Department of Law Investor Protection Bureau 28</u>  <u>Liberty Street, 21st Floor New York, NY 10005</u>  <u>(212) 416-8222 Phone</u>  <u>Agent for service:</u>  <u>New York Department of State One Commerce Plaza,</u>  <u>99 Washington Avenue, 6th Floor Albany, NY 12231-</u>  <u>0001</u>  <u>(518) 473-2492</u></p>	

**EXHIBIT B TO THE DISCLOSURE DOCUMENT**  
**CAPTAIN BUSINESS MANAGEMENT CO., LIMITED**  
**FRANCHISE AGREEMENT**

**CAPTAIN BUSINESS MANAGEMENT CO., LIMITED**

**FRANCHISE AGREEMENT**

**Name of Franchisee**

**Address of Restaurant**

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**APPENDIXES**

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- APPENDIX B--Guaranty of Performance
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**Captain Business Management Co., Limited**  
**Franchise Agreement**

**This Franchise Agreement (“Agreement”)** is made and entered into as of \_\_\_\_\_ (the “**Effective Date**”) by and between Captain Business Management Co., Limited, a Delaware Corporation, with its registered office in the State of Delaware at 1521 Concord Pike, Suite 201 Street, in the City of Wilmington, County of New Castle (19803) (“**Franchisor**”), and \_\_\_\_\_, a \_\_\_\_\_, with its registered office in \_\_\_\_\_ (“**Franchisee**”).

**RECITALS**

A. Franchisor and its Affiliates have developed a valuable and proprietary business model and system (collectively, “**YGF System**” “**YANGGUOFU System**”, or “**System**”) used in developing and operating franchised restaurants (“**Restaurant(s)**”, “**YGF Restaurant(s)**”, or “**YANGGUOFU Restaurant(s)**”) that operate under the trademarks “楊國福”<sup>®</sup> (Chinese character “**YANGGUOFU**”), “”, “**YGF**” and other related trademarks, logos, marks, product names and commercial symbols owned by Franchisor or its Affiliates (the “**Mark(s)**”, including those identified in Appendix D).

B. The core product of YGF System is “Malatang” (a Chinese dish); the distinguishing characteristics of YGF System include, but are not limited to, using unified Marks, as well as unified Restaurant decorations, designs and identification schemes (“**Trade Dress**”), standard food production process and flavors, conducting unified trainings, applying integrated procurement of certain featured materials, operation models and management system, and following the same franchise operation manuals (“**Manuals**”) and mandatory/recommended policies, processes, standards, specifications, rules and requirements set out in other written documents (“**YGF System Standards**”). Franchisor may change, improve, add to, and further develop the elements of YGF System from time to time.

C. Franchisor has the right to license others to establish and operate one or more Restaurant(s) within defined territories. Franchisee is willing to obtain and has applied for a franchise to operate a single unit Restaurant at a location that Franchisee selects and Franchisor approves, and Franchisor wishes to grant Franchisee such a franchise under the terms and conditions contained in this Agreement.

D. As used in this Agreement, an “**Affiliate**” of a natural/legal person or entity means any natural/legal person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling, such natural/legal person or entity. For purposes of

this definition, "**control**" of a legal person means ownership or control of a majority of the voting ownership of the legal person or any combination of voting ownership and/or one or more agreements that together afford control of the management and policies of such legal person.

Franchisor and Franchisee are hereinafter collectively referred to as the "**Parties**", and each individually as a "**Party**". In consideration of the covenants, mutual benefits to be derived, and the representations and warranties, conditions and promises herein contained and intending to be legally bound, the Parties hereby agree as follows:

## **1. GRANT OF FRANCHISE.**

1.A. Franchise Granted. On the terms and conditions of this Agreement, Franchisor grants to Franchisee a franchise to operate one Restaurant using YGF System and the Marks (the "**Franchise**") at the site identified in Appendix A (the "**Site**"). Franchisee hereby accepts the Franchise and undertakes to operate the Restaurant according to the provisions of this Agreement for the entire Term, as defined in Section 2.A (**Term**) (Appendix A and all appendixes and schedules attached to this Agreement are incorporated in this Agreement by reference).

1.B. Location. Franchisee may not operate the Restaurant from any location other than the Site without Franchisor's prior written consent.

1.C. Reservation of Rights. The Restaurant opened by Franchisee under this Agreement is not territorially monopolistic. Franchisor reserves all rights not expressly granted to Franchisee in this Agreement, as well as the rights to do all things that Franchisor does not expressly agree in this Agreement not to do. Without limitation and without regard to proximity to the Restaurant, Franchisor and its Affiliates reserve the right, on such terms and conditions as Franchisor or its Affiliates deem appropriate to:

- (1) establish or license franchised and/or company-owned businesses offering similar or identical products and services, and using YGF System or elements of YGF System (i) under the Marks or (ii) under names, symbols, or marks other than the Marks anywhere outside of the Site set forth in Appendix A;
- (2) develop or become associated with other concepts (including other franchise systems), whether or not using YGF System and/or the Marks, and/or award franchises under such other concepts for locations anywhere;
- (3) acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not) with units located anywhere and, (i) convert the other businesses to the YGF businesses and Marks and to allow them to operate as

part of YGF System, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Restaurants to such other name. Such transactions are expressly permitted under this Agreement, and Franchisee agrees to participate at its expense in any such conversion as may be required by Franchisor and to waive any claims, demands or damages arising from or related to the loss of the Marks and YGF System and/or the loss of association with or identification of the Marks and YGF System under this Agreement;

- (4) advertise, or authorize others to advertise, using the Marks anywhere, including inside and outside of the Site; or
- (5) market and sell products and services identified by the Marks or other trademarks, logos, marks, commercial names or symbols to customers located anywhere (in or out of the Site) through any alternative distribution channels (other than Restaurant(s) located at the Site set forth in Appendix A), including through catalogs, mail order, retail stores or kiosks, e-commerce, applications, online videos, recorded media, or broadcast media, regardless of proximity to the Restaurant without compensation to Franchisee.

1.D. Entity. If Franchisee is a corporation, limited liability company, partnership, or other form of entity (“**Entity**”), it agrees and represents that:

- (1) Franchisee has the authority to execute, deliver and perform its obligations under this Agreement and is duly organized or formed and validly existing in good standing under the laws of the jurisdiction of its incorporation or formation;
- (2) Franchisee’s organizational or governing documents will recite that the issuance and transfer of any Ownership Interests in it are restricted by the terms of this Agreement, and all certificates and other documents representing Ownership Interests in it will bear an illustration referring to the restrictions of this Agreement. “**Ownership Interests**” means: (a) in relation to a corporation, shares of capital stock or other equity interests in the corporation; (b) in relation to a limited liability company, membership interests or other equity interests in the limited liability company; (c) in relation to a partnership, a general or limited partnership interest; or (d) in relation to a trust, the ownership of the beneficial interest of such trust;
- (3) Appendix A will completely and accurately describe all of Franchisee’s owners of a legal and/or beneficial interest in the Entity (the “**Owners**”) and their interests in Franchisee;
- (4) Franchisee and its Owners agree to revise the information in Appendix A as may be necessary to reflect any ownership changes and to furnish such other information about

Franchisee's organization or formation as Franchisor may request (**no ownership changes may be made without Franchisor's approval**);

- (5) **each of the Owners owning, directly or indirectly, at any time during the Term of this Agreement, 15% or more of the legal or beneficial interests in the Entity must sign and deliver to Franchisor its standard form of Owner's Guaranty undertaking to be bound jointly and severally by all provisions of this Agreement and any other agreements between the Parties.** A copy of Franchisor's current form of Owner's Guaranty is attached as Appendix B. All other Owners will be required to sign a nondisclosure and noncompetition agreement in substantially the form attached as Appendix C;
- (6) Franchisee will designate a single non-Entity Owner to serve as the "**Managing Owner**," with the responsibility of supervising the daily operations of the Restaurant and the power to bind Franchisee in their dealings with Franchisor. Franchisor has the right to approve the Managing Owner, and Franchisee will promptly inform Franchisor of any proposed changes to the Managing Owner. Franchisor may, in its sole discretion permit Franchisee to appoint an individual who is not an Owner to serve in the role of Managing Owner; and
- (7) at Franchisor's request, Franchisee will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of its Owners and agents (like articles of incorporation or organization and partnership, operating or shareholder agreements).

## **2. TERM AND RENEWAL OF FRANCHISE.**

2.A. Term. The initial term of the Franchise (the "**Term**") is five (5) years commencing on the Effective Date, unless this Agreement is earlier terminated. If Franchisee fails to acquire a Successor Franchise pursuant to Section 2, this Agreement shall automatically terminate upon expiration of the Term or the then-current Successor Franchise (if applicable).

2.B. Franchisee's Right to Acquire Successor Franchises. Upon the expiration of the initial Term, subject to the terms and conditions set forth in Sections 2.C (Grant of a Successor Franchise), Franchisee will have the right to acquire a Successor Franchise to operate the Restaurant at the Site or such substitute Site, as described in clause (7) below, for one additional consecutive five (5) years' term (a "**Successor Franchise**"), if: Franchisee (and each of its Owners) are then in full compliance with this Agreement and all other agreements between Franchisee and Franchisor or Franchisor's Affiliates and have been in substantial compliance with this Agreement and all other agreements between Franchisee and Franchisor or Franchisor's Affiliates throughout the Term;

- (2) Franchisee has timely paid Franchisor, or its Affiliates all amounts due under this Agreement and all other agreements between Franchisee and Franchisor or Franchisor's Affiliates;
- (3) At Franchisor's option, Franchisee shall re-execute the then-current version of franchise agreement and ancillary agreements (e.g. Supply Agreement). Franchisee is fully aware and consent that, the terms and conditions of the then-current franchise agreement and ancillary agreements (e.g. Supply Agreement) may differ materially from this Agreement, including without limitation the franchise fees. Failure by Franchisee and its Owners to sign and deliver to Franchisor such agreements within thirty (30) days after delivery thereof to Franchisee will be deemed an election by Franchisee not to obtain a Successor Franchise;
- (4) **Franchisee and its Owners must also execute and deliver to Franchisor, to the extent permitted by Applicable Laws, general releases, in a form prescribed by Franchisor, of any and all claims against Franchisor, its Affiliates, and their respective owners, officers, directors, employees, agents, successors and assigns.** Failure by Franchisee and its Owners to sign and deliver to Franchisor such releases within thirty (30) days after delivery thereof to Franchisee will be deemed an election by Franchisee not to obtain a Successor Franchise;
- (5) Franchisee has completed and sent Franchisor the forms and other information it then requires and demonstrates to its satisfaction that Franchisee meets Franchisor's then-current financial and operational criteria for new Restaurant franchisees; and
- (6) Franchisee either (a) maintains possession of and agrees to remodel the Restaurant, add or replace improvements, equipment, fixtures, furnishings, and signs, and otherwise modify the Restaurant as Franchisor requires to bring it into compliance with YGF System Standards then applicable for new Restaurants; or (b) if Franchisee is unable to maintain possession of the Site, or if, in Franchisor's reasonable judgment based on changed market and economic conditions then in effect in the local market, the Restaurant should be relocated, Franchisee: (x) secures a **Substitute Site** that Franchisor approves; (y) develops the Substitute Site in compliance with specifications and standards then applicable for new Restaurants; and (z) continues to operate the Restaurant at the original Site as is reasonable until operations are transferred to the Substitute Site.

Notwithstanding Franchisor's right in subparagraph (7) above to require Franchisee to relocate the Restaurant, Franchisor will not require Franchisee to relocate the Restaurant in connection with its acquisition of a Successor Franchise until the then-current term of the lease or sublease for its Restaurant expires (if this Agreement expires before Franchisee's then-current lease term expires). However, Franchisee must comply with its obligations in

subparagraph (7) above and, if appropriate, commence preparation to relocate the Restaurant to a new location before the then-current term of its lease or sublease expires in order to minimize as reasonably as practicable the time period during which Franchisee does not have a Restaurant open for business.

2.C. Grant of a Successor Franchise. Franchisee must give Franchisor written notice of its election to acquire a Successor Franchise at least one (1) month prior to the expiration of the Term. Franchisor may require Franchisee to provide certain financial information relating to Franchisee, its Owners and the Restaurant's operation, and pay Franchisor the Successor Franchise fee, along with its notice. **If Franchisee fails to give Franchisor its notice by the required deadline (together with the Successor Franchise fee), Franchisor will interpret that to be Franchisee's election not to acquire a Successor Franchise, and Franchisor will take action in reliance on that election.** Within fifteen (15) days after Franchisor's receipt of Franchisee's notice (together with the Successor Franchise fee), Franchisor will give Franchisee written notice: (a) of its determination whether or not Franchisor will grant Franchisee a Successor Franchise (and, if applicable, stating the reasons for a refusal to grant Franchisee a Successor Franchise); and/or (b) advising Franchisee of any deficiencies which must be corrected by Franchisee before Franchisor will grant Franchisee a Successor Franchise, stating what actions Franchisee must take to correct the deficiencies and specifying the time period in which such deficiencies must be corrected.

### 3. DEVELOPMENT AND OPENING OF SITE AND RESTAURANT.

#### 3.A. Site Selection.

- (1) Selection of the Site. The Parties have negotiated and Franchisor has agreed that Franchisee will establish and operate the Restaurant at the Site specified in Appendix A. In case the Parties have not reached a consensus on the Site at the execution of this Agreement, Franchisee must deliver to Franchisor for its review a complete site proposal and other materials and information Franchisor requests for the proposed site. Franchisor will use reasonable standards to review and accept or reject a site proposal within fifteen (15) days after receiving the complete site proposal and other materials Franchisor requests. If Franchisor does not accept the proposed site within such 15-day period, the proposed site is deemed rejected. If Franchisor accepts the proposed site and Franchisee obtains the ownership or right to use of the site, Franchisor will insert a description of the specific location in Appendix A. The address listed in Appendix A, if completed and signed by Franchisor, will be the "Site" referred to in this Agreement. A site is not accepted until Franchisee has received its acceptance in writing, as indicated by the delivery of the completed and signed Appendix A. If Franchisee requests other guidance, consultation, assistance and on-site evaluation from the Franchisor, the Parties may reach an additional agreement accordingly, and Franchisor may charge

Franchisee a reasonable fee for such additional services, including *per diem* charges for travel and living expenses for its personnel.

- (2) Change of the Site. If Franchisee needs to change the Site out of any reasons, it should propose a Substitute Site and obtain Franchisor's approval within three (3) months before the change. In particular, Franchisee must deliver to Franchisor for its review a complete change of site proposal and other materials and information Franchisor requests for the proposed site in advance. Franchisor will use reasonable standards to review and accept or reject a change of site proposal within fifteen (15) days after receiving the complete change of site proposal and other materials Franchisor requests. If Franchisor does not accept the proposed site within such 15-day period, the proposal is deemed rejected.
- (3) No Warranty. Franchisee acknowledges and agrees that Franchisor's acceptance or proposal of a proposed site is not a warranty or representation, express or implied, as to the potential success or profitability of Franchisee's Restaurant. While Franchisor may provide assistance and guidance, it is solely Franchisee's responsibility to select a suitable site for the Restaurant. **Franchisor is not responsible if the Site Franchisor recommends or accepts fails to meet Franchisee's expectations.** Franchisee's acceptance of the Site is based on its own independent investigation of, or agreement in the future to investigate, the Site's suitability.

### 3.B. Site Acquisition.

- (1) Obtain Approval. Franchisee must present to Franchisor for Franchisor's review and approval, which Franchisor will not unreasonably withhold, each letter of intent, lease, sublease, or purchase agreement (and any renewals and amendments thereof) that will govern Franchisee's acquisition, occupancy and/or lawful possession of the Site (collectively, "**Site Agreements**") at least thirty (30) days before Franchisee intends to sign it. Franchisor may (but has no obligation to) provide Franchisee guidance or assistance relating to the Site Agreement and its negotiation. Franchisee may not sign any Site Agreement unless it contains the terms that Franchisor requires in accordance with this Section and until Franchisee has received a written approval of the Site Agreement(s) from Franchisor. If Franchisor has not approved a Site Agreement in writing within ten (10) Business Days after Franchisor receive a complete clean copy of the Site Agreement from Franchisee (containing all negotiated terms and in signature-ready form), then it will be deemed disapproved. A "**Business Day**" means any day other than Saturday, Sunday or a legal German holiday. Franchisee must sign and deliver to Franchisor a fully-executed copy of the approved Site Agreement for the Site within two (2) months from the Effective Date of this Agreement.

- (2) No Warranty. Franchisee acknowledges and agrees that Franchisor's guidance, assistance (at Franchisor's option) and approval of a Site Agreement is not a warranty or representation, express or implied, as to the potential success or profitability of Franchisee's Restaurant, or that the terms of the Site Agreement are/are not suitable for Franchisee's commercial purposes.

### 3.C. Development of the Restaurant.

- (1) Franchisor will provide Franchisee with mandatory and recommended design standards, plans and specifications, which may include the corporation image identification system ("CI System") unified by Franchisor, or other mandatory requirements and recommendations on the layout, design, interior decorations, position of the equipment, furniture, fixtures, outdoor signboard, identification schemes, colors, etc. of the Restaurants.
- (2) **Franchisor has the right to require Franchisee to employ architectural or construction team or contractor designated or approved by Franchisor to develop and furnish the Restaurant. Franchisee must obtain prior written consent from Franchisor before using a team or contractor that are not approved by Franchisor. Provided that Franchisee has obtained Franchisor's prior written consent, Franchisee shall prepare all necessary construction drawings and specifications according to the design standards and plans provided by Franchisor, and make sure that these drawings and specifications comply with all applicable legal requirements.** Franchisee must, before commencing development of the Restaurant, provide Franchisor with complete space plans, architectural drawings, construction plans and specifications for Franchisor's review written approval of them. Any changes that Franchisee makes to the space plans, architectural drawings, construction plans or specifications to comply with Applicable Laws or for other reasons must be provided to Franchisor for its prior review and written approval (including via e-mail). Franchisee may not begin construction of its Restaurant without written approval from Franchisor concerning the final plans and specifications. Upon completion of construction, Franchisee must provide Franchisor with "as built" plans for the Restaurant.
- (3) Franchisor may inspect the Site anytime while Franchisee is developing the Restaurant, and may offer any construction assistance to Franchisee at Franchisor's own discretion.
- (4) Any review of Franchisee's construction plans and specifications will be limited to ensuring their compliance with Franchisor's design and other requirements for the Restaurants. **Franchisor will not assess Franchisee's compliance with any Applicable Laws, rules, regulations, or ordinances ("Applicable Laws"), related to the development or construction of the Restaurant, of which the liability and responsibility are born by Franchisee solely.**

3.D. Opening of the Restaurant. Franchisee expects to open Restaurant within six (6) months upon execution of this Agreement. If there is any delay in the preparation of Restaurant opening, Franchisee shall notify in writing to Franchisor such circumstance and its plans to eliminate effects of such circumstance within two (2) days upon its recognition of such circumstance; provided, however, the Restaurant shall not be opened for business until Franchisee has obtained written consent from Franchisor to do so. Franchisor will not unreasonably withhold its consent for the opening of the Restaurant, provided Franchisee has (i) requested in writing for Franchisor's approval to open the Restaurant upon at least thirty (30) days' prior written notice of the Restaurant's planned opening date and provided Franchisor with written notice of when the Restaurant is ready for inspection, (ii) complied in all material respects with all applicable provisions of this Agreement relating to the development of Franchisee's Restaurant, **and** (iii) have satisfied the following conditions:

- (1) Franchisee have secured all financing it requires to develop and operate the Restaurant;
- (2) Franchisee has delivered to Franchisor a copy of the fully executed Site Agreement(s);
- (3) Franchisee has purchased or leased and installed all required equipment, fixtures, furniture, and signs for the Restaurant according to the requirements set out in this Agreement and YGF System Standards;
- (4) Franchisee has purchased an initial inventory of required, authorized, and approved featured materials and other supplies;
- (5) Franchisor has inspected and approved the Restaurant as having been developed in accordance with the approved construction plans, Trade Dress and other written instruments. As an alternative, or in addition, to our physical inspection of the Restaurant, Franchisor may require Franchisee to send Franchisor digital video and/or photographs of the Restaurant. **Franchisor's inspection and approval are limited to ensuring Franchisee's compliance with the standards and specifications applicable to the Restaurants, although Franchisor's approval is not a representation that the Restaurant complies with its standards and specifications or a waiver of its right to enforce any provision of this Agreement. Franchisor's inspection and approval are not designed to assess compliance with Applicable Laws, as compliance with such laws is Franchisee's responsibility and obligation;**
- (6) Franchisee's Managing Owner, General Manager and Head Chef have completed the Initial Training Program described in Section 4 (Training and Assistance) to Franchisor's satisfaction;
- (7) Franchisee have satisfied all bonding, licensing, and other legal requirements for the lawful operation of its Restaurant, and Franchisee have delivered to Franchisor copies

of all business registrations, permits and approvals for its Restaurant required by Applicable Laws;

- (8) All amounts due to Franchisor, our Affiliates, and/or designated third parties have been paid;
- (9) Franchisor has received Deposit required by Section 5.B of this Agreement; and
- (10) Franchisee has signed and delivered to Franchisor a completed opening checklist/request for opening, in the form Franchisor specifies, certifying to Franchisor that all of the requirements in (1) through (9) above have been satisfied.

3.E. Assistance at the Opening. Upon Franchisee's request, Franchisor may (but is not obligated to) offer on-site assistance at the opening of the Restaurant, when the travel costs (including fees for visa, transport, accommodation, etc.) of the personnel Franchisor sends will be borne by Franchisee.

3.F. Initial Inventory. Prior to opening the Restaurant, Franchisee must purchase an initial inventory of featured materials specified in Manuals and other materials ("**Materials**") from Franchisor or the suppliers designated/approved by Franchisor. **Franchisor may specify the type and quantity of items that Franchisee must purchase for its pre-opening inventory.** Franchisee may submit a request to Franchisor or the suppliers designated/approved by Franchisor for procurement of the Materials only after the development of the Restaurant is completed and reviewed and approved by Franchisor.

#### 4. TRAINING AND ASSISTANCE.

4.A. Initial Training Program. Franchisor will furnish at its corporate headquarters in China and/or other designated location an initial training program (the "**Initial Training Program**") for Franchisee who signs this Agreement. The Initial Training Program will last approximately four (4) days, for which the schedules, designed by Franchisor, may include the dishes producing process for the chefs, daily operation management of the Restaurant, etc. The Managing Owner, the General Manager and the Head Chef of Franchisee's Restaurant are required to attend the Initial Training Program. Franchisor will train up to three (3) trainees at no charge, and Franchisor may charge a reasonable fee for each additional trainee, including trainees attending repeated trainings or trainees replacing the original trainees. In the case that any of the Managing Owner, the General Manager and/or the Head Chef of the Restaurant changes, Franchisee shall inform Franchisor within ten (10) days before the change occurs, and Franchisor is entitled to require the successor Managing Owner, General Manager and/or Head Chef to complete the Initial Training Program.

4.B. Subsequent Training. After this Agreement is performed for five (5) years, Franchisor is entitled to require the Managing Owner, the General Manager and/or the Head Chef of the Restaurant to attend subsequent training annually which will last for one (1) day.

4.C. Additional Training. Within the Term, at Franchisor's sole discretion, Franchisor may from time to time provide the Restaurant with training programs concerning management and techniques. The Managing Owner, the General Manager and the Head Chef of Franchisee's Restaurant are required to attend the additional training programs.

4.D. Training Expenses. Franchisor will bear the tuition fees and costs of digital training materials of the Initial Training Program and subsequent training. Franchisee will be responsible for the tuition fees and costs of training materials of additional training programs. Franchisee will also be responsible for the compensation, purchasing expenses, printing fees of digital materials, and accommodation, food, transportation, travel, living expenses, etc. of its designated personnel during any and all training, conferences and programs.

4.E. Training Examination and Consequences.

- (1) Franchisee's personnel who attend the trainings must take examination/test organized by Franchisor after completing the training courses. The trainings will be deemed completed only if Franchisee's personnel pass the examination/test; those who fail the examination/test must extend the training until they pass the examination/test;
- (2) Franchisee's personnel who attend the training must arrive at the location designated by Franchisor to register and attend the training within one (1) month upon receipt of Franchisor's notice. If the registration is delayed without reasonable cause, which affects the implementation of training plan, Franchisor is entitled to cease or inform third-party suppliers to cease supplying Materials, etc. to Franchisee, and Franchisee will solely bear the consequences of delay of the opening of the Restaurant, etc. and other losses;
- (3) Franchisee's personnel who attend the training should be able to recite Franchisor's Corporate Culture Values as described in Manuals, and comprehend the connotation. Franchisor may examine or randomly check if the personnel of the Restaurant can recite and comprehend the Franchisor's Corporate Culture Values during inspection of the Restaurant;
- (4) Franchisor must replace any managing staff and/or Head Chef who cannot complete the training to Franchisor's satisfaction, and the newly appointed managing staff and/or Head Chef must complete the designated training program to Franchisor's satisfaction before taking the position.

4.F. Employee Training. Franchisee must train all its personnel in accordance with the Franchisor’s training content, and equip the Restaurant with a sufficient number of trained staffs, which shall at least include a managing staff and a Head Chef who have completed the Initial Training Program to Franchisor’s satisfaction.

4.G. Online Training. For any training programs that Franchisor holds, it may supplement or replace portions of the in-person training with online training modules.

4.H. Manuals and YGF System Standards. Franchisor will provide Franchisee access during the Term to one set of the Franchise Manuals of YGF System, in both physical and digital forms, which include business policies, YGF System Standards, and information relating to Franchisee’s other obligations under this Agreement. The Manuals may be modified from time to time, at Franchisor’s sole discretion, to reflect changes in YGF System Standards, and Franchisor will communicate any required changes to Franchisee. Where any discrepancy arises between Manuals in different versions, the Franchisor’s master copy shall prevail. Franchisee agrees to keep its copy of the Manuals current and in a secure location at the Restaurant. If Franchisor provides Franchisee with online access to the Manuals, Franchisee will be responsible for periodically monitoring the site for any updates to the Manuals or YGF System Standards, and responsible for protecting the confidentiality of any passwords and other digital identifications necessary to access the Manuals on such site. Franchisor and its Affiliates are the sole owners of the copyright and all other rights in and to the Manuals, and Franchisee may not reproduce or use them for any purpose other than in connection with Franchisee’s performance under this Agreement.

5. FEES.Franchise Fee. at its sole discretion, may elect to place Franchisee under either the Fixed Fee Arrangement or Variable Fee Arrangement, as specified in Appendix A.

(1) Fixed Fee Arrangement. Under the Fixed Fee Arrangement, you must pay a lump sum fee of \$20,000 as the Initial Franchise Fee upon the execution of this Agreement. This Initial Franchise Fee is due, and fully earned by Franchisor, when Franchisee signs this Agreement. You must also pay a Subsequent Fee at 3% of your monthly Gross Sales **The Franchise Fee is not refundable unless otherwise required by Applicable Laws.**

(2) Variable Fee Arrangement. Under the Variable Fee Arrangement, you must pay a lump sum fee of \$10,000 as the Initial Franchise Fee upon the execution of this Agreement. This Initial Franchise Fee is due, and fully earned by Franchisor, when Franchisee signs this Agreement. You must also pay a Subsequent Fee determined as follows:

Monthly Gross Sales	Subsequent Fee
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Less than \$50,000.00		\$2,000.00
\$50,000.00	to	\$2,000.00 plus 6% of the portion of monthly Gross Sales which exceed \$50,000.00
\$80,000.00		
\$80,000.01	to	\$3,800.00 plus 7% of the portion of monthly Gross Sales which exceed \$80,000.00
\$120,000.00		
More	than	\$6,600.00 plus 8% of the portion of monthly Gross Sales which exceed \$120,000.00
\$120,000.00		

**The franchise fee is not refundable unless otherwise required by Applicable Laws.**

5.B. Deposit.

- (1) To prompt Franchisee to cherish and protect Franchisor's commercial brand and corporation image in operation of the Restaurant, Franchisee shall have submitted a **Deposit** to Franchisor upon execution of this Agreement as specified in Appendix A.
- (2) The above-mentioned Deposit will be kept in the account of Franchisor, and Franchisor will not pay any interest to Franchisee on the Deposit.
- (3) During the Term, Franchisor may deduct liquidated damages, loss or costs from the Deposit if any of the following event occurs. Notwithstanding the deduction from the Deposit, Franchisor reserves the rights to other available claims and remedies, including but not limited to claiming damages from the Franchisee:
  - (a) Franchisee: i) does not purchase Materials from Franchisor and/or the third-party suppliers designated/approved by Franchisor as required by Franchisor; ii) fails to comply with Applicable Laws and regulations, and relevant standards and requirements of the local authorities (e.g. standards and requirements on food and sanitation) in operation of the Restaurant, for instance, using additives like chili essence and Sichuan peppercorn essence, bulk soybean oil, processed sesame oil, leftover soups/bones/oil, etc.; or iii) **fails to comply with provisions in Appendix E and other requirements Franchisor notifies from time to time. All the above conducts constitute a Default, and Franchisor will deduct the relevant liquidated damages according to Appendix E;**
  - (b) Franchisor pays or pays on behalf of Franchisee any amount or payment/compensation to the consumers due to consumer complaints/claims arisen from Franchisee's conducts;

- (c) Franchisor receives penalties from administrative bodies, regulators, industrial associations and/or other organizations due to Franchisee's conducts or faults;
- (d) Franchisor or its Affiliates receive payment requests from third parties due to Franchisee's failure to pay any promised amount;
- (e) Franchisee conducts unfair competition with other Franchisor-authorized Restaurants in the same area (in principle, within the same State/Province), including price reduction and discounts without Franchisor's consent, while Franchisor is entitled to deduct liquidated damages from the Deposit, the liquidated damages should be calculated as \$140 per day from the beginning date of the Default until the Default is completely corrected; if the liquidated damages are not sufficient to compensate the actual loss of Franchisor, Franchisee shall also pay the difference between the actual loss and the liquidated damages. Franchisor's costs and expenses for investigating against such Default are also counted as actual loss of Franchisor, which shall be assumed by Franchisee;
- (f) Franchisee transfers the Restaurant, change the location of the Restaurant, or establish new Restaurant outside the Site without Franchisor's written approval. Franchisor is entitled to request correction of the above Default and require Franchisee to pay reasonable compensation, and cease or inform Franchisor's Affiliates or third-party suppliers to cease offering Materials to Franchisee. Franchisor may also terminate this Agreement and deduct all the Deposit in accordance with Section 13 herein to regulate market order and protect its brand;
- (g) Franchisee conducts business activities irrelevant to YGF System in the Restaurant without Franchisor's written consent. If the above Default occurs, Franchisor is entitled to terminate this Agreement pursuant to Section 13 herein and deduct all of Franchisee's Deposit;
- (h) Franchisee transfers, lends or licenses the Marks which Franchisor has licensed it to use within the Restaurant to any third party without Franchisor's authorization. If the above Default occurs, Franchisor is entitled to terminate this Agreement in accordance with Section 13 of this Agreement, and the economic loss of Franchisee or the third party caused will be borne by Franchisee. Franchisor will also deduct liquidated damages from the Deposit, calculated as \$280 per day from the date when Franchisee starts to transfer, lend or license the Marks to the third party;
- (i) Franchisee uses any trademarks and/or marks similar to the Marks (including any Chinese characters or Pinyin or parts of which, e.g. "YANG\*FU", "YANGGUO\*", "\*GUOFU", etc.) to operate Malatang restaurants or other food and beverage services without Franchisor's consent. The above conduct constitutes material infringements and

breaches under this Agreement, and Franchisor will deduct liquidated damages from the Deposit, calculated as \$280 per day from the date when Franchisee starts to use such trademarks/marks until the Default is completely cured;

- (j) Franchisee violates Section 14.A.(2) of this Agreement. If the above Default occurs, Franchisor is entitled to deduct liquidated damages from the Deposit, calculated as \$280 per day from the date of Default until the Default is completely cured;
  - (k) Franchisee's other Defaults of the provisions of this Agreement.
- (4) Franchisor shall notify Franchisee in writing within five (5) Business Days after it makes any deduction of the Deposit, and require Franchisee to supplement the Deposit. Franchisee shall promptly complement the Deposit upon Franchisor's notice. If Franchisee has any objection against the decision of Franchisor to deduct from the Deposit, Franchisee may submit such objection request to Franchisor, and Franchisor will provide reasonable explanations to Franchisee after conducting investigation; provided that, during the investigation, Franchisee shall first complement the Deposit as requested. If Franchisee has neither complemented the Deposit nor raised any objection request against the decision of deduction of the Deposit within ten (10) days upon receipt of such notice, Franchisor is entitled to terminate this Agreement in accordance with Section 13 herein.
- (5) If no default/violation which enables Franchisor to deduct from the Deposit has occurred upon termination or expiration of this Agreement, Franchisor will return the Deposit in accordance with Section 14 (EFFECT OF TERMINATION OR EXPIRATION OF THIS AGREEMENT) herein.

5.C. Payments of Fees. All fees are due to Franchisor at the times and in the manner that Franchisor specifies from time to time in this Agreement, the Manuals or otherwise. Franchisee must also sign and deliver to Franchisor the documents Franchisor periodically requires to enable such payments. Except for the Franchise Fee, all other fees and payments due hereunder must be paid within ten (10) days of Franchisee's receipt of an invoice from Franchisor and/or its Affiliates, the designated supplier, or as otherwise specified in the Manuals.

5.D. Interest on Delinquent Payments; Late Fees. If Franchisee fails to pay (or make available for withdrawal from its account) any amounts Franchisee owes Franchisor or its Affiliates or its designated suppliers, including amounts for Franchise Fee, whether such amounts are reflected as due on any report Franchisee submits to Franchisor or are subsequently determined by verification, examination or audit to have been due, Franchisee must pay Franchisor daily interest on the amount owed at the rate of 18% per annum or the highest rate permitted by Applicable Laws, whichever is less, calculated from the date such

payment was due until Franchisor or its Affiliates or the designated supplier receive it. In addition, Franchisor is entitled to deduct a late fee monthly of \$1,400 for each month (or portion thereof) from the Deposit that any payment is delinquent. Late fees and interest charges are nonrefundable. This provision does not mean that Franchisor accepts or condone late payments, nor does it indicate that Franchisor is willing to extend credit to, or otherwise finance, the operation of Franchisee's Franchise. Franchisee's failure to pay all amounts when due constitutes a Default under this Agreement. Apart from the interests and late fees, Franchisor reserves the rights to other available claims and remedies.

5.E. Taxes. All sums payable to Franchisor under or in connection with this Agreement shall be exclusive of taxes. Apart from paying the above sums excluding taxes, Franchisee shall bear and pay the cost of the applicable VAT (which shall be calculated in accordance with the applicable VAT rate and specified in the relevant invoice). The Parties shall each be responsible for all other taxes and surcharges as required under the applicable tax law.

## **6. OPERATION OF RESTAURANT AND YGF SYSTEM STANDARDS.**

### 6.A. Compliance with YGF System Standards and Applicable Laws.

- (1) Responsibility. Franchisee is solely responsible for operating the Restaurant in full compliance with all Applicable Laws and YGF System Standards, as each may be modified from time to time. Franchisee is solely responsible for obtaining any and all applicable permits, qualifications, licenses, and approvals required under local law for the operation of the business as contemplated hereunder. Franchisee shall provide a copy of such permits, qualifications, licenses, and approvals to Franchisor upon our request.
- (2) YGF System Standards. Except as otherwise provided in this Agreement, YGF System Standards may regulate any aspect of the operation and maintenance of Restaurants, including any one or more of the following:
  - (a) the CI System collectively designated and authorized by Franchisor, and the design, layout, décor, appearance and lighting of the Restaurant, including the dedicated display area for Franchisor's brand, corporation image or designated advertisements on a visible spot of the Restaurant's walls, and uniform advertisement stands, ultra-thin light box, wall decoration boards/paintings, etc. installed and used in the Restaurants;
  - (b) periodic maintenance, cleaning and sanitation; periodic remodeling; and replacement of obsolete or worn-out leasehold improvements, fixtures, furnishings, equipment and signs;

- (c) types, models and brands and/or minimum and required standards and specifications for products, equipment, Materials, and supplies and services that Restaurants use and/or sell;
  - (d) recommended price for products or services the Restaurants sell;
  - (e) designated, preferred and/or approved suppliers (which may include Franchisor and/or its Affiliates) of fixtures, furnishings, equipment, signs, products, Materials and supplies;
  - (f) other designated, preferred and/or approved business partners (which may include Franchisor and/or its Affiliates) of online sales and delivery;
  - (g) terms and conditions of the sale and delivery of, and terms and methods of payment for, products, Materials, supplies and services, that Franchisee obtain from Franchisor, affiliated suppliers or others;
  - (h) matters relating to managing and operating the Restaurant;
  - (i) politeness, behaviors, dress, appearance and uniforms for the employees of Restaurants, and brand standards for providing competent and courteous service to all of the consumers of Restaurants (although Franchisee has the sole responsibility and authority for the terms and conditions of employment of its employees);
  - (j) use and display of the Marks, operation of the Restaurant and required internal and external signage and postings;
  - (k) days and hours of operation of the Restaurant;
  - (l) sales, marketing, advertising and promotional programs and materials and media used in such programs;
  - (m) participating in market research, product testing and service development programs;
  - (n) designated products to be sold (e.g. Malatang), and other products and services that Franchisee may provide in the Restaurant;
  - (o) information and other forms and procedures which Franchisee must use to submit any proposed Transfer to Franchisor under Section 12 (Transfer) for our approval.
- (3) Modification of YGF System Standards. Franchisee acknowledges and agrees that YGF System Standards may be modified from time to time by Franchisor, provided that such modifications will not alter Franchisee's fundamental rights under this Agreement. Franchisee must comply with all modifications to YGF System Standards within the

reasonable time periods Franchisor specifies. Franchisee acknowledges that any modifications to YGF System Standards may obligate Franchisee to invest additional capital in the Restaurant and/or to incur higher operating costs and that there is no limit on the cost or frequency of such modifications. Modifications may include (at Franchisor's discretion) those needed to modernize the premises of the Restaurant, and other changes to the Materials, signs, interior and exterior décor items, fixtures, furnishings, supplies, equipment and other products and materials required for new Restaurants.

6.B. Product and Service Offerings.

- (1) Products and Services Franchisee May Offer. Franchisee may offer in the Restaurant to customers only Malatang and other products and services that Franchisor have approved in writing, which must conform to the standards Franchisor specifies. In addition, Franchisee must offer Malatang and other specific products and services that Franchisor requires in the Manuals or otherwise in writing. Franchisor may change these specifications periodically, and designate specific products or services as optional or mandatory. Franchisee must offer all products and services that Franchisor designates as mandatory. Franchisee may sell products and services only in the varieties, forms, and packages that Franchisor have approved in accordance with YGF System Standards. Franchisee must maintain a sufficient supply of required products to meet the inventory standards Franchisor prescribes in the Manuals (or to meet reasonably anticipated customer demand, if Franchisor have not prescribed specific standards. **Without Franchisor's prior written approval, Franchisee may not contract with or allow any third party, including any licensee, lessee, consultant or other independent contractor (a "Contractor"), to perform any business operations provided in the Restaurant. Also, Franchisee may not post or place any signs, advertisements, promotional materials etc. irrelevant to the Franchise hereunder or perform any irrelevant business or activity in the Restaurant without Franchisor's prior written approval.**

If Franchisee intends to provide any product or service that has not been designated or approved by Franchisor in the Restaurant, it shall submit prior written request to Franchisor, and Franchisor will decide on the approval/disapproval at its sole discretion.

- (2) Procurements of Materials and equipment.
  - (a) Before the opening and during the Term, **Franchisee must purchase required featured Materials as described in Manuals from Franchisor, its Affiliates or designated third-party suppliers, and may not purchase the Materials from other third party without Franchisor's prior written approval.** Franchisee will purchase the featured Materials pursuant to a separate Supply Agreement between the Parties.

- (b) Franchisee must order purchase of the featured Materials at least once every three (3) months and ensure that the amount of purchase is sufficient for the use of the Restaurant for at least four (4) months.
- (c) If any report or circumstances shows that Franchisee's purchase of the featured Materials differs significantly from other Restaurants or YGF System Standards, the following will apply:
  - (i) if the shortage of the proportion of the featured Materials used by the Restaurant is 10% or less, it will be deemed that the deviation is within normal range; in this case, Franchisee shall improve management, and use its best efforts to meet Franchisor's requirements on the number of featured Materials used;
  - (ii) if the shortage of the proportion of featured Materials used by the Restaurant is over 10% and lower than 20%, Franchisor may give Franchisee a warning or interview and request for correction;
  - (iii) if the shortage of the proportion of featured Materials used by the Restaurant is over 50%, which is not corrected at Franchisor's satisfaction within the designated period, Franchisor is entitled to terminate this Agreement in accordance with Section 13 herein and withdraw Franchisee's rights to operate the Restaurant.
- (d) Franchisee acknowledges and agrees that Franchisor and/or its Affiliates may derive revenue or other benefits based on Franchisee's purchases of the featured Materials, including from charging Franchisee for featured Materials Franchisor or its Affiliates provide to Franchisee and from promotional allowances, volume discounts, and other payments made to Franchisor by suppliers and/or distributors that Franchisor designates or approves for some or all of franchisees. Franchisor and its Affiliates may use all amounts received from suppliers and/or distributors, whether or not based on Franchisee or other franchisees' actual or prospective dealings with them, without restriction for any purposes Franchisor or its Affiliates deem appropriate.
- (e) Franchisor may provide specifications and standards for equipment and Materials other than the featured Materials in Manuals required for the Restaurant in the Manuals. Franchisor has the right to require that all equipment and Materials that Franchisee purchases or leases: (i) meet specifications that Franchisor establishes from time to time; (ii) be a specific brand, kind, or model; (iii) be purchased or leased only from suppliers or service providers that Franchisor has expressly approved; and/or (iv) be purchased or leased only from a single source that Franchisor designates (which may include Franchisor or its Affiliates or a buying cooperative organized by Franchisor or its Affiliates). If Franchisee would like to purchase or lease equipment and Materials from suppliers that have not been approved, it shall obtain Franchisor's written approval

pursuant to Section 6.B.(4)-(5) herein. Franchisee should be solely responsible for the repairment, replacement, etc. of these equipment and materials, and Franchisor will not assume any liability for the purchased equipment and materials other than the featured Materials specified in Manuals.

- (3) Distribution and Resale. Franchisee may not sell or provide any featured Materials purchased under this Agreement or the Supply Agreement, and any product consists of these Materials outside the Restaurant, unless Franchisor approves in writing. Franchisee may not make any sales of products or services identical to those provided by the Restaurant outside the Restaurant, or use vendor relationships that Franchisee establishes through its association with Franchisor or the YGF Marks or System for any other purpose besides the operation of the Restaurant, unless Franchisor approves in writing. Franchisee agrees to purchase featured Materials and processed products solely for resale to retail customers, and not for resale or redistribution to any other party, including other YGF franchisees. Franchisee may not offer products or services in connection with the Marks on any website on the Internet or any other electronic communication network unless Franchisor approves in writing.
- (4) Approval Process. If Franchisee would like to offer products or services, or use any supplies or services that Franchisor has not approved or designated or to purchase or lease from a supplier or service provider that Franchisor has not approved or designated, Franchisee must submit a written request for approval and provide Franchisor with any information that Franchisor requests. Franchisor has the right to inspect the proposed supplier's facilities and test samples of the proposed products and to evaluate the proposed service provider and the proposed service offerings. Franchisor may require the proposed supplier or service provider to visit Franchisor's headquarters to evaluate the proposed supplier or service provider in person. Franchisee agrees to pay Franchisor a charge not to exceed the reasonable cost of the inspection and its actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs, whether or not the item, service, supplier, or service provider is approved. Franchisor has the rights to grant, deny, or revoke approval of products, services, suppliers, or service providers based solely on its judgment. Franchisor will notify Franchisee in writing of its decision as soon as practicable following its evaluation. If Franchisee does not receive Franchisor's approval within 90 days after submitting all of the information that Franchisor requests, Franchisor's failure to respond will be deemed a disapproval of the request. Franchisee acknowledges that the products and services that Franchisor approves for Franchisee to offer in Franchisee's Restaurant may differ from those that Franchisor permits or requires to be offered in other Restaurants.

- (5) Revocation of Approval. Franchisor reserves the right to reinspect the facilities and products of any approved supplier and to reevaluate the services provided by any service provider and to revoke approval of the item, service, supplier, or service provider if any failure to meet any of Franchisor's then-current criteria. If Franchisee receives a notice of revocation of approval, Franchisee agrees to cease purchasing or leasing the formerly-approved item or service or any items or services from the formerly-approved supplier or service provider and Franchisee must dispose of its remaining inventory of the formerly-approved items and services as Franchisor directs. If Franchisor revokes approval of a previously-approved product that Franchisee have been selling to customers or service that Franchisee has been offering to customers, Franchisee must immediately discontinue offering the service and may continue to sell the product only from its existing inventory for up to 30 days following Franchisor's disapproval. Franchisor has the right to shorten this period if, in its opinion, the continued sale of the product would prove detrimental to its reputation. After the 30-day period, or such shorter period that Franchisor may designate, Franchisee must dispose of its remaining formerly-approved inventory as Franchisor directs.

6.C. Business Hours. Franchisee shall comply with the requirements on business hours set out in YGF System Standards or otherwise specified by Franchisor. If Franchisor considers that Franchisee's Restaurant is located at an important landmark, Franchisee agrees not to cease operation during the important holidays in China and the United States, unless the operation will be inappropriate due to local laws or public order on the holiday. If Franchisee, due to personal reasons or that the Restaurant is located on campus, is unable to operate normally during a period of seven (7) to sixty (60) days, it shall inform Franchisor in writing at least thirty (30) days in advance and make an explicit commitment to the date of resuming normal operation.

6.D. Refurbishing and Renovations. Franchisee shall maintain good condition of the Site, the appearance and equipment of the Restaurant. Franchisee agrees to take, without limitation, the following actions during the Term at its expense at intervals of every five (5) years for the same Site: (i) thorough cleaning, repainting and redecorating of the interior and exterior of the Restaurant; (ii) interior and exterior repair of the Restaurant; and (iii) repair or replacement of damaged, worn-out or obsolete equipment, fixtures and other facilities in the Restaurant. Upon Franchisor's written request, Franchisee must refurbish the Restaurant at its expense to conform the decor, Trade Dress, color schemes, signage, and presentation of the Marks to the then-current designated image. **Without Franchisor's written consent, Franchisee shall not modify the decor, Trade Dress, color schemes, signage, and presentation of the Marks.** Such refurbishing may include, as Franchisor deems necessary, remodeling, redecoration, and other modifications to existing improvements and updating or replacing any equipment. Franchisee acknowledges that this obligation could result in significantly remodeling and renovating the Restaurant, and/or in its spending substantial

amounts for new equipment, and Franchisee agrees to incur, without limitation, any capital expenditures required in order to comply with this obligation and Franchisor's requirements (even if those expenditures cannot be amortized over the remaining Term).

6.E. Technology System. Franchisor is entitled to require Franchisee to obtain, maintain, and use the hardware, software, other equipment, and network connections, including the hardware, software, other equipment, and network connections necessary to operate the designated cashier system, CCTV system, and other technology systems that are designated for use by Restaurants (collectively, the "**Technology System**"). Franchisee must replace, upgrade, or update at Franchisee's expense the Technology System as Franchisor may require periodically without limitation. Franchisor will establish reasonable deadlines for implementation of any changes to our Technology System requirements. Franchisee may be required to obtain certain components of, or upgrades to, the Technology System and maintenance and support services related to the Technology System from Franchisor, its Affiliates, or designated third party suppliers, and Franchisee may be charged for such products and services. If Franchisee would like to purchase Technology System or its components or upgrades from suppliers that have not been designated/approved, it shall obtain Franchisor's written approval pursuant to Section 6.B.(4)-(5) herein. Franchisee should be solely responsible for the repairment, etc. of these systems, and Franchisor will not assume any liability on the systems.

6.F. Management and Personnel.

- (1) General Manager. The Restaurant must be managed by a person (the "**General manager**") (i) who devotes his or her full working time and best efforts to the day-to-day, on-premises operation of the Restaurant, (ii) has satisfactorily completed the Initial Training Program, subsequent training and additional training or a comparable training program at Franchisee's Restaurant that Franchisor has approved, and (iii) is not engaged in any other business endeavor except passive investments which do not interfere with the performance of his or her duties as General Manager. Franchisee must ensure that its General Manager agrees to comply with the restrictions in Sections 10 (Confidential Information), 11 (Non-Compete), and 14 (Effect of Termination or Expiration) of this Agreement, except that its General Manager shall not be required to agree to comply with Section 11.C post-term non-compete provision. If Franchisee for any reason no longer employs the General Manager, Franchisee must (a) notify Franchisor within twenty-four (24) hours of the change in circumstances, (b) arrange for an individual who has been properly trained to temporarily manage the Restaurant or, in Franchisor's sole discretion, allow Franchisor, on a temporary basis, to assume the management of the Restaurant itself or appoint a third party (who may be its Affiliate) to manage the Restaurant in accordance with the terms of Section 13.C (Franchisor's Remedies after a Material Default) (Apart from all other amounts and payments due to

Franchisor hereunder, Franchisor may also charge Franchisee 3% of the Restaurant's Gross Sales as managing fees, plus any out-of-pocket expenses relevant to the management of the Restaurant), and (c) make every effort to replace this position at the earliest possible time with a person who meets all of the conditions specified in this Section.

- (2) Head Chef. The kitchen of the Restaurant must be managed by a Head Chef (the “**Head Chef**”). Franchisee must ensure that its Head Chef agrees to comply with the restrictions in Sections 10 (Confidential Information), 11 (Non-Compete), and 14 (Effect of Termination or Expiration) of this Agreement, except that its Head Chef shall not be required to agree to comply with Section 11.C post-term non-compete provision.
- (3) Personnel. Franchisee is solely responsible for hiring, training and supervising Restaurant personnel and must hire sufficient personnel to fully staff the Restaurant to operate in accordance with YGF System Standards. All personnel must meet every requirement imposed by Applicable Laws and must comply with all YGF System Standards. All persons Franchisee employs that have access to any of the Confidential Information must sign a confidentiality agreement, that will not otherwise contain any terms or conditions of employment. All persons that Franchisee employs must sign an acknowledgement, in a form that Franchisor specifies, acknowledging that Franchisee is their employer and that Franchisor does not have any relationship with them.
- (4) Employment Matters. Franchisee shall ensure all Restaurant personnel have integrity and pay attention to details related to corporation image, i.e. proper speech, behaviors, personal sanitation and dress, etc., to show a good image to the consumers. While Franchisor may provide additional employment-related guidance, Franchisee is responsible for making all hiring and employment decisions as the owner of the Restaurant. This includes, but is not limited to, employee selection, hiring, training, promotion, termination, hours worked, rates of pay, benefits, work assigned, supervision, discipline, and working conditions. Franchisor does not assume any responsibility for the persons employed by Franchisee.

#### 6.G. Consumer Relationship.

- (1) Consumer Complaints. Franchisee shall be solely responsible for dealing with consumer complaints. Franchisee shall promptly deal with consumer complaints pursuant to the provisions on consumer complaints in YGF System Standards and the agreements between the Parties, and use its best efforts to avoid expansion of the issue. If the complaint is in fact due to defects in the Restaurant's management and service details, Franchisee shall promptly offer compensation and make apologies timely. If severe dispute occurs between Franchisee and the consumer, Franchisee shall notify Franchisor, and resolve the issue as Franchisor directs. If consumers directly file complaints to

Franchisor, then Franchisor may request Franchisee to resolve the issue in a designated manner, and Franchisee may not refuse to comply.

- (2) Market Surveys. Franchisor may periodically coordinate or conduct market research studies and similar programs for the Restaurant network, and Franchisee must assist Franchisor in collecting information (including by distributing surveys to Franchisee's Restaurant's consumers and encouraging consumers to complete surveys on YGF System Website (defined in Section 7.D (Digital Marketing))).

6.H. Privacy Requirements. To the extent applicable, Franchisee must at its own expense abide by all applicable standards, laws, rules, regulations or any equivalent thereof that related to electronic payments, data privacy, personal information, health information, and data protection, and any privacy policies or data protection and breach response policies Franchisor periodically may establish (collectively, “**Privacy Requirements**”).

- (1) Franchisee must provide adequate notice as set out in Section 6.H.(2) to any consumer, visitor, employee, or individual (collectively “**Data Subjects**”) whose personal information will be collected, processed, stored, shared (including share with Franchisor), transferred (including overseas transfer to Franchisor and its Affiliates), or disclosed (collectively “**Processed**”, “**Processing**”, or “**Process**”), and obtain explicit consent from the Data Subjects for such Processing.
- (2) Franchisee must notify the Data Subjects of the information regarding the following: (i) Franchisee's identity; (ii) purposes and types of personal information being Processed; (iii) retention and disposition of personal information; (iv) share, transfer (including cross-border transfer to Franchisor and its Affiliates), and disclosure of personal information; (v) Data Subjects' rights, including the right to access, copy, correct, and deletion, and how to exercise their rights; (vi) data security measures and capabilities; and (vii) protection of minors' personal information.
- (3) Franchisee is solely responsible to comply with requirements in relation to any cross-border data transfer, including without limitation: (i) obtaining explicit consent from the relevant Data Subjects; (ii) conducting any security assessment before the cross-border data transfer; and (iii) retaining a copy of the such Privacy Data in China.
- (4) Franchisor may require Franchisee to (i) use vendors that Franchisor designates or approves to provide security services that are consistent with the Privacy Requirements; (ii) maintain specific security measures; (iii) provide evidence of compliance with Privacy Requirements upon Franchisor's request; and/or (iv) use vendors that Franchisor approves or designates to conduct periodic security audits to ensure that personal information, health information, and/or payment data (collectively “**Privacy Data**”) is

adequately protected and provide Franchisor with copies of any audits, scanning results, or related documentation relating to such compliance or audits.

- (5) Franchisee shall adopt appropriate technical and organizational precautions measures to ensure the confidentiality and integrity of the Privacy Data, and protect the Privacy Data from any breaches, losses, or damages. Franchisee shall not disclose any Privacy Data that is prohibited from disclosure.
- (6) If Franchisee suspects or knows of a security breach (including the breach of personal information), Franchisee must immediately give Franchisor notice of such security breach and promptly identify and remediate the source of any compromise or security breach at Franchisee's expense. Franchisee assumes, at its expense, all responsibility for complying with applicable data breach notification laws, providing all notices of breach or compromise to the regulatory authority and to the individuals, and monitoring credit histories and transactions for all impacted individuals.
- (7) Franchisee is obliged to proceed with any actions or execute any documents necessary to ensure Franchisor and its Affiliates' compliance with Privacy Requirements, as Franchisor and/or its Affiliates may require from time to time.

6.I. Delivery Service. Franchisee shall provide, and/or contract with third parties whom Franchisor designates or approves to provide, Delivery Service from the Restaurant in accordance with all applicable terms and conditions of this Agreement and YGF System Standards. "**Delivery Service**" means the delivery of food products that are fully prepared at the Restaurant to the location customers at other than the Site. Franchisee shall ensure using only the delivery methods that Franchisor specifies or approves, comply with Franchisor's requirements, and may not provide Delivery Service to customers at Non-Traditional Locations without Franchisor's prior written consent. "**Non-Traditional Locations**" means locations that could not be reached by traditional delivery services, including airports, internal school campus, stadiums, hospitals, military bases, conference centers, freeway rest areas, toll stations, other sports and music events venues, etc. Franchisee shall not establish another outlet or property (other than the Site) for use in connection with Delivery Service.

6.J. Reporting Operations. Franchisee must periodically, at Franchisor's request, provide Franchisor information concerning the Restaurant's business operations and relationships with Contractors. In addition, Franchisee must notify Franchisor of any events that affect Franchisee's business or financial operation including but not limited to any administrative penalties, litigations, investigations, decrees, orders, injunctions, decisions, actions, liens, claims, disputes, initiated by the regulatory authority or by any third party, within five Business Days after being aware of such events, and provide the relevant documents to Franchisor.

If Franchisee discovers that other Restaurants of YGF System have violated YGF System Standards or requirements in Appendix E, Franchisee may report to Franchisor and require it to resolve the issue.

6.K. Taxes. Franchisee and its Owners are solely responsible for all taxes and government charges levied or assessed, however denominated or levied upon Franchisee or the Restaurant, in connection with the business Franchisee will conduct under this Agreement (except any taxes Franchisor is required by law to collect from Franchisee with respect to purchases from Franchisor).

## **7. ADVERTISING, PROMOTION, AND MARKETING.**

7.A. Franchisee's Advertising Requirements. Franchisee must participate in such local, regional, or national advertising, promotional, sweepstakes/giveaway, and community outreach programs that Franchisor may specify from time to time, at Franchisee's own expense. Franchisee must use its best efforts to promote the use of the Marks in the local area, provided that these uses are priorly approved by Franchisor in writing. Franchisee must ensure that all of Franchisee's advertising, marketing, promotional, customer relationship management, public relations and other brand related programs and materials that Franchisee or its agents or representatives develop or implement relating to the Restaurant is completely clear, factual and not misleading, complies with all Applicable Laws, and conforms to the highest ethical standards and the advertising and marketing policies that Franchisor periodically specifies in the Manuals or otherwise. Franchisee must use only digital and media agencies that Franchisor approves. Franchisee must obtain Franchisor's prior written consent before Franchisee or its Owners, the Restaurant and its personnel or any Affiliates advertise on any media, or accept any interview or promotional cooperation from newspapers and magazines, internet media, self-media, etc. All conducts herein shall not violate any local laws and regulations or cause adverse effects to Franchisor's goodwill and the Marks.

7.B. Assistance and Approval of Advertising Materials. Franchisee must obtain Franchisor's prior written approval of all advertising and promotional plans, materials, design materials and marketing materials before use. Franchisee will submit all unapproved plans, materials, design materials and marketing materials to Franchisor, and Franchisor will promptly decide on the approval/disapproval. At its sole discretion, Franchisor may also provide assistance to Franchisee such as finished advertising materials, including advertising posters, WeChat postings, advertising product pictures and pictures on delivery platforms, etc. If Franchisee does not receive written approval within thirty (30) days of Franchisor's receipt of such items, Franchisor will be deemed to have disapproved the items. Franchisee will not use any plans, materials or marketing materials that Franchisor has not developed or approved, and will promptly discontinue use of any advertising or promotional plans, materials, or marketing materials, whether or not previously approved, upon notice from

Franchisor. Franchisor will have the final decision on all creative development of advertising and promotional messages.

7.C. Minimum Advertising Requirement. Franchisee must spend in each quarter of the Term a reasonable percentage of the Restaurant's Gross Sales from the prior quarter as mutually agreed by Franchisor and Franchisee, on advertising and promotions. In no event this percentage shall exceed 10%. Such expenditures will be made directly by Franchisee, subject to Franchisor's prior approval and direction, using advertising and marketing materials Franchisor prepares or pre-approves. Franchisee's local advertising and promotion must follow Franchisor's guidelines. Franchisee must submit to Franchisor quarterly marketing and advertising expenditure reports accurately reflecting all local advertising expenditures for the preceding quarter and year-to-date by the marketing categories that Franchisor specifies. "**Gross Sales**" means the total gross revenue from the provision of all products and services sold or performed by or for Franchisee or the Restaurant in, at, from or away from the Restaurant, or through or by means of the Restaurant's business, whether from cash, check, credit card, debit card, barter or exchange, or other credit transactions, and irrespective of the collection thereof. Notwithstanding the foregoing, the following amounts will be deducted from "Gross Sales": (i) the amount of VAT included in the sales; and (ii) any bona fide refunds and credits that are actually provided to customers; and (iii) payments Franchisee receives from an insurer to replace or compensate Franchisee for revenue lost as a result of an insured risk that interrupted the operation of Franchisee's Restaurant. For the avoidance of doubt, expenses including salaries or commissions paid to any employees or personnel, cleansing services or courier services will not be deducted from Gross Sales.

7.D. Digital Marketing.

- (1) Restriction on Digital Marketing. Upon Franchisor's written consent, Franchisee, its employees, and any third-party representatives or digital marketing agencies may, directly or indirectly, conduct or be involved in any websites, social media accounts (such as WeChat, Weibo, Facebook, etc.), applications, keyword or AdWords purchasing programs, mobile applications, or other means of digital advertising on the Internet or any electronic communications network (collectively, "**Digital Marketing**") that use the Marks or that relate to the Restaurant or the network. Unless Franchisor consents in writing, Franchisee may not conduct commerce or directly or indirectly offer or sell any products or services using any website, another electronic means or medium, or otherwise over the Internet.
- (2) System Website. Franchisor or one or more of its designees may, at its sole discretion, establish and maintain one or more websites to advertise, market, and promote Restaurants, the Marks, and the Restaurant franchise opportunity (the "**System Websites**"), which may be updated periodically. Franchisor may, at its sole discretion,

discontinue any or all System Websites at any time. Nothing in this Section will limit Franchisor's right (or the right of its respective Affiliates) to maintain websites other than YGF System Website or to offer and sell merchandise bearing the Marks from YGF System Website, another website or otherwise over the Internet without payment or obligation of any kind to Franchisee.

- (3) Restaurant Page. If Franchisor establishes one or more System Websites, Franchisor will provide information of the Restaurant on one or more of YGF System Websites that Franchisor designates. Franchisee must give Franchisor the information and materials that Franchisor requests from time to time to develop, update and modify such information, but **Franchisor shall have final approval rights over any content**. By providing the information and materials to Franchisor, Franchisee will be representing to Franchisor that they are accurate and not misleading and do not infringe upon any third party's rights.
- (4) Mobile Applications. Franchisor reserves the right to establish and maintain one or more mobile applications for customers to use ("**Mobile Apps**"). Franchisor may require Franchisee to promote the use of the Mobile Apps in its Restaurant or to provide content to be included in the Mobile App. Franchisor may, in its sole discretion, add, discontinue, or modify any Mobile Apps from time to time.
- (5) Social Media Sites. Franchisor also may maintain one or more social media accounts (such as WeChat, Weibo, Facebook or such other social media sites). **Franchisee may not establish or maintain any social media accounts utilizing usernames, or otherwise associating with the Marks, without Franchisor's advance written approval**. Franchisor may designate from time-to-time territory-specific usernames/handles that Franchisee must maintain. Franchisee will adhere to any social media policies that Franchisor requires from time to time and will require all of its employees to do so as well. Franchisee must ensure that none of its Owners, managers or employees use the Marks on the Internet or any electronic communications network, except in strict compliance with these social media policies. Use of social media, including any pictures that may be posted on, using or through one or more social media sites, must be in compliance with the Manual and YGF System Standards, including its then-current take-down policy.
- (6) Ownership. Franchisor or its Affiliates will own all intellectual property and other rights in YGF System Website, the Restaurant page, the Mobile Apps, any social media pages or accounts related to the Restaurants, any related domain names or usernames, and all information they contain (including the domain name or URL for such webpage, the log of "hits" by visitors, and any personal or business data that visitors supply), which shall all be part of the Intellectual Property. Franchisee acknowledges and understands that

the registration for any domain names or social media accounts shall be maintained exclusively in Franchisor's name or the name of its designee.

- (7) No Warranty. TO THE MAXIMUM EXTENT PERMITTED BY LAW, FRANCHISOR HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES (WHETHER EXPRESS, IMPLIED OR STATUTORY) RELATED TO THE AVAILABILITY AND PERFORMANCE OF THE WEBSITE AND THE RESTAURANT PAGE, INCLUDING ANY IMPLIED WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. TO THE MAXIMUM EXTENT PERMITTED BY LAW, FRANCHISOR SHALL NOT BE LIABLE FOR ANY DIRECT OR INDIRECT DAMAGES (INCLUDING, WITHOUT LIMITATION, ANY CONSEQUENTIAL, PUNITIVE OR INCIDENTAL DAMAGES OR DAMAGES FOR LOST PROFITS OR LOSS OF BUSINESS) RELATED TO THE USE, OPERATION, AVAILABILITY OR FAILURE OF THE WEBSITE OR THE RESTAURANT PAGE.

## **8. EVALUATIONS, AUDITS AND REPORTS.**

8.A. Evaluations. Franchisor and its designated representatives have the right before Franchisee opens the Restaurant for business and thereafter from time to time during Franchisee's regular business hours, and without prior notice to Franchisee, to (i) inspect and evaluate the Restaurant, (ii) observe, videotape, photograph, or otherwise record operations, (iii) interview employees, members, vendors, and landlords, and (iv) examine the records, invoices, payroll records, check stubs, sales tax records and returns, and other supporting records and documents of the Restaurant, and (v) examine Franchisee's income tax records and any other information, records or properties relating to the ownership, management, or operation of the Restaurant. Franchisee will cooperate with Franchisor in these activities. Franchisor will give Franchisee a written summary of its evaluation within twenty (20) Business Days after the completion of its audit and/or inspection of the Restaurant. Franchisee will promptly correct at its own expense all deficiencies (i.e., failures to comply with YGF System Standards) noted by Franchisor's evaluators within the time period Franchisor specifies following Franchisee's receipt of the notice of such deficiencies. Franchisor then may conduct one or more follow-up evaluations to confirm that Franchisee has corrected these deficiencies and otherwise are complying with this Agreement and all YGF System Standards. Franchisor may deduct certain amount of liquidated damages from the Deposit if the deficiencies repeatedly occur.

8.B. Franchisor's Right to Audit. Franchisor may at any time during Franchisee's business hours, and without prior written notice to Franchisee, examine and audit the Restaurant's business, bookkeeping and accounting records, sales and income tax records and returns, and other records. Franchisee agrees to fully cooperate with Franchisor's representatives and independent accountants hired to conduct any such inspection or audit. If

an inspection or audit is made necessary due to Franchisee's failure to furnish reports, supporting records or other information as required, or to furnish these items on a timely basis, Franchisee agrees to reimburse Franchisor for the cost of the examination, including legal fees and independent accountants' fees, plus the travel expenses, room and board, and compensation of Franchisor's employees. These remedies are in addition to Franchisor's other remedies and rights under this Agreement and Applicable Laws.

8.C. Records, Reports, and Financial Statements.

- (1) Books and Records. Franchisee agrees to establish and maintain at its own expense a bookkeeping, accounting, and record keeping system conforming to the requirements and formats (including, at Franchisor's option, the accounting principles) that Franchisor prescribes from time to time in the Manuals and otherwise in writing. Franchisee must use the Technology System to collect and provide Franchisor access to that data and other information in the manner Franchisor specifies. Franchisee must preserve and maintain all records, in the manner Franchisor periodically specifies, in a secure location at the Restaurant for statutory years after the end of the fiscal year to which such records relate.
- (2) Reporting. Franchisee must provide Franchisor with the following reports, in the manner and format that Franchisor prescribes from time to time:
  - (a) within the first (1<sup>st</sup>) month of each quarter, a report describing the Restaurant-related purchases during the previous quarter and other operating reports as Franchisor directs;
  - (b) within the first (1<sup>st</sup>) month of each quarter, a report on the Restaurant's Gross Sales during the previous quarter;
  - (c) within ninety (90) days after the end of each fiscal year, a profit and loss and source and use of funds statement(s) for the Restaurant for the recently completed fiscal year, and a balance sheet for the Restaurant as of the end of such fiscal year; and
  - (d) within ten (10) days after Franchisor's request, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information Franchisor may periodically require relating to Franchisee and its Restaurant and its financial condition, earnings, sales, profits, costs, expenses, and performance.
- (3) Franchisor may periodically specify the form and content of the reports and financial statements described above and may periodically change the timing of the due dates for such reports. Franchisee agrees to verify and sign each report and financial statement in the manner Franchisor prescribes. If Franchisor reasonably determines that any report or financial statement submitted to Franchisor is materially inaccurate, in addition to the other remedies that Franchisor may exercise as a result of such material breach,

Franchisor may require Franchisee to have audited financial statements prepared annually during the Term. Franchisor undertakes that, Franchisee's financial information and documents/materials derived from the inspections and supervisions will be used only in management of Restaurants and brand operation, and will not be disclosed or provided to any third party (except in the case of being investigated by judicial or administrative authorities, or being involved in litigations, arbitrations or hearings).

## **9. INTELLECTUAL PROPERTY.**

### **9.A. Marks and Trade Dress.**

- (1) **Acknowledgements.** Franchisee acknowledges that (a) Franchisor or its Affiliates are the owners of, and have superior right to, the Marks and the trade dress of the Restaurants, (b) Franchisee has no right or interest in the Marks or the trade dress beyond the non-exclusive license granted herein, and (c) Franchisor or its Affiliates have the exclusive right and interest in and to the Marks and the trade dress and the goodwill associated with and symbolized by them, including the goodwill accrued through Franchisee's use of the Marks and the trade dress pursuant to this Agreement. Upon the expiration or termination of this Agreement, Franchisor or its Affiliates will not owe any monetary amount to Franchisee for goodwill associated with or attached to any portion of the Marks, Trade Dress, and our other Intellectual Property (defined below) whether or not associated with Franchisee's activities as a franchisee under this Agreement, Franchisee also waives the compensation thereof. Nothing herein shall constitute a representation or warranty from Franchisor and its Affiliates as to title or ownership of any Marks or other Intellectual Property.
- (2) **Rights.** Franchisee's right to use the Marks and the trade dress applies only to the Restaurant operated at the Site as expressly provided in this Agreement, including advertising related to the Restaurant. Franchisee may only use in its Restaurant the Marks and the trade dress Franchisor designates, and only in compliance with written rules that Franchisor prescribes from time to time. Franchisee may not use any Mark (i) as part of any corporate or legal business name (except for a fictitious name in a form that Franchisor approves), (ii) with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos Franchisor has licensed to Franchisee), (iii) in selling any unauthorized services or products, (iv) as part of any domain name, electronic address, Internet keywords, metatag, social media account, or otherwise in connection with any website or other electronic medium without our consent, or (v) in any other manner Franchisor has not expressly authorized in writing. No materials on which any of the Marks or the Trade Dress appears will be used by Franchisee without our prior written approval, which may be revoked at any time upon reasonable notice

to Franchisee. Franchisee must display the Marks in a manner that Franchisor specifies on signage at the Restaurant and on all written materials, forms, advertising, promotional materials, supplies, employee uniforms, business cards, receipts, letterhead, contracts, stationary, and other materials Franchisor designates.

9.B. Copyrights. Franchisee acknowledges that as between Franchisee and Franchisor, any and all present or future copyrights relating to YGF System or the YANGGUOFU concept, including the Manuals and marketing materials, (collectively, the “**Copyrights**”) belong solely and exclusively to Franchisor or its Affiliates. Franchisee has no interest in the Copyrights beyond the non-exclusive license granted in this Agreement.

9.C. No Contesting Franchisor’s Rights. During the Term of this Agreement and after its expiration or termination, Franchisee agrees not to directly or indirectly contest Franchisor’s or its Affiliates’ ownership, title, right or interest in or to, or their license to use, or the validity of, (i) the Marks, (ii) the trade dress, (iii) the Copyrights, or (iv) any trade secrets, methods, or procedures that are part of YGF System (collectively, the “**Intellectual Property**”), or contest Franchisor’s or its Affiliates’ sole right to register, use, or license others to use the Intellectual Property. **Franchisee also agrees that it will not do anything that will in any way adversely affect or undermine the Intellectual Property of Franchisor and its Affiliates.**

9.D. Changes to the Intellectual Property. **Franchisor has the right, upon reasonable notice, to require Franchisee to change, discontinue, or substitute for any of the Intellectual Property and to adopt entirely different or new Intellectual Property for use with YGF System without any liability to Franchisee, in Franchisor’s sole discretion.** Franchisee agrees to implement any such change at its own expense within the time Franchisor reasonably specifies.

9.E. Third-Party Challenges. Franchisee agrees to notify Franchisor promptly of any unauthorized use or infringements of the Intellectual Property (including counterfeiting and imitating the Marks or Trade Dress) of which Franchisee has knowledge. Franchisee also agrees to inform Franchisor promptly of any challenge by any person or Entity to the validity of Franchisor’s ownership of or its right to license others to use any of the Intellectual Property. Franchisor has the right, but no obligation, to initiate, direct, and control any litigation or administrative proceeding relating to the Intellectual Property, including any settlement. Franchisor will be entitled to retain any and all proceeds, damages, and other sums, including attorneys’ fees, recovered or owed to it, Franchisor or its Affiliates in connection with any such action. Franchisee agrees to execute all documents and, render any other assistance Franchisor may deem necessary to any such proceeding or any effort to maintain the continued validity and enforceability of the Intellectual Property.

9.F. Post-Termination or Expiration. Upon the expiration or termination of this Agreement for any reason, all of Franchisee's rights to use the Intellectual Property will automatically revert to Franchisor without cost and without the execution or delivery of any document. Upon Franchisor's request, Franchisee will execute all documents that Franchisor requires to confirm such reversion.

9.G. Non-Disparagement. Franchisee shall not (and to use its best efforts to cause its current and former owners, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, Affiliates, successors, and assigns not to) (i) disparage or comment negatively, in speech or writing or other manners, directly or indirectly, of Franchisor, its Affiliates, and their respective owners, officers, directors, employees, representatives, agents, franchisees or developers, successors and assigns, YGF System, any Restaurant or other business using the Marks, any brand or service-marked or trademarked concept owned by Franchisor or its Affiliates (collectively "**Franchisor Parties**"), or (ii) do any act which would subject the Franchisor Parties to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact Franchisor Parties and their goodwill. Breach of this Section will constitute Material Default under this Agreement and Franchisor is entitled to (i) claim damages of \$420 each time from Franchisee when any of the above disparagement, comment, ridicule, scandal, reproach, scorn or indignity takes place, and/or (ii) terminate this Agreement pursuant to Section 13.

9.H. No Registration. During and after the Term of this Agreement, Franchisee shall not, either directly or indirectly, register, apply to register or use all or a part of Franchisor and its Affiliates' Intellectual Property, or any intellectual property rights that are similar to Franchisor or its Affiliates' Intellectual Property without prior written authorization. Either Franchisor or its Affiliates shall have the right to claim compensation against Franchisee for all losses incurred in connection with any such registration, attempt to registration or use. Franchisee shall immediately return to Franchisor and its Affiliates' any such intellectual property unconditionally and for free.

9.I. Derivative IP. Franchisee shall not introduce any improvement, update, addition, modification or innovation into YGF System or any equipment without Franchisor's prior written consent. If any of Franchisee's development, improvement, update, addition, modification or innovation is adopted by Franchisor, they will form part of the Intellectual Property exclusively owned by Franchisor. To the extent such developments, improvements, suggestions, or contributions cannot automatically vest in Franchisor, Franchisee hereby agrees to transfer, irrevocably, unconditionally and for free, any and all rights, interests and title in and to such developments, improvements, suggestions, or contributions to Franchisor. Franchisee hereby waives any right, title or interest in the same, and shall execute all the necessary documents and provide all the necessary assistance in the sole discretion of Franchisor to effect the vest of the ownership in Franchisor.

9.J. Further Assistance. In order to protect the effectiveness of the Intellectual Property, Franchisee agrees to reasonably assist Franchisor (or its Affiliates) in action or execution of any applications, adjustment, transfer, declarations, or other documents that Franchisor deems necessary or desired for this purpose.

## 10. CONFIDENTIAL INFORMATION.

10.A. Definition of Confidential Information. “**Confidential Information**” means certain information, processes, methods, techniques, procedures and knowledge, including know-how (which includes information that is secret and substantial), Manuals and trade secrets (whether or not judicially recognized as a trade secret), developed or to be developed by Franchisor or its Affiliates relating directly or indirectly to the development or operation of a Restaurant. With respect to the definition of know-how, “**secret**” means that the know-how as a body or in its precise configuration is not generally known or easily accessible and “**substantial**” means information which is useful in developing and operating the Restaurant. Without limiting the foregoing, Confidential Information includes, but is not limited to:

- (1) methods, techniques, equipment, specifications, standards, policies, procedures and information relating to the development, operation, and franchising of Restaurants;
- (2) knowledge of types, specifications, details and suppliers for certain Materials, ingredients, cook methods and process, equipment and fixtures for Restaurants;
- (3) operating results and financial performance of Restaurants;
- (4) any and all marketing, promotional or training materials used in the operation of or relating to Restaurants;
- (5) customer information; and
- (6) YGF System Standards and the Manuals.

Confidential Information does not include (i) information that is part of the public domain or becomes part of the public domain through no fault of Franchisee, (ii) information disclosed to Franchisee by a third party having legitimate and unrestricted possession of such information, or (iii) information that Franchisee can demonstrate by clear and convincing evidence was within Franchisee’s legitimate and unrestricted possession when the parties began discussing the sale of the Franchise.

10.B. Ownership. Franchisee acknowledges and agrees that Franchisor owns all right, title and interest in and to the Confidential Information, which is proprietary and a valuable asset of Franchisor and its Affiliates. Franchisor will disclose to Franchisee such

parts of the Confidential Information as Franchisor determines (in its sole judgment) are required for the operation of a Restaurant during training and in guidance and assistance furnished to Franchisee during the Term in the Manuals, orally, or otherwise in writing. Franchisee and each of its Owners acknowledge and agree that neither Franchisee, each of its Owners, nor any other person or Entity will acquire any interest in or right to use the Confidential Information, other than its right to utilize certain Confidential Information in the operation of the Restaurant, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition with Franchisor and its franchisees.

10.C. Use of Confidential Information. Franchisee acknowledges and agrees that the Confidential Information is disclosed to Franchisee solely on the condition that Franchisee and its Owners, and each Owner does hereby agree (on behalf of and with respect to himself/herself only), that, during and after the Term, Franchisee and Franchisee's Owners:

- (1) may disclose the Confidential Information to its Owners and employees only to the extent reasonably necessary for the operation of the Restaurant, and Franchisee may disclose its Restaurant's financial results only to a lender or prospective purchaser and, then, only (i) in connection with the proposed loan or sale of the Restaurant or of a direct or indirect ownership interest in Franchisee and (ii) if the recipient is subject to a confidentiality obligation with respect to such information;
- (2) will not use the Confidential Information in any business or capacity other than under this Agreement;
- (3) will take absolute, sufficient security measures to ensure the confidentiality of the Confidential Information;
- (4) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible or intangible form;
- (5) if Franchisee is legally compelled to disclose Confidential Information in judicial or administrative proceedings, Franchisee will notify Franchisor prior to disclosure and uses its best efforts to obtain, and has 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 so disclosed; and
- (6) will adopt and implement all reasonable procedures Franchisor prescribes from time to time to prevent unauthorized use or disclosure of or access to the Confidential Information requiring employees who will have access to such information to execute confidentiality agreements in a form Franchisor periodically prescribes. Franchisee must maintain such confidentiality agreements on file for four (4) years after the

employee executing such agreement has left your employment, and must provide Franchisor, at its request, executed originals of each such agreement.

10.D. Nondisclosure and Noncompetition Agreements with Certain Individuals. Franchisor has the right to require any of Franchisee's Owners (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and employees of the Restaurant to execute a nondisclosure agreement, in form reasonably satisfactory to Franchisor, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Additionally, Franchisor has the right to require any of Franchisee's Owners (and any member of their immediate families or household), any officer, director, or executives of Franchisee's Restaurant to execute a non-competition agreement, in form reasonably satisfactory to Franchisor, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Upon Franchisor's request, Franchisee will provide Franchisor with copies of all nondisclosure and noncompetition agreements signed pursuant to this Section. Such Agreements shall remain on file at Franchisee's offices and are subject to audit or review as otherwise set forth in this Agreement. Franchisor will be a third party beneficiary with the right to enforce covenants contained in such agreements or, at its option, will be a direct party to this Agreement.

## **11. NON-COMPETE.**

11.A. Competitive Business. Franchisee acknowledges and agrees that Franchisor would be unable to protect the Confidential Information against unauthorized use or disclosure if Franchisee (or its Owners) were permitted to hold interests in or perform services for (i) any business activity involving malatang, spicy pot, hot pot, rice noodles, casserole, noodles and similar food/beverage products; (ii) any Entity that grants franchises or licenses for any of the businesses described in numerate (i); or (iii) any business in which Confidential Information could be used to the disadvantage of Franchisor, its Affiliates, or other System franchisees (each, a "**Competitive Business**"). Therefore, Franchisor has granted the Franchise to Franchisee in consideration of and reliance upon Franchisee (and its Owners') agreement to deal exclusively with Franchisor.

11.B. During Term. Franchisee agrees that, during the Term, neither Franchisee nor any of its Owners, directors, or officers (nor any of their spouses, parents, siblings, or children) will, without Franchisor's prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or Entity:

- (1) own, manage, engage in, be employed by, advise, make loans to, act as lessor to, otherwise support (other than a customer), or have any other interest in any Competitive Business located or operating anywhere;

- (2) interfere with Franchisor's, its Affiliates', or any Restaurant's owner's relationship with any vendors or suppliers;
- (3) direct, or attempt to direct, any prospective or existing business or economic opportunities away from Franchisor, its Affiliates, the Restaurant or any other Restaurant to a Competitive Business; or
- (4) perform any act prejudicial or injurious to the goodwill associated with the Marks.

11.C. After Termination, Expiration, or Transfer. For two (2) years after the expiration or termination of this Agreement or an approved Transfer to a new franchisee, Franchisee and its Owners may not, without Franchisor's prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or Entity:

- (1) own, manage, engage in, be employed by, advise, make loans to, act as lessor to, otherwise support (other than a customer), or have any other interest in any Competitive Business located or operating: (A) at the Site; (B) within a 12.5-mile radius of the Site; or (C) within a 12.5-mile radius of any other Restaurant in operation or under development on the effective date of termination or expiration of this;
- (2) interfere with Franchisor's, its Affiliates', or any Restaurant's owner's relationship with any vendors or suppliers;
- (3) direct, or attempt to direct, any prospective or existing business or economic opportunities away from Franchisor, its Affiliates, the Restaurant or any other Restaurant to a Competitive Business; or
- (4) perform any act prejudicial or injurious to the goodwill associated with the Marks.

11.D. Enforcement of Covenants. Franchisee acknowledges and agrees that (i) the restrictive covenants contained in this Section 11 are essential elements of this Agreement and that without their inclusion, Franchisor would not have entered into this Agreement; (ii) the time, territory, and scope of the covenants provided in this Section 11 are reasonable and necessary for the protection of Franchisor's legitimate business interests; (iii) Franchisee has received sufficient and valid consideration in exchange for those covenants; (iv) enforcement of the same would not impose undue hardship; and (v) the period of protection provided by these covenants will not be reduced by any period of time during which Franchisee is in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. To the extent that this Section 11 is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time, but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent

permissible. Franchisee agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement of the covenants contained in this Section 11. Franchisee acknowledges that any breach or threatened breach of this Section 11 will cause Franchisor irreparable injury for which no adequate remedy at law is available, and Franchisee consents to the issuance of an injunction from competent judicial authorities prohibiting any conduct violating the terms of this Section 11. Such injunctive relief will be in addition to any other remedies that Franchisor may have.

## **12. TRANSFER.**

12.A. Transfer and Delegation by Franchisor. This Agreement is fully transferable by Franchisor and will insure to the benefit of any transferee or other legal successor to Franchisor's interests. Franchisor should inform Franchisee within 7 business days before transfer the Agreement. Franchisor also may change its ownership or form without restriction. Franchisee acknowledges and agrees that Franchisor may, without the need to seek or obtain Franchisee's consent, (i) sell all or any part of Franchisor's ownership interests, its assets, the Marks and/or YGF System to a third party; (ii) go public or engage in a private placement of some or all of its securities; (iii) merge, acquire other entities, or be acquired by another Entity (whether competitive or not); and/or (iv) undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. If Franchisor assigns its rights in this Agreement, nothing in this Agreement shall be deemed to require Franchisor to remain in the Restaurant business or to offer or sell any products or services to Franchisee. Franchisor has the right, from time to time, to delegate the performance of any portion or all of its rights or obligations under this Agreement to designees, whether they are its Affiliates, agents, or other independent contractors with which Franchisor contracts to provide such services. Franchisee must promptly execute such documents and take such actions deemed necessary or required by Franchisor to give effect to this Section, including executing a written consent, a novation agreement or a new franchise agreement, in the form prescribed by Franchisor or the transferee. The transfer and/or delegation shall take effect upon the issuance of the written notice to Franchisee.

### 12.B. Transfer by Franchisee.

- (1) Definition of Transfer. For purposes of this Agreement, "**Transfer**" as a verb means to sell, assign, give away, transfer, pledge, mortgage, or encumber, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings), any interest in this Agreement, the Restaurant, substantially all the assets of the Restaurant, or in the ownership of Franchisee (if Franchisee is an Entity). "**Transfer**" as a noun means any such sale, assignment, gift, transfer, pledge, mortgage, or encumbrance.

- (2) No Transfer Without Franchisor's Consent. This Agreement and the license contained herein are personal to Franchisee, and Franchisor has granted the license in reliance on Franchisee's (and, if Franchisee is an Entity, its Owners') business skill, financial capacity, and qualities. **Accordingly, neither Franchisee nor any of the Owners or any successors to any part of its interest in this Agreement or the License may make any Transfer or permit any Transfer to occur without obtaining Franchisor's prior written consent.** Franchisor shall not unreasonably withhold and condition its consent for any Transfer, except as otherwise provided in Section 12.B.(5). If Franchisee's Restaurant is not open and operating, Franchisor will not consent to the Transfer of this Agreement. **Any purported Transfer, without Franchisor's prior written consent (which consent shall not be unreasonably withheld), will be null and void and will constitute a Material Default (as herein defined), for which Franchisor may terminate this Agreement without opportunity to cure pursuant to Section 13, and deduct all the Deposit.**
- (3) Transfer Procedures.
- (a) If Franchisee or any of its Owner's desire to make a Transfer, Franchisee must promptly provide Franchisor with a written request. Franchisor has the right to communicate with Franchisee, its counsel, and the proposed transferee on any aspect of a proposed Transfer. Franchisee agrees to provide any information and documentation relating to the proposed Transfer that Franchisor reasonably requires. After Franchisor receives written request of the proposed Transfer, including a copy of the letter of intent or purchase agreement between Franchisee and the proposed transferee, an application package, a transfer term worksheet, and any other materials specified in the Manuals, Franchisor will promptly give approval/disapproval to the request. If Franchisee does not receive Franchisor's written approval within thirty (30) days after Franchisor's receipt of the written request and complete materials it required, it should be deemed that the request for Transfer is refused and no Transfer shall be completed. Franchisor's consent to a Transfer does not constitute a waiver of any claims that Franchisor has against the transferor, nor is it a waiver of its right to demand exact compliance with the terms of this Agreement.
- (b) For Transfers and changes under this Agreement, Franchisee and the transferee shall jointly, as Franchisor requires, complete relevant procedures at Franchisor's location or as otherwise designated by Franchisor; whereupon Franchisee is required to bring the original Agreement, written approval by Franchisor, receipt of the Deposit and other materials for Franchisor's review and confirmation. Franchisee or its Managing Owner, and the transferee or its owners must appear personally, present instrument/proof of their identification and sign and seal the relevant documents. Franchisor may collect reasonable service fees relevant to the Transfer.

- (c) After the completion of the Transfer procedures, notwithstanding the deduction by Franchisor pursuant to this Agreement and relevant managing rules, Franchisee's Deposit will be refunded to its account by Franchisor within twenty (20) Business Days without interests, and the transferee shall submit the Deposit and other fees due as Franchisor requires.
- (d) After the completion of the Transfer procedures, the transferee will continue to operate the Restaurant as a franchisee, and assume all Franchisee's rights and obligations under this Agreement or the newly-signed franchise agreement (as required by Franchisor), as well as under written agreements or other documents entered into between Franchisee and Franchisor. The transferee shall not refuse acknowledgement or performance on the ground of "unknowing", otherwise, it will constitute a Default under this Agreement.
- (4) Transfer Conditions. For a proposed Transfer, in addition to any other conditions that Franchisor may specify, the following conditions apply (unless Franchisor waives them, in writing):
  - (a) Franchisee's Restaurant has in fact been opened for over one (1) year;
  - (b) The appearance, décor, decorations, equipment, products and maintenance/operation of the Restaurant conform with YGF System Standards, management system and standards of use of Materials, and Franchisee is not in default under this Agreement and any other agreements between Franchisee and Franchisor or its Affiliates;
  - (c) All monetary obligations (whether hereunder or not) of Franchisee to Franchisor, its Affiliates and the designated suppliers are paid in full;
  - (d) Franchisee has completed all report obligations to Franchisor, and the Restaurant is in a profitable status;
  - (e) The proposed transferee and each of its owners must be individuals who, in Franchisor's reasonable judgment, meet its then applicable reasonable standards for new franchisees, including the fact that they comply with Section 11 (Non-compete), etc., and the proposed transferee and each of its owners shall not be of questionable business reputation (such as being listed on the List of Dishonest Debtors);
  - (f) The terms and conditions of the proposed Transfer (including the purchase price) are transparent, just and fair, with the Transfer price no more than the market price, and have obtained written approval from Franchisor;
  - (g) the proposed transferee (or its Managing Owner) and its General Manager and Head Chef must complete the Initial Training Program to Franchisor's satisfaction and pass the examination (unless the transferee is an existing franchisee or Owner and the

Restaurant will continue to be managed after the Transfer by the same manager and principal employees who managed the Restaurant before the Transfer);

- (h) the proposed transferee must agree to assume all of Franchisee's duties and obligations and, at Franchisor's option: (a) have agreed in writing to be bound by all of the terms and conditions of this Agreement and any ancillary agreements, such as the Owner's Guaranty; or (b) sign the form of franchise agreement and ancillary agreements Franchisor then are using in connection with the grant of new franchises, which may differ materially from this Agreement (including increased fees, and conditions for renewal and additional Transfers), except that the term under such franchise agreement will be equal to the then-remaining Term under this Agreement (including any Successor Franchise rights Franchisee has under this Agreement, but not adding any Successor Franchise rights that Franchisee did not have prior to the Transfer);
  - (i) Franchisee (and its transferring Owners) have signed general releases, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its Affiliates, and their respective owners, officers, directors, employees, and agents;
  - (j) Franchisee first offered to sell such interest to Franchisor pursuant to Section 12.B.(6) (Franchisor's Right of First Refusal) and Franchisor has declined to exercise its right of first refusal in the manner set forth therein;
  - (k) If Franchisee or its Owners finance any part of the sale price of the transferred interest, Franchisee and its Owners must have agreed that all of the transferee's obligations pursuant to any promissory notes, agreements, or security interests that Franchisee or its Owners have reserved are subordinate to the transferee's obligation to pay amounts due to Franchisor and otherwise to comply with this Agreement; and
  - (l) Franchisee and its transferring Owners must agree in writing for Franchisor and the transferee's benefit to continue to observe the restrictions contained in Sections 10 (Confidential Information), 11 (non-Compete), and 14 (Effect of Termination of Expiration of this Agreement).
- (5) Special Transfer. The following changes and Transfer are not subject to the conditions or requirements set out in Section 12.B.(4) (Transfer Conditions) or Section 12.B.(6) (Franchisor's Right of First Refusal), but shall subject to Section 12.B.(3) (Transfer Procedures), and Franchisor may charge reasonable service fees:
- (a) the transferee is the spouse, children or parents of Franchisee or its Managing Owner, and the Transfer will not affect the continuous normal operation of the Restaurant hereunder. Additionally, Franchisee has obtained all necessary and applicable permits,

qualifications, licenses and approvals for the post-Transfer operation under this Agreement pursuant to Applicable Laws;

- (b) the transferee has acquired or merged with Franchisee through legitimate means, and the relevant procedures of corporate changes have been completed;
  - (c) Franchisee is confronted with significant change due to reasons other than its own fault or Default, could not maintain the operation of the Restaurant, and has no other option but Transferring this Agreement to avoid or remedy severe economic loss (Franchisor has full and absolute discretion to determine whether Franchisee conforms with the above).
- (6) Franchisor's Right of First Refusal.
- (a) Franchisor's Right. Franchisor has the right, exercisable within thirty (30) days after receipt of (a) the notice of Franchisee's intent to Transfer an interest, and (b) such documentation and information that Franchisor requires (as specified in the Manuals or as Franchisor otherwise requests), to send written notice to Franchisee that Franchisor intends to purchase the interest proposed to be Transferred on the same terms and conditions offered by the third-party. Franchisor must receive, and Franchisee and its Owners agree to make, all customary representations, warranties and indemnities given by the seller of the assets of a business or ownership interests in an Entity, as applicable, including representations and warranties regarding ownership and condition of, and title to, assets and (if applicable) ownership interests, liens and encumbrances on assets, validity of contracts and agreements, and the liabilities, contingent or otherwise, relating to the assets or ownership interests being purchased, and indemnities for all actions, events and conditions that existed or occurred in connection with the Restaurant or Franchisee's business prior to the closing of Franchisor's purchase. Closing on the purchase must occur within ninety (90) days after the date of Franchisor's notice to the seller electing to purchase the interest. Franchisor may assign our right of first refusal to another Entity either before or after Franchisor exercises it. However, Franchisor's right of first refusal will not apply with regard to Transfers under Section 12.B.(5) (Special Transfer) and Section 12.C. (Death or Disability).
  - (b) Declining Franchisor's Right. If Franchisor elects not to exercise its rights under this Section, the transferor may complete the Transfer after complying with the applicable provisions in Section 12. Closing of the Transfer must occur within ninety (90) days of Franchisor's election (or such longer period as Applicable Laws may require); otherwise, the proposed transferee's offer will be treated as a new offer subject to Franchisor's right of first refusal. Any material change in the terms of the offer from a proposed transferee after Franchisor has elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the proposed

transferee's initial offer. The Transfer is conditional upon Franchisor's determination that the Transfer was on terms substantially the same as those offered to Franchisor.

12.C. Death or Disability.

- (1) Transfer Upon Death or Disability. Upon the death of any of Franchisee's Owners, the transfer of the deceased Owner's interest in Franchisee will be subject to the Transfer provisions in Section 12 (Transfer) above. Upon the Disability of Franchisee's Managing Owner, the Managing Owner's executor, administrator, conservator, guardian, or other personal representative must, within a reasonable time (not to exceed six (6) months after such Disability), transfer the Managing Owner's interests in Franchisee in accordance with the terms and conditions applicable to Transfers contained in Section 12 (Transfer).
- (2) Operation Upon Death or Disability. Within thirty (30) days after the death or disability of Franchisee's Managing Owner, Franchisee must appoint a qualified person in charge to operate the Restaurant. Such person will be required to complete the Initial Training Program to Franchisor's satisfaction. If, prior to or after the appointment of such person or replacement Managing Owner, Franchisor determines that the Restaurant is not being managed properly according to YGF System Standards, Franchisor or its designee has the right (but not the obligation) to enter the Site and assume the Restaurant's management for any period of time that Franchisor deems appropriate. All funds from the Restaurant's operation during the period of Franchisor's (or its designee's) management will be kept in a separate account and all Restaurant expenses will be charged to such account. In addition to all other fees and payments owed hereunder, Franchisor may charge Franchisee a management fee of 3% of the Restaurant's Gross Sales, plus any out-of-pocket expenses incurred in connection with the Restaurant's management. **Franchisor or its designee will have a duty only to use reasonable efforts upon assuming the Restaurant's management and will not be liable to Franchisee for any debts, losses or obligations that the Restaurant incurs, or to any creditors for any supplies or other products or services purchased for the Restaurant, in connection with such management.**

13. TERMINATION OF AGREEMENT.

13.A. Termination By Franchisee. Franchisee may terminate this Agreement if Franchisor commits a material breach of any material obligations under this Agreement and fails to correct such breach within thirty (30) days after Franchisee's delivery of written notice to us of such breach; provided, however, that if Franchisor cannot reasonably correct the breach within this 30-day period but provide Franchisee, within this 30-day period, with reasonable evidence of Franchisor effort to correct the breach within a reasonable time period, then the cure period will run through the end of such reasonable time period.

If causes of termination provided by the Applicable Laws occurs, or Franchisee is unable to normally operate the Restaurant due to Force Majeure, either Franchisor or Franchisee may give the other Party a notice to terminate this Agreement; the notice will be effective upon delivery. If the Parties have disputes thereon, they may solve the disputes in accordance with Section 18 (Dispute Resolution).

13.B. Termination by Franchisor.

Franchisee acknowledges and agrees that each of its obligations described in this Agreement is a material and essential obligation of it; that non-performance of such obligations will adversely and substantially affect Franchisor and the System; and that Franchisor's exercise of the rights and remedies set forth herein is appropriate and reasonable.

Except for the events caused by Force Majeure as defined in Section 19.C, any one or more of the following constitutes a “**Material Default**” under this Agreement:

- (1) Franchisee (or any of its Owners) has made or makes any material misrepresentation or omission in connection with Franchisee's application for and acquisition of the Franchise or operation of the Restaurant, including but not limited to by intentionally, or through gross negligence, understating the Restaurant's Gross Sales for any period, breaching the representations and/or covenants under this Agreement, etc.;
- (2) Franchisee fails to obtain Franchisor's approval of the Site, to secure the approved Site under a lease or sublease that Franchisor approves, or Franchisee fails to develop, open and begin operating the Restaurant in accordance with YGF System Standards within the planned Restaurant opening schedule as agreed by Franchisor in writing;
- (3) Franchisee fails to assign its Managing Owner, General Manager and/or Head Chef to complete the Initial Training Program, subsequent training and additional training as required by Franchisor;
- (4) Franchisee, without prior written approval of Franchisor, changes the Site of the Restaurant, opens additional restaurant or branch under the name of “Yangguofu Malatang” or using the Marks, or transfers, lends or licenses third party to use the Marks which Franchisor permits it to use within the Restaurant;
- (5) Franchisee fails to renovate or refurbish the Restaurant as Franchisor directs, or changes the Trade Dress, coloring schemes, décor, signages and the Marks without Franchisor's written consent;
- (6) during the Term, Franchisee conducts business activities which are irrelevant to Franchisor and Franchisor has not approved within the Site, without Franchisor's written approval;

- (7) Franchisee's transferee fails to assume the duties in accordance with Section 12.B.(3)(d);
- (8) the shortage of the proportion of the featured Materials used by the Restaurant is over 50%, and Franchisee fails to correct the Default at Franchisor's satisfaction within the period designated by Franchisor;
- (9) Franchisee, without Franchisor's prior written approval, (i) abandons or fails to actively operate the Restaurant offering malatang products to its customers during all of the hours Franchisor specifies for five (5) or more consecutive days, or for ten (10) or more days during any calendar month, (ii) asserts, in writing, its intention to permanently close the Restaurant prior to the end of the Term, or (iii) otherwise engages in acts that would cause Franchisor to reasonably conclude that Franchisee have abandoned the Restaurant; provided, however, that Franchisee may close the Restaurant for up to seven (7) days for remodeling and repairs which Franchisor has pre-approved in writing;
- (10) Franchisee makes an assignment for the benefit of creditors or admit in writing its insolvency or inability to pay its debts generally as they become due; Franchisee consents to the appointment of a receiver, trustee, or liquidator of all or a substantial part of its property; a lender forecloses on a material portion of Franchisee's assets; or any order appointing a receiver, trustee, or liquidator of Franchisee or the Restaurant is not vacated within sixty (60) days following the entry of such order;
- (11) the Restaurant is attached, seized, or levied upon, unless such attachment, seizure, or levy is vacated within sixty (60) days; Franchisee is ordered closure, cessation, or its business license or other permits, qualifications, licenses and approvals required for the operation of the Restaurant are revoked by governmental bodies or other regulators for any reason, and the permits, qualifications, licenses or approvals are not resumed within a reasonable period, or Franchisee is no longer a qualified legal person for any reason;
- (12) Franchisee fails to comply with any other obligation under this Agreement or any other agreement between Franchisor (or any of its Affiliates), including any YGF System Standard, and does not correct the failure to Franchisor's satisfaction within ten (10) days after Franchisor delivers written notice of the failure to Franchisee; provided, however, that if Franchisor determines that Franchisee cannot reasonably correct the breach within this 10-day period and Franchisee provides Franchisor, within this 10-day period, with reasonable evidence of its effort to correct the breach within a reasonable time period, then the cure period will run through the end of such reasonable time period;
- (13) Franchisee (or any of its Owners) breaches this Agreement or any other agreement between Franchisor (or any of its Affiliates) and Franchisee (or any of its Owners or Affiliates) multiple times, and Franchisee has not corrected such breaches after

Franchisor had provided Franchisee with two (2) or more written notices of such breaches in accordance with Section 19.D (Notices and Payments);

- (14) Franchisee or any of its Owners makes a purported Transfer in violation of Section 12 (Transfer);
- (15) Franchisee, any Owner, or any of its officers or directors: (i) are convicted of or plead nolo contendere to a felony, a crime involving moral turpitude or consumer fraud, or any other crime or offense that Franchisor believes is likely to have an adverse effect on its franchise system, the Marks and any associated goodwill, or the YANGGUOFU concept (an “**Adverse Effect**”), (ii) have engaged in or engages in activities that, in Franchisor’s reasonable opinion, have an Adverse Effect; or Franchisee or any Owner, directors, supervisors, officers, employees, agents, successor or transferee (iii) have caused a direct or indirect economic loss of over \$280 on Franchisor, or Franchisee’s Restaurant (iv) is reported/criticized negatively by mainstream press, or has otherwise caused material Adverse Effect on the reputation of Franchisor and/or the YANGGUOFU concept;
- (16) Franchisee loses the right to possession of the Site, unless Franchisee locates a substitute Site which Franchisor pre-approves in writing before Franchisee ceases operating the Restaurant at the original Site, and restarts the operation at this substitute Site within three (3) months upon the cessation of operation at the original Site;
- (17) Franchisee (or any of its Owners) violates any provisions of Section 11 (Non-Compete) or improperly disclose, misuse, or misappropriate any Confidential Information in violation of Section 10 (Confidential Information);
- (18) Franchisee violates any Applicable Laws and does not begin to correct such noncompliance or violation immediately, or does not completely correct such noncompliance or violation within the time period prescribed by law, unless Franchisee is in good faith contesting its liability for such violation through appropriate proceedings;
- (19) Franchisee fails to report the Restaurant's Gross Sales pursuant to Section 8 (Evaluations, Audits and Reports), make any payment due to Franchisor or any of its Affiliates, or supplement the Deposit as Franchisor required, and does not correct such failure within ten (10) days after delivery of written notice of such failure;
- (20) Franchisee fails to maintain the insurance required by this Agreement or to furnish Franchisor with satisfactory evidence of such insurance within the required time and does not correct such failure within ten (10) days after delivery of written notice of such failure;

- (21) Franchisee fails to pay when due any taxes and levies including income, service, sales, employment, or other taxes due from the operations of the Restaurant under the applicable tax law, unless Franchisee is in good faith contesting its liability for such taxes through appropriate proceedings;
- (22) Franchisee fails to pay amounts owed to Franchisor's designated, approved, or recommended suppliers on three (3) or more occasions within thirty (30) days following the due date (unless Franchisee is contesting the amount in good faith), or Franchisee defaults (and fails to cure within the allocated time) under any note, lease, or agreement Franchisor deems material pertaining to the operation or ownership of the Restaurant; or, Franchisee fails to pay amounts (including but not limited to any and all fees, deposits, etc.) in accordance with the agreed time under this Agreement, and fails to complete the payment within fourteen (14) days after being urged over three (3) times, or the accumulative total amount Franchisee owed has reached \$200, or the amounts have been overdue for more than thirty (30) days;
- (23) Franchisee receives complaints from consumers, or consumers directly complain to Franchisor on Franchisee's Restaurant, but Franchisee refuses to respond to the complaints as Franchisor requires;
- (24) Franchisee refuses to cooperate with Franchisor in inspections and directions pursuant to Section 3 (Development and Opening of the Site and the Restaurant), Section 8 (Evaluations, Audits and Reports), Section 12 (Transfer) or Section 13 (Termination of Agreement), and other terms herein, including refuses to answer Franchisor's questions, provide relevant reports or materials, or prevents Franchisor's personnel from entering any areas of the Restaurant, refuses to sign to confirm the issues discovered on site, etc.;
- (25) If Franchisee fails to comply with any of the requirements imposed by this Agreement, as it may from time to time be amended or reasonably be supplemented by Franchisor, or fails to carry out the terms of this Agreement in good faith;
- (26) If Franchisee fails to maintain or observe any of the standards, specifications or procedures prescribed by Franchisor in this Agreement or otherwise in writing;
- (27) If Franchisee fails, refuses, or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement.

13.C. Franchisor's Remedies After An Event of Default.

- (1) Right to Terminate.
  - (a) Automatic Termination – No Right to Cure. If a Material Default under Section 13.B.(1)-(22) occurs, Franchisor may, at its sole discretion, terminate this Agreement

and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon notice to Franchisee.

- (b) Notice of Termination – 30 Days to Cure. Except as provided in Sections 13.B.(1)-(22) of this Agreement, upon any default by you which is susceptible of being cured, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to you at least thirty (30) days prior to the effective date of termination. However, Franchisee may avoid termination by immediately initiating a remedy to cure such default and curing it to Franchisor's reasonable or making a bona fide attempt to cure to Franchisor's reasonable satisfaction within the thirty (30) day period and by promptly providing proof thereof to Franchisor. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require. Defaults which are susceptible of cure hereunder may include, but are not limited to, the illustrative events provided in Section 13.B.(23)-(27).
  - (c) Except as otherwise provided herein, upon termination, all the above listed rights granted under this Agreement will be of no further force or effect. Upon termination, Franchisee will not be relieved of any of its obligations, debts, or liabilities under this Agreement that should survive the termination pursuant to provisions herein or due to their nature, including any debts, obligations, or liabilities that Franchisee accrued prior to such termination or any indemnification obligation with respect to matters that occurred prior to such termination that were not asserted until after the termination.
- (2) Deduction of the Deposit. If a Material Default under Section 13.B occurs, Franchisor may deduct a portion or all of Franchisee's Deposit in accordance with provisions under this Agreement, YGF System Standards or other written instruments.
  - (3) Other Remedies. If a Material Default occurs, Franchisor may, at its sole election and upon delivery of written notice to Franchisee, take any or all of the following actions without terminating this Agreement:
    - (a) cause the information concerning the Restaurant to be temporarily removed from YGF System Website and/or stop Franchisee's or the Restaurant's participation in any other programs or benefits offered on or through YGF System Website;
    - (b) suspend Franchisee's right to participate in advertising and promotional activities;
    - (c) suspend any products and services that Franchisor, its Affiliates or third parties designated by Franchisor provides to Franchisee under this Agreement or any other agreement, including Materials and any services relating to the Technology System;

- (d) suspend Franchisor's performance of, or compliance with, any of it or its Affiliates' obligations to Franchisee under this Agreement or other agreements;
  - (e) undertake or perform on Franchisee's behalf any obligation or duty that Franchisee is required to, but fails to, perform under this Agreement. Franchisee will reimburse Franchisor upon demand for all costs and expenses that Franchisor reasonably incur in performing any such obligation or duty; and/or
  - (f) enter the Restaurant's premises and assume the management of the Restaurant or appoint a third party (who may be Franchisor's Affiliate) to manage the Restaurant. All funds from the operation of the Restaurant while Franchisor or its appointee assumes its management will be kept in a separate account, and all of the expenses of the Restaurant will be charged to that account. Franchisor or its appointee may charge Franchisee (in addition to the amounts due under this Agreement) a management fee that Franchisor specify, not to exceed 15% of the Restaurant's Gross Sales, plus any out-of-pocket expenses incurred in connection with the Restaurant's management. **Franchisor or its appointee has a duty to utilize only reasonable efforts and will not be liable to Franchisee for any debts, losses, or obligations the Restaurant incurs, or to any of Franchisee's creditors for any products or services the Restaurant purchases, while managing it.** Franchisee shall not take any action or fail to take any action that would interfere with Franchisor or its appointee's exclusive right to manage the Restaurant and may, in Franchisor's sole discretion, be prohibited from visiting the Restaurant so as to not interfere with the operations. Franchisor's (or its appointee's) management of the Restaurant may continue for intervals lasting up to ninety (90) days each (and, in any event, for no more than a total of one (1) year), and Franchisor will during each interval periodically evaluate whether Franchisee is capable of resuming the Restaurant's operation and periodically discuss the Restaurant's status with Franchisee.
- (4) Exercise of Other Remedies. Franchisor's exercise of its rights under Section 13.C.(3) (Other Remedies) will not (i) be a defense for Franchisee to Franchisor's enforcement of any other provision of this Agreement or waive or release Franchisee from any of its other obligations under this Agreement, (ii) constitute an actual or constructive termination of this Agreement, or (iii) be Franchisor's sole or exclusive remedy for Franchisee's default. Franchisee must continue to pay all fees due and otherwise comply with all of its obligations under this Agreement following Franchisor's exercise of any of these rights. If Franchisor exercises any of its rights under Section 13.C.(3), Franchisor's may thereafter terminate this Agreement without providing Franchisee any additional corrective or cure period, unless the default giving rise to Franchisor's right to terminate this Agreement has been cured to Franchisor's reasonable satisfaction.

- (5) Joint and Several Liability of the Restaurants. If Franchisee has opened two (2) or more Restaurants as approved by Franchisor, and any one of the Restaurants has a Material Default, Franchisor may exercise its remedies under Section 13.C to all Franchisee's Restaurants and corresponding franchise agreement, and may require all Franchisee's Restaurants bear joint and several liability to relevant liquidated damages, etc. Franchisor will not be responsible for any loss caused herein.

**14. EFFECT OF TERMINATION OR EXPIRATION OF THIS AGREEMENT.**

14.A. Franchisee's Obligations. Franchisee covenants and agrees that upon expiration or termination of this Agreement for any reason, unless Franchisor directs Franchisee otherwise, Franchisee must comply with each of the following provisions:

- (1) Payment of Amounts Owed. Franchisee will immediately pay Franchisor, and its Affiliates and all vendors all amounts remaining due under or related to this Agreement or Franchisee's activities under this Agreement (or within five (5) days after the amount is known if the amount is not known on the effective date of expiration or termination). In the case of a termination by either party, this will be deemed to include all amounts that Franchisee would have paid Franchisor during what would have been the remainder of the Term had it not been terminated, including Franchise Fee. Franchisee agrees that such amounts (i) are true liquidated damages; (ii) are intended to compensate Franchisor for the harm Franchisor and its Affiliates will suffer only from and as a result of loss of revenue stream provided by the Franchise Fee and for any other damages; (iii) are not a penalty; (iv) are a reasonable estimate of Franchisor's probable loss of the Franchise Fee resulting from Franchisee's defaults, viewed as of the termination date; and (v) will be in addition to all other rights Franchisor have to obtain legal or equitable relief. Franchisee also agree that, in the case of a termination by either party, Franchisor also will suffer damages other than lost future Franchise Fee (including loss of goodwill relating to the Marks and lost business opportunities). Franchisee also will pay to Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, that Franchisor incurs after the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provision of this Section 14.
- (2) Cease Identification With Franchisor.
- (a) Franchisee must immediately cease using, by signboards, advertising, trademarks, commercial names or in any other manner, (i) the Intellectual Property herein (including the Marks and the Trade Dress), (ii) YGF System and all other elements associated with YGF System, and (iii) any colorable imitation of any of the Intellectual Property or any trademark, service mark, trade dress, or commercial symbol that is confusingly similar to any of the Marks or the Trade Dress.

- (b) Franchisee may not directly or indirectly, explicitly or implicitly at any time or in any manner (except with respect to other Restaurants Franchisee owns and operates) identify itself or any business as a current or former Restaurant, or as one of Franchisor's current or former franchisees.
- (c) Franchisee must, within twenty (20) Business Days upon termination of this Agreement, take all necessary action to (i) change or cancel all names, assumed names or equivalent registrations relating to the Marks, including relevant registrations, permits, certifications or licenses, and (ii) delete or transfer to Franchisor or its designee all authorized and unauthorized domain names, social media accounts, telephone numbers, post office boxes, and classified and other directory listings relating to, or used in connection with, the Restaurant or the Marks (collectively, "**Identifiers**"). Franchisee acknowledges that as between the Parties, Franchisor has the sole rights to and interest in all Identifiers. If Franchisee fails to comply with this Section 14.A.(2), Franchisee hereby authorizes Franchisor and irrevocably appoints Franchisor or its designee as Franchisee's attorney-in-fact to direct the telephone company, postal service, registrar, Internet Service Provider and all listing agencies to transfer such Identifiers to Franchisor. The telephone company, the postal service, registrars, Internet Service Providers and each listing agency may accept our direction pursuant to this Agreement as conclusive evidence of Franchisor's exclusive rights in such Identifiers and our authority to direct their transfer.
- (d) Franchisee must, within ten (10) Business Days upon termination of this Agreement, at its own expense, remove, destroy or deliver to Franchisor all signages, clothing, utensils, light-boxes, bar counter, wall surfaces, decorations, advertising materials, instruments and other objects which attach the Marks or identify Restaurants of YGF System in other manners.
- (e) If Franchisor does not have or does not exercise an option to purchase the Restaurant, Franchisee must, at its own expense, make such modifications or alterations to the Site immediately upon termination or expiration of this Agreement that Franchisor deems necessary to distinguish the appearance of the Site from an System Restaurant, including removing the Marks and any Trade Dress so as to indicate to the public that Franchisee is no longer associated with Franchisor. If Franchisee does not comply with the requirements of this Section, Franchisor may enter the Restaurant without being guilty of trespass or any other tort, for the purpose of making or causing to be made any required changes. Franchisee agrees to reimburse Franchisor on demand for Franchisor's expenses in making such changes.
- (f) Franchisee agrees to furnish Franchisor, within thirty (30) days after the effective date of termination or expiration of this Agreement, with evidence satisfactory to Franchisor

of Franchisee's compliance with the foregoing obligations, including photos, videos or other proofs.

- (g) Franchisee agrees to comply with the non-disparagement obligations described in Section 9.G (Non-Disparagement).
- (3) Confidential Information. Upon termination or expiration of this Agreement, Franchisee and its Owners will refrain from any disclosure of Confidential Information and will immediately cease to use any Confidential Information in any business or otherwise and return to Franchisor all copies of the Manuals, managing system rules, and any other confidential materials that Franchisor has provided to Franchisee.
- (4) Competitive Restrictions. Franchisee and its Owners will abide by the non-compete obligations specified in Section 11.C (After Termination, Expiration, or Transfer).
- (5) Franchisor's Right to Purchase.
  - (a) Exercise of Option. Upon termination or expiration of this Agreement (except for the termination pursuant to Section 13.A), Franchisor has the option, exercisable by giving written notice to Franchisee within sixty (60) days from the date of such termination, to purchase the Restaurant from Franchisee, including the leasehold rights to the Site. (The date on which Franchisor notifies Franchisee whether or not Franchisor is exercising its option is referred to in this Agreement as the "**Notification Date**"). Franchisor has the right to assign this option to purchase the Restaurant. Franchisor will be entitled to all customary warranties and representations in connection with its asset purchase, including representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.
  - (b) Real Property Rights. Franchisee agrees at its election:
    - (i) to assign its leasehold interest in the Site to Franchisor;
    - (ii) to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the prime lease; or
    - (iii) if Franchisee or one of its Affiliates owns the Site, to, at its option, sell a fee simple interest in the Site to Franchisor as part of the assets or lease the Site to Franchisor for an initial five-year term with one renewal term of five (5) years (at its option) on commercially reasonable terms.
  - (c) Purchase Price. The purchase price for the Restaurant will be its fair market value, determined in a manner consistent with reasonable depreciation of the Restaurant's

equipment, signs, inventory, materials and supplies, provided that the Restaurant will be valued as an independent business and its value will not include any value for: (a) the Franchise or any rights granted by this Agreement; (b) the Marks; or (c) YGF System. The Restaurant's fair market value will include the goodwill Franchisee developed in the market of the Restaurant that exists independent of the goodwill of the Marks and YGF System. The length of the remaining term of the lease for the Site will also be considered in determining the Restaurant's fair market value.

- (d) Excluded Assets. Franchisor may exclude from the assets purchased cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Restaurant's operation or that Franchisor deems as not meeting standards for Restaurants, and the purchase price will reflect such exclusions.
- (e) Appraisal. If Franchisor and Franchisee are unable to agree on the Restaurant's fair market value, its fair market value will be determined by three (3) independent appraisers who collectively will conduct one appraisal; provided, however, that if they are unable to agree on a single appraisal, the appraised value will be the average of the three appraisals. The parties will appoint one appraiser respectively, and the two party-appointed appraisers will appoint the third appraiser. Franchisee and Franchisor agree to select its respective appraisers within fifteen (15) days after Franchisor notifies Franchisee that it is exercising its option to purchase the Restaurant, and the two appraisers so chosen are obligated to appoint the third appraiser within fifteen (15) days after the date on which the second party-appointed appraisers were appointed. The Parties will bear the cost of their own appraisers and share equally the fees and expenses of the third appraiser chosen by the two party-appointed appraisers. The appraisers are obligated to complete their appraisal within thirty (30) days after the third appraiser's appointment.
- (f) Closing. The purchase price will be paid at the closing of the purchase, which will take place not later than ninety (90) days after determination of the purchase price. Franchisor has the right to set off against the purchase price, and thereby reduce the purchase price by, any and all amounts Franchisee or its Owners owe to Franchisor or any amounts of rent Franchisee owes the landlord of the Site, or its creditors that Franchisor pay on its behalf. At the closing, Franchisee agrees to deliver instruments transferring to Franchisor, including:
  - (i) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests Franchisor accepts in writing), with all sales and other transfer taxes paid by Franchisee;
  - (ii) all licenses and permits of the Restaurant which may be assigned or transferred; and

(iii) instruments of the leasehold interest and improvements in the Site.

Franchisee and its Owners further agree to execute general releases, in form satisfactory to Franchisor, of any and all claims against Franchisor and its shareholders, officers, directors, employees, agents, successors and assigns.

- (6) Injunctive and Other Relief. Franchisee acknowledges that its failure to abide by the provisions of this Section 14 will result in irreparable harm to Franchisor, and that Franchisor's remedy at law for damages may be inadequate. Accordingly, Franchisee agrees that if Franchisee breaches any provisions of this Section 14, Franchisor is entitled to injunctive relief (including the remedy of specific performance) in addition to any other remedies available at law or in equity.
- (7) Continuing Obligations. All of the Parties' (and Franchisee's Owners' and Affiliates') obligations which expressly or by their nature survive the termination or expiration of this Agreement will continue in full force and effect subsequent to and notwithstanding its termination or expiration until such obligations are satisfied in full or by their nature expire.

14.B. Franchisor's Obligations. Provided that Franchisee has complied with Section 14.A.(1), (2) and (5), Franchisor shall return the remaining Deposit to Franchisee's account within twenty (20) Business Days upon the satisfaction of any of the following conditions:

- (1) this Agreement has expired and Franchisee has no Default;
- (2) this Agreement is terminated by agreement of the Parties, and the Parties have no other disputes;
- (3) this Agreement is terminated or expired, albeit Default exists, the loss of the relevant party has been fully compensated by payment or remedy to its satisfaction, and the relevant dispute is completely resolved;
- (4) this Agreement is terminated or expired for over two (2) years, and the Parties have no discovered/arised but unsolved issue or dispute; or
- (5) Franchisee has provided guarantee satisfying to Franchisor.

## **15. RELATIONSHIP OF THE PARTIES, INDEMNIFICATION AND INSURANCE.**

15.A. Relationship of the Parties. This Agreement does not create, nor does any conduct by Franchisor create, a fiduciary or other special relationship or makes Franchisee or Franchisor an agent, legal representative, joint venturer, partner, employee or servant of

each other for any purpose. Franchisee is not authorized to make any contract, agreement, warranty, or representation on our behalf, or to create any obligation, express or implied, on Franchisor or its Affiliates' behalf. **Franchisee is, and shall remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, the Restaurant and its business, including any personal property, operating assets, or real property and for all claims or demands based on damage or destruction of property or based on injury, illness or death of any person or persons, directly or indirectly, resulting from the operation of the Restaurant.** Further, Franchisor and Franchisee are not and do not intend to be partners, associates, or joint employers in any way, and Franchisor shall not be construed to be jointly liable for any of Franchisee's acts or omissions under any circumstances. Franchisor does not have the right or power to supervise or discipline any of Franchisee's employees; to determine the hiring, firing, compensation, or terms or conditions of employment of any of Franchisee's employees; or otherwise to control the labor relations between Franchisee and its employees. Franchisor has no relationship with Franchisee's employees, and Franchisee has no relationship with Franchisor's employees.

15.B. Indemnification

- (1) Indemnification Obligation. **Franchisee must defend, indemnify, and hold harmless Franchisor, and its Affiliates, and their permitted successors and assigns, and each of their respective direct and indirect owners, directors, officers, managers, employees, agents, attorneys, and representatives (collectively, the "Indemnified Parties") from and against all Losses (defined below), which any of the Indemnified Parties may suffer, sustain, or incur as a result of (a) a claim asserted by a third party, (b) an inquiry made formally or informally made by a third party, or (c) a legal action, investigation, or other proceeding brought, by a third party that directly or indirectly arises out of or relates to: (1) the operation of the Restaurant, including any marketing efforts related to the Restaurant; (2) the business Franchisee conducts under this Agreement; (3) Franchisee's breach of this Agreement; (4) Franchisee's noncompliance or alleged noncompliance with any Applicable Laws; or (5) any allegation that Franchisor or another Indemnified Party is a joint employer or otherwise responsible for Franchisee's acts or omissions relating to its employees (each, an "Indemnified Claim").** "Losses" means any and all losses, expenses, obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that an Indemnified Party incurs, including accountants', arbitrators', mediators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

- (2) Indemnification Procedure. Franchisor, or an Indemnified Party, will promptly notify Franchisee of any Indemnified Claim, provided, however, that the failure to provide such notice shall not release Franchisee from its indemnification obligations under this Section 15.B.(1), except to the extent Franchisee is actually and materially prejudiced by such failure. An Indemnified Party shall have the right in its sole discretion, to (a) require Franchisee to defend any Indemnified Claim at its expense using counsel reasonably satisfactory to the Indemnified Party, or (b) defend any Indemnified Claim at Franchisee's expense (or take over control of the defense of any Indemnified Claim at Franchisee's expense at any point after Franchisee has started to provide a defense), including by selecting and hiring counsel and coordinating the defense. **In either case, Franchisee must promptly reimburse such Indemnified Party for any and all Losses that it incurs related to the defense of any Indemnified Claims.**
- (3) Cooperation and Settlement. Franchisee or the Indemnified Party (as the case may be) shall keep Franchisee or the Indemnified Party (as the case may be) reasonably apprised of, and shall respond to any reasonable requests concerning, the status of the defense of any Indemnified Claim of which it is maintaining, and shall cooperate in good faith with each other with respect to the defense of any such Indemnified Claim. **Franchisee shall not, without the prior written consent of the Indemnified Parties, (a) settle or compromise any Indemnified Claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Indemnified Parties, or (b) settle or compromise any Indemnified Claim in any manner that may adversely affect the Indemnified Parties other than as a result of money damages or other monetary payments which will be paid by Franchisee.** Each Indemnified Party may agree with settlements or agree to take any other remedial, corrective, or other actions that it deems appropriate with respect to any Indemnified Claim, and Franchisee shall be solely responsible all related Losses, subject to Section 15.B.(4) (Willful Misconduct or Gross Negligence).
- (4) Willful Misconduct or Gross Negligence. Franchisee has no obligation to indemnify or hold harmless an Indemnified Party for, and Franchisor will reimburse Franchisee for, any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, willful misconduct, or willful wrongful omissions. However, nothing in this Section 15.B.(4) limits Franchisee's obligation to defend Franchisor and the other Indemnified Parties under Section 15.B.(1) (Indemnification Obligation).
- (5) Survival and Recovery. Franchisee's obligations in this Section 15.B will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. **An Indemnified Party need not to seek recovery from any insurer or**

**other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against Franchisee under this Section 15.B.** Franchisee agrees that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from Franchisee under this Section 15.

15.C. Insurance. Franchisee must obtain and thereafter maintain in full force and effect, throughout the Term, at its sole expense, property, professional liability, general liability, motor vehicle liability and other types of insurance required in the Manuals or otherwise in writing from time to time. The liability insurance must cover claims for bodily injury, death and property damages caused by or occurring in connection with Franchisee's Restaurant's operation or activities of its personnel in the course of their employment (within and without the Restaurant's premises). All of these policies must contain the minimum coverage Franchisor prescribes from time to time, and must have deductibles not to exceed the amounts Franchisor specifies. Franchisor may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. The insurer under any required policy must at all times maintain at least an "A" rating or better as rated by Best's Insurance Reports (or any similar rating that Franchisor periodically designate). All insurance policies, except for workers' compensation, shall name Franchisor, Franchisor's affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional named insureds. These insurance policies must provide for thirty (30) days' prior written notice to Franchisor of a policy's material modification, cancellation or expiration. Each insurance policy must contain a waiver of all subrogation rights against Franchisor and its Affiliates, and their successors and assigns. Franchisee must routinely furnish Franchisor copies of its certificates of insurance or other evidence of its maintaining this insurance coverage and paying premiums. Franchisee must notify Franchisor of any lawsuits filed against Franchisee within five (5) Business Days after Franchisee have notice of such lawsuits, whether or not Franchisee have tendered them to its insurance company for defense and/or coverage. If Franchisee fails or refuses to obtain and maintain the insurance Franchisor specifies, in addition to Franchisor's other remedies (including termination), Franchisor may (but need not) obtain such insurance for Franchisee and its Restaurant on its behalf, in which event Franchisee must cooperate with Franchisor and reimburse Franchisor for all premiums, costs and expenses Franchisor incurs in obtaining and maintaining the insurance, plus a reasonable fee for Franchisor's time incurred in obtaining such insurance.

## **16. REPRESENTATIONS AND ACKNOWLEDGEMENTS.**

16.A. Acknowledgments. Franchisee acknowledges and agrees that:

- (1) Franchisee understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain YGF System's high standards of quality and service and the uniformity of those standards at each Restaurant and to protect and preserve the goodwill of the Marks;
- (2) Franchisee has conducted an independent investigation of the business venture contemplated by this Agreement and recognize that, like any other business, the nature of the business conducted by a Restaurant may evolve and change over time;
- (3) an investment in a Restaurant involves business risks;
- (4) Franchisee's business abilities and efforts are vital to the success of the venture;
- (5) in all of Franchisor's dealings with Franchisee, Franchisor's officers, directors, employees and agents act only in a representative, and not in an individual, capacity. All business dealings between Franchisee and such persons as a result of this Agreement are solely between Franchisee and Franchisor;
- (6) Franchisee has received, understood and accepted the disclosure documents that Franchisor has prepared and supplied to Franchisee pursuant to the applicable franchise regulations (the "**Franchise Disclosure Document**");
- (7) Franchisor has advised Franchisee to have this Agreement and the Franchise Disclosure Document reviewed and explained to Franchisee by an attorney and Franchisee has been given ample time to do so;
- (8) **Franchisor has specifically called Franchisee's attention to the capitalized, underlined and/or bolded provisions, Franchisee has carefully reviewed and fully understand such provisions, and Franchisee has no objections against any such provisions.**

16.B. Representations. Franchisee represents to Franchisor, as an inducement to Franchisor's entry into this Agreement, that all statements Franchisee has made and all materials Franchisee has submitted to Franchisor in connection with its purchase of the Franchise are accurate and complete and that Franchisee has made no misrepresentations or material omissions in obtaining the Franchise. This Agreement has been duly authorized and executed by Franchisee or on its behalf and constitutes its valid and binding obligation, enforceable in accordance with its terms, subject to applicable bankruptcy, moratorium, insolvency, receivership, and other similar laws affecting the rights of creditors generally. Franchisor has approved Franchisee's request to purchase a Franchise in reliance on all of Franchisee's representations.

16.C. No Warranties. Franchisor expressly disclaims the making of, and Franchisee acknowledges that Franchisee has not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, sales, profits or success of the business venture contemplated by this Agreement or the extent to which Franchisor will continue to develop and expand the network of Restaurants. Franchisee acknowledges and agrees that:

- (1) neither Franchisor, nor any of its Affiliates, nor any of their Affiliates' officers, agents, employees, or representatives have made any representation to Franchisee, express or implied, as to the historical revenues, earnings, or profitability of any Restaurant or the anticipated revenues, earnings, or profitability of the business subject to the Franchise or any other business operated by Franchisor, its licensees, its franchisees, or its Affiliates; and
- (2) any information Franchisee acquires from other Restaurant franchisees relating to their sales, profits or cash flows does not constitute information obtained from Franchisor, nor do Franchisor make any representation as to the accuracy of any such information.

## 17. AGREEMENT AND INTERPRETATION.

17.A. Entire Agreement. This Agreement, including the introduction, addenda and exhibits to it, constitutes the entire agreement between Franchisee and Franchisor, and there are no oral or other written understandings, representations, or agreements between Franchisor and Franchisee, relating to the subject matter of this Agreement (exclusive of the executed agreements between the Parties on other subjects related to this Agreement, e.g. Supply Agreement). Notwithstanding the foregoing, nothing in this Agreement will disclaim or require Franchisee to waive reliance on any representation that Franchisor made in the most recent disclosure document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative. This Agreement includes the terms and conditions on Appendix A, which are incorporated into this Agreement by this reference. Any policies that Franchisor adopts and implements from time to time to guide its decision-making are subject to change, are not a part of this Agreement, and are not binding on Franchisor.

17.B. Amendment. Subject to Franchisor's right to periodically unilaterally modify YGF System Standards and the Manual, the provisions of this Agreement may be modified only by written agreement between the Parties.

17.C. Severability. Except as expressly provided to the contrary in this Agreement, including in Section 18 (Dispute Resolution), each provision of this Agreement is severable, and if, for any reason, any provision or part of a provision is held to be invalid or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction in a proceeding to

which Franchisor is a party, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement that remain otherwise intelligible, which will continue to be given full force and effect and bind the parties. If any Applicable Laws requires a greater prior notice than is required under this Agreement of the termination/expiration of this Agreement or of Franchisor's refusal to enter into a Successor Franchise Agreement, or the taking of some other action not required under this Agreement, or if, under any Applicable Laws, any provision of this Agreement or any YGF System Standard is invalid or unenforceable, the prior notice and/or other action required by such law or rule will be substituted for the comparable provisions of this Agreement, and Franchisor will have the right to modify such invalid or unenforceable provision or YGF System Standard to the extent required to be valid and enforceable. Franchisee agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions or any YGF System Standard any portion or portions which a court or arbitrator holds to be unenforceable, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order or arbitration award. Such modifications to this Agreement will be effective only in such jurisdiction, unless Franchisor elects to give them greater applicability, and will be enforced as originally made and entered into in all other jurisdictions.

17.D. Waiver of Obligations. Either of Franchisor or Franchisee may but is not obligated to, by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of notice to the other or such other effective date stated in the notice of waiver. Any waiver Franchisor or Franchisee grants will be without prejudice to any other rights Franchisor or Franchisee may have, will be subject to each Party's continuing review, and may be revoked by the party granting the waiver at any time and for any reason; provided, however, that any corresponding breach during the period of waiver may not later be used as a ground for terminating this Agreement. Any waiver must be in writing to be enforceable. Franchisor's failure to complain or declare that Franchisee is in breach of the terms of this Agreement or Franchisor's failure to give or withhold its approval as provided in this Agreement will not, except as otherwise provided in this Agreement, constitute a waiver of such breach or of such right to withhold its approval. Franchisor will not be deemed to waive or impair any of its rights under this Agreement because of its waiver of or failure to exercise any right with other Restaurants or because of the existence of franchise or license agreements for other Restaurants which contain provisions different from those contained in this Agreement.

17.E. Construction. The headings in this Agreement are for convenience of reference and are not a part of this Agreement and will not affect the meaning or construction of any of its provisions. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days. The words "**include**," "**including**," and words of

similar import shall be interpreted to mean “including, but not limited to” and the terms following such words shall be interpreted as examples of, and not an exhaustive list of, the appropriate subject matter.

17.F. Additional Terms; Inconsistent Terms. The Parties may provide additional terms by including the terms on Appendix A. To the extent that any provisions of Appendix A are in direct conflict with the provisions of this Agreement, the provisions of Appendix A shall control.

## **18. DISPUTE RESOLUTION.**

18.A. Dispute Resolution. Any dispute arising out of or relating to this Agreement, including any question regarding its existence, validity or termination, shall be attempted to be resolved through friendly consultations in good faith between Franchisee and Franchisor. If such dispute cannot be so resolved within 14 days from the date that any one of Franchisee or Franchisor gives the other notice of such dispute, such dispute shall be resolved by arbitration administered by the American Arbitration Association (“AAA”) in Delaware or Franchisor’s then current principal place of business, by a single arbitrator, in accordance with the rules of the AAA for the time being in force (which rules are deemed to be incorporated by reference in this clause).

18.B. Conduct of Arbitration. In any arbitration, **each party in the arbitration will be bound by the provisions of any limitation on the period of time in which claims must be brought under Applicable Laws or this Agreement, whichever expires earlier.** The arbitrator must follow Applicable Laws and not disregard the terms of this Agreement. **The arbitrator may not consider any settlement discussions or offers that might have been made by either Franchisee or Franchisor and will not have the right to declare any Mark generic or otherwise invalid. Franchisor reserves the right, but has no obligation, to advance its share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished its right to seek the recovery of those costs in accordance with Section 17.D (Waiver of Obligations).**

18.C. Individual Actions. Arbitration must be conducted on an individual basis, and not on a joint, collective, consolidated, or class-wide basis. No such arbitration proceeding may be consolidated with any other arbitration proceeding between Franchisor and any other person or Entity.

18.D. Relief. The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys’ fees and costs, provided that the arbitrator may not declare any Mark generic or otherwise invalid or,

award any special, consequential, exemplary, or punitive damages against any party to the arbitration (such parties hereby waive to the fullest extent permitted by law, any right to or claim for any special, consequential, exemplary, or punitive damages against the other parties).

18.E. Right to Injunctive Relief. Notwithstanding the Parties' agreement to arbitrate, either party will have the right to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction with respect to any dispute subject to arbitration; provided, however, that such party must contemporaneously submit the dispute for arbitration on the merits as provided in Section 18 (Dispute Resolution). **In addition to any other relief available at law or equity, Franchisor will have the right to obtain restraining orders or temporary or permanent injunctions to: (i) enforce, among other matters, the provisions of this Agreement related to YGF System; (ii) enforce its obligations on termination or expiration of this Agreement; and (iii) prohibit any act or omission by Franchisee or its employees that is a violation of Applicable Laws or that threatens the Intellectual Property.**

18.F. Governing Law. This Agreement, the Franchise, and all claims arising from or related to the relationship between Franchisor and Franchisee, will be governed by Delaware laws, except that any such law regulating competition, consumer protection or unfair or deceptive acts or practices, will not apply unless its jurisdictional requirements are met independently without reference to this Section.

18.G. Cumulative Rights. The Parties' rights under this Agreement are cumulative, and no exercise or enforcement of any right or remedy will preclude their exercise or enforcement of any other right or remedy under this Agreement which Franchisor or Franchisee are entitled by law to exercise or enforce.

## 19. Miscellaneous Provisions

19.A. No Liability. **Franchisee agrees that none of Franchisor's or its Affiliates' past, present or future directors, officers, employees, incorporators, members, partners, stockholders, subsidiaries, Affiliates, controlling parties, suppliers, agents, attorneys, representatives, or Entities under common control, ownership or management will have any liability for (i) any of Franchisor's obligations or liabilities relating to or arising from this Agreement, (ii) any claim against Franchisor based on, in respect of, or by reason of, the relationship between Franchisee and Franchisor, or (iii) any claim against Franchisor based on any alleged unlawful act or omission of Franchisor.**

19.B. Consent. Whenever its prior written approval or consent is required under this Agreement, Franchisee agrees to make a timely written request to Franchisor for such

consent. Franchisor's approval or consent must be in writing and signed by an authorized officer to be effective. Except where this Agreement expressly obligates Franchisor reasonably to approve any of Franchisee's actions or requests, Franchisor has the absolute right to refuse any request Franchisee makes or to withhold the approval of any of Franchisee's proposed or effected actions that require Franchisor's approval.

19.C. Force Majeure. A "**Force Majeure Event**" is one of the following events which is not caused by, influenced or contributed to by, or within the control of a party (using all lawful means available to such party to exert control over such event): fire, hurricane, tornado, typhoon, flood (other than a flood caused by a defect in the party's premises), earthquake, other natural disaster, pandemic, war, riot, confiscation by or order of any governmental authority. As to Franchisor, a Force Majeure Event also includes an unauthorized computer intrusion or hacking. If a Force Majeure Event renders a party's performance of its obligations under this Agreement impossible (not merely more costly or more inconvenient) the affected party's obligations that are so affected will be suspended solely to the extent and during the resulting period that such party's performance of such obligation is rendered impossible; provided however, that the affected party shall promptly notify the other party, in writing, within five (5) Business Days after the occurrence of a Force Majeure Event, that a Force Majeure Event has occurred, the manner and extent to which such party's obligations have been impacted, and the estimated period during which the party's performance of such obligations is expected to be impacted. The affected party shall take any reasonable measures to mitigate the loss, and resume performance of this Agreement immediately after the elimination of the Force Majeure Event. A Force Majeure Event shall not suspend a party's payment obligations for monies owed or any other obligations that are not rendered impossible by the Force Majeure Event. The Term shall not be suspended during, or extended as a result of, a Force Majeure Event.

During the Term, if Franchisee is unable to continue operation at the original Site due to a Force Majeure Event, Franchisee must notify Franchisor pursuant to this Section immediately, and Franchisor may, based on factual situation, permit Franchisee to locate a new Site pursuant to Section 3 (Development and Opening of the Site and the Restaurant) within three (3) months, and open the Restaurant. If Franchisee could not find a suitable substitute Site for the Restaurant within the agreed three-month period, the Parties may terminate this Agreement by agreement, and Franchisee's remaining Deposit will be fully refunded.

19.D. Notices and Payments. All approvals, requests, notices, and reports required or permitted under this Agreement will not be effective unless in writing and delivered to the party entitled to receive the notice in accordance with this Section.

- (1) To Franchisor. Franchisee may deliver all routine requests for approval, day-to-day operational communications, and reports to the e-mail addresses that Franchisor designates in writing from time to time, but Franchisee must deliver all notices (including notices related to defaults, terminations, renewals, and Transfers) (a) personally; or (b) by SF Express, DHL, or another internationally recognized courier service to the following address (which Franchisor may change upon delivery of written notice to Franchisee): No. 1650 Lianhang Road, Minghang District, Shanghai, China
- (2) To Franchisee. Franchisor may deliver all communications to Franchisee, including legal notices (such as notices related to defaults, terminations, renewals, and Transfers), to the e-mail address that Franchisee designates or (a) personally; or (b) by SF Express, DHL, or another internationally recognized courier service to the Restaurant address or the address listed on Appendix A (which Franchisee may change upon delivery of written notice to Franchisor).
- (3) Timing of Receipt. All approvals, requests, notices, reports, and payments will be deemed delivered (a) at the time delivered by hand; (b) one (1) Business Day after sending by e-mail; or (c) upon attempted delivery when sent by courier service.

19.E. Time. Time is of the essence of this Agreement and each and every provision.

19.F. Binding Effect. The delivery of this Agreement from Franchisor to Franchisee is not an offer. Therefore, this Agreement will not be binding upon Franchisor until it is first signed by Franchisee, tendered to Franchisor for its acceptance, and signed by Franchisor. Once accepted by Franchisor, this Agreement is binding upon and will inure to the benefit of Franchisor and Franchisee and their respective successors and permitted assigns. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, and all of which will constitute one and the same instrument. Electronic signatures are expressly authorized. Faxed, scanned, or electronic signatures shall have the same effect and validity, and may be relied upon in the same manner, as original signatures.

19.G. Franchisor's Business Judgment. Franchisor has the right, in its sole judgment, to operate, develop and change YGF System in any manner that is not specifically prohibited by this Agreement. Whenever Franchisor has reserved in this Agreement a right to take or withhold an action, or to grant or decline to grant Franchisee a right to take or omit an action, Franchisor may, except as otherwise specifically provided in this Agreement, make its decision or exercise its rights based on the information readily available to Franchisor and its judgment of what is in its and/or its franchise network's best interests at the time our decision is made, regardless of whether Franchisor could have made other reasonable or even arguably preferable alternative decisions or whether Franchisor's decision or the action Franchisor takes promotes its financial or other individual interest.

*[Signature Page Follows]*

**IN WITNESS THEREOF**, the Parties have executed and delivered this Agreement to be effective as of the Effective Date and binding the Parties, regardless of the dates listed below.

**Franchisor:**

**Franchisee:**

**CAPTAIN BUSINESS  
MANAGEMENT CO., LIMITED**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: Xingyu Yang

Name: \_\_\_\_\_

Title: Director

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**APPENDIX A**

**FRANCHISEE-SPECIFIC TERMS**

1. **Effective Date:** \_\_\_\_\_
2. **Franchisee's Name:** \_\_\_\_\_
3. **Residential or Registered Address of Franchisee:**  
\_\_\_\_\_
4. **Franchisee's Legal Representative:** \_\_\_\_\_
5. **No. of Franchisee's Business License/Other ID Certification:** \_\_\_\_\_
6. **Ownership of Franchisee:**

If Franchisee is an Entity (as defined in this Agreement), the following persons constitute all of the owners of a legal and/or beneficial interest in Franchisee (the “**Owners**”, including all the shareholders and actual controllers, collectively):

<b>Shareholder's Name</b>	<b>Description of Interest</b>	<b>% of Shares</b>	<b>ID Number</b>	<b>Phone Number</b>	<b>Email</b>	<b>Address</b>
<b>Actual Controller's Name</b>	<b>Description of Interest</b>	<b>Control</b>	<b>ID Number</b>	<b>Phone Number</b>	<b>Email</b>	<b>Address</b>

7. **Managing Owner:** \_\_\_\_\_
8. **The Site:** \_\_\_\_\_
9. **Contract Period:** \_\_\_\_\_

**10. Franchise Fee (Section 5.A):** \_\_\_\_\_

Election of A. Fixed Fee Arrangement or B. Variable Fee Arrangement

**A. Amount for Fixed Fee Arrangement:**

<b>Time</b>	<b>Amount</b>	<b>Payment Due Date</b>
Initial Franchise Fee	\$20,000	[●], 2025
Subsequent Franchise Fee	Per Section 5.A	<u>Monthly</u>

**B. Amount for Variable Fee Arrangement:**

<b>Time</b>	<b>Amount</b>	<b>Payment Due Date</b>
Initial Franchise Fee	<u>\$10,000</u>	[●], 2025
Subsequent Franchise Fee	Per Section 5.A	<u>Monthly</u>

**11. Deposit (Section 5.B.):** \_\_\_\_\_

**12. Franchisee's Contact Information for Notices (Section 19.D):** \_\_\_\_\_

**13. Additional Terms; Inconsistent Terms (if any) (Section 17.F):** None

[signatures to Appendix A]

**Franchisor:**

**Franchisee:**

**CAPTAIN BUSINESS  
MANAGEMENT CO., LIMITED**

By: \_\_\_\_\_

Name: Xingyu Yang

Title: Director

Date: \_\_\_\_\_

By : \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**APPENDIX B**

**Guaranty of Performance**

## OWNER'S GUARANTY

In consideration of, and as an inducement to, the execution by Captain Business Management Co., Limited (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”) of that certain Franchise Agreement, dated [●], (as the same from time to time may be amended, modified, extended or renewed, the “**Franchise Agreement**”), the undersigned (collectively referred to as the “**Guarantors**” and individually referred to as a “**Guarantor**”) hereby covenant and agree as follows:

**1. Guarantee of Payment and Performance.** The Guarantors jointly and severally unconditionally guarantee to Franchisor and its affiliates the payment and performance when due, whether by acceleration or otherwise, of all obligations, indebtedness, and liabilities of Franchisee to Franchisor, direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Franchise Agreement or otherwise, together with any extension, renewal, or modification thereof in whole or in part (the “**Guaranteed Liabilities**”). The Guarantors agree that if any of the Guaranteed Liabilities are not so paid or performed by Franchisee when due, the Guarantors will immediately do so. The Guarantors further agree to pay all expenses (including reasonable attorneys’ fees) paid or incurred in endeavoring to enforce this Guarantee or the payment of any Guaranteed Liabilities. The Guarantors represent and agree that they have each reviewed a copy of the Franchise Agreement and have had the opportunity to consult with counsel to understand the meaning and import of the Franchise Agreement and this Guarantee.

**2. Waivers by Guarantors.** The Guarantors waive presentment, demand, notice of dishonor, protest, and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Liabilities, of the amounts and terms thereof, of all defaults, disputes, or controversies between Franchisor and Franchisee and of the settlement, compromise, or adjustment thereof. This Guarantee is primary and not secondary, and will be enforceable without Franchisor having to proceed first against Franchisee or against any or all of the Guarantors or against any other security for the Guaranteed Liabilities. This Guarantee will be effective regardless of the insolvency of Franchisee by operation of law, any reorganization, merger, or consolidation of Franchisee, or any change in the ownership of Franchisee.

**3. Term; No Waiver.** This Guarantee will be irrevocable, absolute, and unconditional and will remain in full force and effect as to each of the Guarantors until the later of (i) such time as all Guaranteed Liabilities of Franchisee to Franchisor and its affiliates have been paid and satisfied in full or (ii) the Franchise Agreement and all obligations of Franchisee thereunder expire. This Guarantee will continue in full force and effect for (and as to) any extension or modification of the Franchise Agreement and despite the transfer of

any interest in the Franchise Agreement or Franchisee, and each of the Guarantors waives notice of any and all renewals, extensions, modification, amendments, or transfers. No delay or failure on the part of Franchisor in the exercise of any right or remedy will operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy will preclude other further exercise of such right or any other right or remedy.

**4. Other Covenants.** Each of the Guarantors agrees to comply with the provisions of Sections 8 (Evaluations, Audits and Reports), 9 (Intellectual Property), 10 (Confidential Information), 11 (non-Compete), 12 (Transfer), and 15.B (Indemnification) of the Franchise Agreement as though each such Guarantor were the “Franchisee” named in the Franchise Agreement. Each Guarantor agrees to take any and all actions as may be necessary or appropriate to cause Franchisee to comply with the Franchise Agreement and will not take any action that would cause Franchisee to be in breach of the Franchise Agreement.

**5. Dispute Resolution.** Section 18 (Dispute Resolution) of the Franchise Agreement is hereby incorporated herein by reference and will be applicable to any and all disputes between Franchisor and any of the Guarantors, as though Guarantor were the “Franchisee” referred to in the Franchise Agreement.

**6. Miscellaneous.** This Agreement will be binding upon the Guarantors and their respective heirs, executors, successors, and assigns, and will inure to the benefit of Franchisor and its successors and assigns.

**IN WITNESS WHEREOF**, the undersigned Guarantors have caused this Guarantee to be duly executed as of the day and year first above written.

**GUARANTORS:**

\_\_\_\_\_  
Signature:\_\_\_\_\_

Address:\_\_\_\_\_

\_\_\_\_\_  
Date:\_\_\_\_\_

\_\_\_\_\_  
Signature:

Address:\_\_\_\_\_

\_\_\_\_\_  
Date:\_\_\_\_\_

**APPENDIX C**

**Nondisclosure and Noncompetition Agreement**

## NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement (this “**Agreement**”) is dated \_\_\_\_\_. The parties are \_\_\_\_\_ (referred to as “**we**”, “**us**”, and “**our**”), located at [address], and [NAME OF INDIVIDUAL TO BE BOUND] (referred to as “**you**” and “**your**”). You are signing this Agreement in consideration of, and as a condition to, your association with us and the compensation, dividends, or other payments and benefits you will receive from us.

### **BACKGROUND**

We are a franchisee of Captain Business Management Co., Limited (“**Franchisor**”) under a Franchise Agreement dated [●] (the “**Franchise Agreement**”). We have a license to use the certain trademarks designated by Franchisor (the “**Marks**”), certain policies and procedures used in YGF businesses (the “**YGF System**”), and the Confidential Information developed and owned by Franchisor in our YGF Restaurant (the “**Restaurant**”). Franchisor recognizes that, in order for us to effectively operate our business, our employees, investors, and independent contractors must have access to certain confidential information and trade secrets owned by Franchisor. Disclosure of this confidential information and trade secrets to unauthorized persons, or its use for any purpose other than the operation of our business, would harm Franchisor, other franchise owners, and us. Accordingly, Franchisor requires us to have you to sign this Agreement. Franchisor and its affiliates (collectively, “**Licensors**”) are third-party beneficiaries under this Agreement.

### **AGREEMENT**

**1. Confidential Information.** As used in this Agreement, “Confidential Information” means all manuals, trade secrets, know-how, methods, procedures, techniques, training materials, information, standards and specifications, and marketing and pricing techniques relating to the Restaurant and YGF System. In addition, Confidential Information includes all marketing plans, advertising plans, business plans, financial information, member information, employee information, supplier information, independent contractor information and other confidential information of Licensors or us (collectively, the “**Interested Parties**”) that you obtain during your association with us. Confidential Information does not include (i) information that is part of the public domain or becomes part of the public domain through no fault of you, (ii) information disclosed to you by a third party having legitimate and unrestricted possession of such information, or (iii) information that you can demonstrate by clear and convincing evidence was within your legitimate and unrestricted possession when your association with us began.

**2. Nondisclosure.** You agree **not** to use or disclose, or permit anyone else to use or disclose, any Confidential Information to anyone outside of our organization (other than the

Interested Parties) and not to use any Confidential Information for any purpose except to carry out your duties as our employee or as an independent contractor to us. You also agree not to claim any ownership in or rights to Confidential Information and not to challenge or contest the Interested Parties' ownership of it. These obligations apply both during and after your association with us.

**3. Return of Confidential Information.** If your association with us ends for any reason, you must return to us all records described in Paragraph 1, all other Confidential Information, and any authorized or unauthorized copies of Confidential Information that you may have in your possession or control. You may not retain any Confidential Information after your association with us ends.

**4. Competitive Business.** A "Competitive Business" is (i) any business activity involving malatang, spicy pot, hot pot, vermicelli, rice noodles, casserole, noodles and similar food/beverage products; (ii) any Entity that grants franchises or licenses for any of the businesses described in numerate (i); or (iii) any business in which Confidential Information could be used to the disadvantage of Franchisor, its Affiliates, or other YGF System franchisees.

**5. Noncompete During Association.** You may not, during your association with us, without our prior written consent:

i. own, manage, engage in, be employed by, advise, make loans to, act as lessor to, otherwise support (other than as a customer), or have any other interest in any Competitive Business located or operating anywhere;

ii. interfere with our, Franchisor's, Franchisor's Affiliates', or other YGF franchisees' relationships with any vendor or supplier;

iii. direct, or attempt to direct, any prospective or existing business or economic opportunities away from us, Franchisor, our or Franchisor's Affiliate, the Restaurant or any other YGF Restaurant to a Competitive Business; or

iv. perform any act prejudicial or injurious to the goodwill associated with the Marks.

**6. Noncompete After Association Ends.** For two years after your association with us ends for any reason, you may not, without our prior written consent, directly or indirectly:

i. own, manage, engage in, be employed by, advise, make loans to, act as lessor to, otherwise support (other than as a customer), interfere with our or any other Restaurant owner's relationship with any vendors or suppliers; or have any other interest in any Competitive Business located or operating: (a) at the site of the Restaurant; (b) within a 12.5-mile radius of the Restaurant; or (c) within a 12.5-mile radius of any other YGF Restaurant in operation or under development as on the effective date of termination or expiration your association with us; or

ii. interfere with our, Franchisor's, Franchisor's Affiliates', or other YGF franchisees' relationships with any vendor or supplier;

iii. direct, or attempt to direct, any prospective or existing business or economic opportunities away from us, Franchisor, our or Franchisor's Affiliate, the Restaurant or any other YGF Restaurant to a Competitive Business; or

iv. perform any act prejudicial or injurious to the goodwill associated with the Marks.

**7. Remedies.** If you breach or threaten to breach this Agreement, you agree that we will be entitled to injunctive relief (without posting bond) as well as a suit for damages.

**8. Severability.** You acknowledge and agree that (i) the restrictive covenants contained in Paragraphs 5 and 6 are essential elements of this Agreement and that without their inclusion, we would not have associated with you; (ii) the time, territory, and scope of the covenants provided in Paragraphs 5 and 6 are reasonable and necessary for the protection of our legitimate business interests; (iii) you have received sufficient and valid consideration in exchange for those covenants; (iv) enforcement of the same would not impose undue hardship; and (v) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. If any part of this Agreement is declared invalid for any reason, the invalidity will not affect the remaining provisions of this Agreement. If a court finds any provision of this Agreement to be unreasonable or unenforceable as written, you agree that the court can modify the provision to make it enforceable and that you will abide by the provision as modified.

**9. Independent Agreement.** This Agreement is independent of any other obligations between you and us. This means that it is enforceable even if you claim that we breached any other agreement, understanding, commitment or promise.

**10. Third Party Right of Enforcement.** You are signing this Agreement not only for our benefit, but also for the benefit of Franchisor and its affiliates. We, Franchisor, and our and its Affiliates have the right to enforce this Agreement directly against you.

**11. Not An Employment Agreement.** This is not an employment agreement. Nothing in this Agreement creates or should be taken as evidence of an agreement or understanding by us, express or implied, to continue your association with us for any specified period.

**12. Modification and Waiver.** Your obligations under this Agreement cannot be waived or modified except in writing.

**13. Governing Law.** This Agreement is governed by Delaware law.

**14. Attorneys' Fees.** If we have to take legal action to enforce this Agreement, we will be entitled to recover from you all of our costs, including reasonable attorney's fees, to the extent that we prevail on the merits.

**15. Representation.** You certify that you have read and fully understood this Agreement, and that you entered into it willingly.

---

**WITNESS**

Name \_\_\_\_\_

---

**YOU**

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Address for Notices:

\_\_\_\_\_  
\_\_\_\_\_

E-Mail: \_\_\_\_\_

APPENDIX D

Current Licensed Marks

楊國福

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YGF

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**APPENDIX E**

**Measures for the Franchisee's Breach of Certain Operation and Management Standards**

 Captain Business Management Co., Limited Measures for the Franchisee's Breach of Certain Operation and Management Standards							
No.	Category	Item	The first time	The second time	The third time	Rectification period	Other remedies
1	Contraband	Solid eggs and related finished and semi-finished products	Pay \$1,000 as liquidated damages	Pay \$2,000 as liquidated damages	Terminate the Franchise	Confiscate the prohibited dishes and items on the spot and destroy them.	Terminate the Franchise, deduct all Deposits, and take necessary legal measures to claim other losses and liabilities.
2		Colored noodles and its related finished products and semi-finished products					
3		Sichuan pepper essence, chili essence					
4		Pig blood, cow blood, goose blood, bulk duck blood and other blood products					
5		Rice vinegar, vinegar essence					
6		Spicy three delicacies					
7		Bulk fried products (except for tofubeutel)					
10	Externally purchased materials for soup pot	Main materials, auxiliary materials, spices	Pay \$2,000 as liquidated damages and increase the order price by 5%	Pay \$4,000 as liquidated damages and increase the order price by 10%	Terminate the Franchise	Immediately remove and confiscate all items purchased externally in the warehouse on site.	
11	Item placement	At the door of the store, above the door, in the dining area, etc.	Pay \$200 - \$500 as liquidated damages	Pay \$400 - \$1,000 as liquidated damages, attend training and study for 3 days at the directly-owned	Pay \$400 - \$1,000 as liquidated damages, attend training and study for 6 days at the	Immediately deal with the incorrect placement of items, and set up separate storage room(s) within 7 days.	
12		The goods in the warehouse are not put on shelves and not placed correctly					
13		Placement of personal belongings in the Restaurant (including the bar, warehouse, sterilizer, fresh-keeping					

		container, refrigerator, freezer, beverage cabinet and other areas)		restaurant of the Franchisor's headquarters	directly-owned restaurant of the Franchisor's headquarters	
14	Soup materials	The taste of soup has changed materially or the materials used do not meet the reasonable proportion	Attend training and study for 3 days at the directly-owned restaurant of the Franchisor's headquarters	Pay \$1,000 as liquidated damages, fill the gaps of the soup materials	Pay \$2,000 as liquidated damages, fill the gaps of the soup materials	Attend training and study at the directly-owned restaurant of the Franchisor's headquarters
15		Packed ingredients are prohibited in flavoring soup, except for pickled chili pepper				
16		Add salt, MSG, flavoring additives, etc.				
17		The quantity and the boiling time of the bovine bone do not meet the standard, and/or the quality of the bovine bone is low				
18		Lack of materials, changing the proportion of materials (by above 20%) without authorization				
19	Hygiene and cleanliness	The characters, logo and the surrounding and facade of the plaque are dirty, and the characters does not shine	Pay \$600 - \$1,000 as liquidated damages	Pay \$1,000 - \$2,000 as liquidated damages, attend training and study for 3 days at the directly-owned restaurant of the Franchisor's headquarters	Pay \$2,000 as liquidated damages, attend training and study for 6 days at the directly-owned restaurant of the Franchisor's headquarters	Immediately dispose of the smelly and greasy tools and rectify them within 1 day.
20						
21		Rags and mops are smelly and/or greasy (rags and mops shall be used separately in different areas and should not be mixed)				
22		The drainpipes/PVC pipes in the kitchen sinks are dirty and/or smelly.				
23		Failure to maintain "clean water and materials (i.e. all ingredients on the shelf)", frequent water change and the environment without sewage				
24		The toilet is dirty, smelly and/or untidy				
25		There is greasy dirt on the facade / connections to the ground of the tables and chairs / work bench, display				

		cabinets, chillers, refrigerators and freezer.					
26		Garbage cans and mop buckets are not cleaned promptly					
27	Hygiene and cleanliness	The ground, surfaces of the tables and walls are obviously stained and untidy	Pay \$600 - \$1000 as liquidated damages	Pay \$1,000 - \$2,000 as liquidated damages, attend training and study for 3 days at the directly-owned restaurant of the Franchisor's headquarters	Pay \$2,000 as liquidated damages, attend training and study for 6 days at the directly-owned restaurant of the Franchisor's headquarters	Immediately dispose of the smelly and greasy tools and rectify them within 1 day.	Order rectification within a time limit. If the rectification is not completed within the specified time limit or the restaurant fails to meet the requirements of the company after rectification, liquidated damages should be paid again, until the rectification is qualified or the Franchise is terminated.
28		The smoke exhaust hood has obvious oil stains and dust					
29		The kitchen and dining areas are dirty, messy, have blind corners					
30		The bowls, chopsticks, tables and chairs are obviously stained, cannot be cleaned and are not replaced actively.					
31		Uniforms and aprons are dirty and have oil stains					
32		The seasoning table and seasoning bottles are dirty and greasy					
33	Unified specifications	The internal items or melted ice in the work bench, display cabinet, chillers, refrigerators and freezer are not cleaned properly	Pay \$500 - \$1,000 as liquidated damages	Pay \$1,000 - \$2,000 as liquidated damages, attend training and study for 3 days at the directly-owned restaurant of the Franchisor's headquarters	Pay \$2,000 as liquidated damages, attend training and study for 6 days at the directly-owned restaurant of the Franchisor's headquarters		Order rectification within a time limit. If the rectification is not completed within the specified time limit or the restaurant fails to meet the requirements of the company after rectification, liquidated damages should be paid again, until the rectification is qualified or the Franchise is terminated.
34		The hose or PVC pipe at the draining area of the kitchen sink is not replaced regularly					
35		Sterilizer not put into use					
36		PC disinfection vehicle not used					
37		Failure to keep accounts or the accounting record is incomplete					
38	There is unauthorized writings or graffiti on the walls (except for the propaganda posters for the government, but they must be posted in the designated area of the restaurant)						

39	The kitchen does not meet the requirements of widely using stainless steel				
40	Packing take-aways without using a packing box, but using a packing bag which directly exposed to Malatang				
41	The bowls used in the Restaurant have yellow or black stains; old and new bowls are mixed				
42	The kitchen staffs do not wear hats and masks				
43	The staffs do not wear the uniform specified by the company (including wearing non-company aprons)				
44	There is staff working without certificate (health certificate)				
45	Vegetables, meatballs, fishery products, noodles, rice noodles and other food materials in the display cabinet are not placed neatly and in categories				
46					
47	There are people living near the kitchen and/or the dining area in the Restaurant				
48	The Restaurant is not equipped with fire extinguishers and fire blankets (gas and liquefied gas shall be accompanied with gas alarm, and the gas tank shall be equipped with pressure reducing valve with pressure gauge)				
49	Incomplete licenses or non-standard posting of licenses in the Restaurant (the Restaurant must obtain a food distribution license, and other licenses must be obtained according to applicable procedures)				
50	Cardboard is placed on the floor within the Restaurant				

51		Fail to use polite words in welcoming and sending off the customers					
52		The nails of the staffs in the Restaurant are dirty, too long and/or stained					
53		Keeping pets in the Restaurant without permission					
54		Peppers and Sichuan peppers are not stored sealed and frozen					
55		Milk powder is not stored sealed					
56		It is forbidden to use colored plastic bags for food materials in the Restaurant, instead, transparent environmental-friendly bags must be used for food materials					
57		Eliminate mice, cockroaches, flies and mosquitoes in the Restaurant					
58		The seasonings in the Restaurant such as garlic paste shall be replaced every day. Any remaining seasonings at the end of the day must be disposed and/or dumped					
59		The raw and cooked food materials in the Restaurant shall be kept separately, and the food materials purchased earlier shall be sold first.					
60		Vegetables are sour, rotten and/or have yellow stains.					
61		The packing boxes are used for storing food materials and sundries, weighing soup materials or other non-packing purposes.					
62		Wearing slippers, being shirtless and other behaviors breaching the dress code					
63	Matter of Principle	The Restaurant uses or stores food additives	Terminate the Franchise			None	Terminate the Franchise, deduct all Deposits, and take
64		Use leftover soup, bones and oil					

65		Transfer the Restaurant without permission of the Franchisor's headquarters					necessary legal measures to claim other losses and liabilities.
66		Prepare auxiliary materials without permission					
67		Do not cooperate with the Franchisor's staff in inspections and management of the Restaurant					
68		Abuse, insult, beat, provoke and other provocative acts against the staffs of the Franchisor and its agents, and/or the agents					
69		Mixed operation without permission					
70		Sell Featured Materials to external parties or used out of the authorized restaurant					
71		Decorate/furnish the Restaurant without approval of the Franchisor					
72		Change the address of the Restaurant without permission					
73		Open branch(es) without permission					
74	Other	All other breach of relevant operation and management standards based on Franchisor's sole discretion	Varies	Varies	Varies	Varies	Varies

**EXHIBIT C TO THE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES**

**California**

Frice Inc.  
14698 CENTRAL AVE CHINO, CA 91710  
(206) 291-3428

Luxtyle Inc.  
7317 Clairemont Mesa Blvd, San Diego CA 92111  
(510) 861-7657

Haoyang Zhong  
4288 Dublin Blvd.,#110, Dublin, CA 94548  
(510) 422-6666

**Georgia**

Zhiqiang Liu  
6035 Peachtree Rd Suite C-113&114, Doraville, GA 30360  
(607) 727-0355

**Indiana**

Bocheng Du  
1005 Chauncey Ave, STE 110, West Lafayette, IN 4790  
(312) 221-1989

**Massachusetts**

Almighty Brother LLC  
137 Massachusetts Ave, Boston MA 02115  
(781) 912-9458

**Texas**

Capstone Capital LLC  
23015 Colonial Parkway. STE #107. Katy. TX. 77449  
(346) 400-6376

**EXHIBIT D TO THE FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES WHO LEFT SYSTEM**

Below is a list of franchisees who have had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the issuance date of this Disclosure Document. If you buy a YGF franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

None.

**EXHIBIT E TO THE DISCLOSURE DOCUMENT**

**FINANCIAL STATEMENT**

**Captain Business Management Co., Limited**

**Financial Statements**

**Period Ended December 31,2024**

**Captain Business Management Co., Limited**

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**Period Ended December 31,2024**

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800 Parker Square STE 215C  
Flower Mound, TX 75028  
Tel: 214.984.0239  
Fax: 469.519.1624

## **Independent Auditor's Report**

To the Board of Directors and Stockholder  
Captain Business Management Co., Limited

### **Opinion**

We have audited the financial statements of Captain Business Management Co., Limited, which comprise the balance sheet as of December 31, 2024, and the related statements of income, stockholder's equity, and cash flows for the period then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Captain Business Management Co., Limited as of December 31, 2024, and the results of its operations and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Captain Business Management Co., Limited and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Captain Business Management Co., Limited's ability to continue as a going concern for one year after the date that the financial statements are issued.

## **Independent Auditor's Report (Continued)**

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

*Tang Li & Associates*

Flower Mound, Texas

February 14, 2025

**Captain Business Management Co., Limited**  
**Balance Sheets**  
**December 31, 2024**

	<u>2024</u>
<b>Assets</b>	
Current assets	
Cash	\$ 596,096
Accounts receivable, net	2,709
Other receivables	70,921
Inventory	<u>341,985</u>
Total current assets	1,011,711
Investments	96,309
Intangible assets	<u>488,453</u>
Total assets	<u><u>1,596,473</u></u>
<b>Liabilities and stockholders' equity</b>	
Current liabilities	
Accounts payable	322,410
Payroll liabilities	24,134
Deferred revenue	30,193
Other current liabilities	<u>876,910</u>
Total current liabilities	1,253,647
Deferred revenue, less current portion	<u>24,008</u>
Total liabilities	1,277,655
Stockholder's equity	
Common stock with \$1.00 par value (100,000 shares authorized, issued, and outstanding)	100,000
Additional paid-in-capital	450,000
Accumulated deficit	<u>(231,182)</u>
Total equity	318,818
Total liabilities and stockholder's equity	<u><u>\$ 1,596,473</u></u>

See accompanying notes.

**Captain Business Management Co., Limited**  
**Statements of Operations**  
**Period Ended December 31, 2024**

	<u>2024</u>
Net sales	\$ 12,893
Cost of sales	<u>428</u>
Gross profit	12,465
Operating expenses	
Salaries and wages	57,013
Amortization	75,147
Professional fee	99,527
Travel expense	15,874
Other operating expense	<u>340</u>
Total operating expenses	247,901
Loss from operations	(235,436)
Other income(expense)	
Investment loss	(3,691)
Exchange gain	<u>7,945</u>
Total other income, net	<u>4,254</u>
Income tax expense	<u>-</u>
Net loss	(231,182)
Stockholder's equity, beginning of period	<u>-</u>
Stockholder's equity, end of period	<u><u>\$ (231,182)</u></u>

See accompanying notes.

**Captain Business Management Co., Limited**  
**Statements of Changes in Stockholder's Equity**  
**Period Ended December 31,2024**

	<u>Common stock</u>		<u>Additional paid-in-capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Capital contributions	100,000	\$ 100,000	\$ 450,000	\$ -	\$ 550,000
Net loss				(231,182)	(231,182)
Balance, December 31, 2024	<u>100,000</u>	<u>\$ 100,000</u>	<u>\$ 450,000</u>	<u>\$ (231,182)</u>	<u>\$ 318,818</u>

See accompanying notes.

**Captain Business Management Co., Limited**  
**Statement of Cash Flows**  
**Period Ended December 31, 2024**

	<u>2024</u>
Cash flows from operating activities	
Net income	\$ (231,182)
Adjustments to reconcile net income to net cash provided by operating activities	
Amortization	75,147
Investment loss	3,691
(Increase) decrease in	
Accounts receivable, net	(2,709)
Inventory	(341,985)
Other receivables	(70,921)
Increase (decrease) in	
Accounts payable	322,410
Payroll liabilities	24,134
Deferred revenue	54,201
Other current liabilities	313,310
	<u>146,096</u>
Net cash (used in) provided by operating activities	<u>146,096</u>
Cash flows from investing activities	
Long-term investment	<u>(100,000)</u>
Net cash (used in) provided by investing activities	<u>(100,000)</u>
Cash flows from financing activities	
Capital contribution	<u>550,000</u>
Net cash (used in) provided by financing activities	<u>550,000</u>
Net (decrease) increase in cash	596,096
Cash at beginning of year	<u>                    </u>
Cash at end of year	<u><u>\$ 596,096</u></u>

See accompanying notes.

**Captain Business Management Co., Limited**  
**Notes to Financial Statements**  
**Period Ended December 31, 2024**

**Note A – Nature of Organizations and Operations**

Captain Business Management Co., Limited (hereinafter “The Company”) was founded by YGF Blessing Pte. Ltd. in Delaware on April 8, 2024. The Company is engaged in the restaurant franchising and the supplying food products to franchisees across North America.

**Note B - Summary of Significant Accounting Policies**

1. Basis of Presentation: The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP.

2. Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. Cash and Cash Equivalents: Cash and cash equivalents consists of all highly liquid short-term investments with an original maturity date of three months or less. The Company does not hold any cash equivalents at either December 31, 2024.

4. Equity Method: The Company uses the equity method of accounting for its investment in a limited liability company (LLC). Under the equity method, investments are carried at cost and increased or decreased by the Company’s pro-rata share of earnings or losses. The carrying costs of these investments are also increased or decreased to reflect additional contributions or withdrawals of capital. Any difference in the book equity and the Company’s pro-rata share of the net assets of the investment will be reported as gain or loss at the liquidation of the investment. Losses in excess of the investment are recorded when the Company is committed to provide additional financial support to the LLC. The Company uses the equity method for its investment because it has the ability to exercise significant financial influence over this entity.

5. Accounts Receivable: The Company uses the allowance method of valuing doubtful accounts receivable, which is based on historical experience, coupled with a review of the current status of existing receivables.

**Captain Business Management Co., Limited**  
**Notes to Financial Statements (Continued)**  
**Period Ended December 31, 2024**

**Note B - Summary of Significant Accounting Policies (Continued)**

6. Allowance for Credit Losses: The Company adopted ASC 326 - Financial Instruments: Credit Losses (the "CECL standard"), which introduces a new methodology for the recognition of credit losses on financial assets. The CECL standard requires companies to estimate and recognize credit losses based on expected credit losses over the life of the financial asset, rather than waiting for a triggering event or default to occur. The Company didn't provide an allowance at December 31, 2024.

7. Inventory: Inventory consists of goods in transit and finished goods. Inventory is stated at the lower of cost or net realizable value using the weighted average method. Net realizable value is defined as the estimated selling price of inventory in the ordinary course of business, less reasonably predicible costs of completion, disposal, and transportation. See Note C for additional information on inventory.

8. Amortizable Intangible Asset: Amortizable intangible asset includes trademark. Trademark represents legal costs and fees incurred to obtain and successfully register the trademark with the appropriate governing authorities, providing legal protection and exclusive rights to use the mark in commerce. These costs are amortized on a straight-line basis over a 5-year period.

9. Long-lived Assets: The Company's property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets.

10. Revenue Recognition: The Company recognized revenue in accordance with Accounting Standards Codification 606, *Revenue from Contracts with Customers* ("ASC 606"). Revenue is recognized when performance obligations under the terms of the contracts are satisfied. The Company's revenue is primarily generated from contracts with customers. Its main revenue sources include franchise fees, royalty fees, and the sales of food products to franchisees.

11. Income Taxes: The Company is a c corporation under the provisions of the Internal Revenue Code. Under those provisions, taxable income is reported on the federal income tax return of the Company. Provision has been made for federal and state income tax in the accompanying financial statements.

**Captain Business Management Co., Limited**  
**Notes to Financial Statements (Continued)**  
**Period Ended December 31, 2024**

**Note B - Summary of Significant Accounting Policies (Continued)**

The Company recognizes uncertain tax positions using the “more-likely-than-not” approach as defined in the ASC. The Company had no liability for uncertain tax positions as of the period ended December 31, 2024. There are no tax positions for which it is reasonably possible that the total estimate of liability for uncertain tax positions will significantly increase or decrease within the next twelve months. The Company has adopted a policy of recognizing tax-related interest and penalties, if any, in operating expenses.

12. Recent Accounting Pronouncements: In September 2023, ASU 2023-09 makes changes to annual disclosures of income taxes paid for all entities. ASC 2023-09 requires entities to disclose the amount of income taxes paid, net of refunds received, disaggregated by federal, state and foreign jurisdiction. Additionally, entities are required to disclose income taxes paid, net of refunds received, for individual jurisdictions that comprise 5% or more of total income taxes paid. The 5% threshold is evaluated using the absolute value of the net refund or net payment in each jurisdiction compared to the absolute value of the total income taxes paid (net of refunds received). This standard will be effective for the calendar year ending December 15, 2025. The Company is currently in the process of evaluating the impact of this ASU on the financial statements.

13. Subsequent Events: The Company has evaluated events occurring between the end of its most recent fiscal year (December 31, 2024) and the date of the independent auditor's report, the date the accompanying financial statements were available to be issued.

**Note C- Inventory**

At December 31, 2024, inventory is comprised of the following:

	December 31, 2024
Goods in transit	\$ 167,300
Purchased goods	174,685
	341,985
Less: Inventory reserve	-
	<u>\$ 341,985</u>

**Captain Business Management Co., Limited**  
**Notes to Financial Statements (Continued)**  
**Period Ended December 31, 2024**

**Note D – Investment in LLC**

The Company is a member of YGFNYC2 LLC. In 2024, the Company acquired a 20% interest in the LLC by contributing cash. The Company owns 20% and has a significant influence over YGFNYC2 LLC. As a result, the Company has adopted the equity method to account for its investment.

At December 31, 2024, the Company’s share of equity in the LLC consisted of the following:

<u>Contributions/(Distributions)</u>	<u>Share of Net Income/(Loss)</u>	<u>Equity 12/31/2024</u>
\$ 100,000	\$ (3,691)	\$ 96,309

**Note E - Intangible Assets, Net**

Intangible asset subject to amortization consisted of the following at December, 2024:

	<u>Gross amounts</u>	<u>Accumulated amortization</u>	<u>Net</u>
Trademark	\$ 563,600	\$ (75,147)	\$ 488,453

During the period, the Company acquired a trademark from its related party, Xinxu (Shanghai) Information Technology Service Co., Ltd., for RMB 4 million, which is equivalent to \$563,600 USD at the time of the transaction. The fair value of trademark is evaluated by KMPG Advisory China, an independent valuation expert by using the income approach.

**Note F - Deferred Revenue**

The following table summarizes the changes in the deferred revenue balance during the period:

Additions during the year	\$ 57,533
Revenue recognized during the year	<u>(3,332)</u>
Total	<u><u>\$ 54,201</u></u>

**Captain Business Management Co., Limited**  
**Notes to Financial Statements (Continued)**  
**Period Ended December 31, 2024**

**Note G - Significant Concentrations and Risks**

Major Vendors Concentration

The Company's purchase all came from its related party, Sichuan YangGuoFu Food Co., Ltd..

**Note H - Related Party Transactions**

The Company regularly enters into business transactions with its related party. Related party transactions and balances are as follows:

	Year ended December 31,	
	2024	
Purchases from related party	\$	322,410
Trademark purchase		556,400
Expense paid on behalf		293,058
Other receivables		70,921
Accounts payable		322,410
Other current liabilities		778,537

**EXHIBIT F TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FORM OF GENERAL RELEASE**

(Sample only; subject to change; to be executed upon successor franchise, transfer, and purchase by franchisor)

**GENERAL RELEASE**

For valuable consideration provided, ( \_\_\_\_ successor franchise; \_\_\_\_ transfer; \_\_\_\_ purchase by franchisor; \_\_\_\_ other \_\_\_\_\_), \_\_\_\_\_ (“Franchisee”) and \_\_\_\_\_ (“Owner”), on behalf of themselves and their respective officers, directors, employees, successors, assigns, heirs, personal representatives, and all others persons acting on their behalf or claiming under them (collectively, the “Franchisee Releasors”), hereby release, discharge and hold harmless Captain Business Management Co., Limited (“Franchisor”), its affiliates, and their respective officers, directors, shareholders, employees, agents, attorneys, successors, and assigns (collectively, the “Franchisor Releasees”) from any suits, claims, controversies, rights, promises, debts, liabilities, demands, obligations, costs, expenses, actions, and causes of action of every nature, character and description, in law or in equity, whether presently known or unknown, vested or contingent, suspected or unsuspected arising under, relating to, or in connection with the Franchise Agreement dated \_\_\_\_\_ between Franchisor and Franchisee and any related agreements and the relationship created thereby, or the Franchised Business (as defined in the Franchise Agreement), or any claims or representations made relative to the sale of the franchise to operate the Franchised Business or under any federal or state franchise or unfair or deceptive trade practice laws, which any of the Franchisee Releasors now own or hold or have at any time heretofore owned or held against the Franchisor Releasees (collectively, the “Franchisee Released Claims”).

FRANCHISEE AND OWNER ON BEHALF OF THEMSELVES AND THE FRANCHISEE RELEASORS WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED HEREIN BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS WHICH THE FRANCHISEE RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT.

The Franchisee Releasors also covenant not to bring any suit, action, or proceeding, or make any demand or claim of any type, against any Franchisor Releasee with respect to any Franchisee Released Claim.

Executed as of \_\_\_\_\_.

**FRANCHISEE:** \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

**OWNER:**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

**GUARANTORS:** \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT G TO THE FRANCHISE DISCLOSURE DOCUMENT**

**Captain Business Management Co., Limited Franchise Operation Manual**

Table of Contents

Section A: Pre-Opening Procedures.....	9 pages
Section B: Making Soup Base.....	10 pages
Section C: Marketing and Advertising.....	4 pages
Section D: To Go Services.....	7 pages
Section E: Restaurant Operating Standards.....	10 pages
Section F: Instructions for Procurement.....	6 pages
Total Number of Pages.....	46 pages

**EXHIBIT H TO THE FRANCHISE DISCLOSURE DOCUMENT**

**SAMPLE OF PRODUCT SUPPLY AGREEMENT**

This PRODUCT SUPPLY AGREEMENT (the “**Agreement**”) is made and entered into as of [Date] 2024 (“**Effective Date**”), by and between Captain Business Management Co., Limited, formed as a Delaware limited liability company on April 8, 2024 with its office address at 1521 Concord Pike, Suite 201 Street, New Castle, Wilmington, Delaware 19803 (“**Captain**”), and [name of purchaser], a \_\_\_\_\_, with its registered office in \_\_\_\_\_ (“**Purchaser**”). (Captain and Purchaser are collectively referred to as the “**Parties**” and each individually referred to as a “**Party**”).

**RECITALS**

WHEREAS, Captain and/or its Affiliates are engaged in the business of development, production and sales of ingredients and food, including without limitation edible oil, oil containing products, spices, seasonings, hot pot condiments, instant food and vegetable products, pre-packaged food, as well as other agricultural products;

WHEREAS, Purchaser is engaged to operate one franchised restaurant using YGF system and relevant marks pursuant to the franchise agreement separately entered into by and between Captain and the Purchaser;

WHEREAS, Purchaser desires to purchase from Captain, and Captain is willing to supply to Purchaser certain ingredients and food for the operation of the franchised restaurant (“**Products**”), as defined in Section 1.4 of the Agreement), all in accordance with the terms and conditions set forth in this Agreement;

NOW THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, Parties agree as follows:

**Article 1  
DEFINITIONS**

For purposes of this Agreement, the following definitions shall apply to the terms set forth below wherever they appear:

Section 1.1 Affiliate. “Affiliate” of a Party means any entity controlled by controlling, or under common control with such Party where “control” in any of the foregoing forms means ownership, either direct or indirect, of more than 50% of the equity interest entitled to vote for the election of directors or equivalent governing body. An entity shall be considered an Affiliate only so long as such entity continues to meet the foregoing definition.

Section 1.2 Business Day. “Business Day” means the days between and holding from Monday through Friday, and do not include public holidays or weekends.

Section 1.3 Standard Product Warranty. “Standard Product Warranty” means the standard warranty terms and conditions offered by Captain in relation to the Products in accordance with FDA food safety standards.

Section 1.4 Products. “Products” means ingredients and food produced or processed by Captain or its Affiliates, including without limitation edible oil, oil containing products, spices, seasonings, hot pot condiments, instant food, vegetable products, pre-packaged food and agricultural products etc, needed for the operation of franchised business.

Section 1.5 Intellectual Property Rights or IPR. “Intellectual Property Rights” or “IPR” means any intellectual property rights that a Party may own, license, adopt, use or register, including but not limited to:

(a) all rights in any original works of authorship or any part thereof that are within the scope of any applicable copyright law, including all rights of authorship, use, publication, reproduction, creation of derivative works, distribution, dissemination on the information network, performance, moral rights, and rights of ownership of copyrightable works, and all rights to register and to obtain renewals, extensions, revivals and resuscitations of any such copyright registrations;

(b) trademarks, service marks, trade names, service names, trade dress, logos, domain names, and other identifiers of source, including all goodwill connected with the use thereof and symbolized thereby, and any and all common law rights, and registrations and applications for registration thereof, all rights therein provided by international treaties or conventions, and all reissues, extensions and renewals of any of the foregoing;

(c) trade secret and confidential and proprietary information, including trade secrets and confidential processes, methodologies for index creation, composition and calculation, compositions, formulas, customer information, operational data, processing quality control procedures, research and development studies, engineering information, invention reports, technical reports, research and development archives, pricing information and know-how;

(d) patents, patent applications (including patents issued thereon) and statutory invention registrations, including reissues, divisions, continuations, continuations in part, extensions and reexaminations thereof, and all rights therein provided by international treaties or conventions;

(e) all other intellectual and industrial property rights (of every kind and nature and however designated), including logos, “rental” rights and rights to remuneration, whether arising by operation of law, contract, license, or otherwise; and

(f) any additional applicable intangible property (whether or not in documentary form and whether or not patentable, copyrightable or otherwise protectable under applicable laws).

Section 1.6 Person. “Person” means and includes any individual, company, trust, estate, partnership, joint venture, company, association, league, governmental bureau or agency, or any other entity regardless of the type or nature.

Section 1.7 Purchase Price. “Purchase Price” means the price to be paid by Purchaser to Captain for the purchase of Products based on calculation method agreed to by the Parties pursuant to this Agreement.

Section 1.8 Seller. “Seller” means Captain.

Section 1.9 Territory. “Territory” means the defined specific street address known as the “Site” as defined in the franchise agreement separately entered into by and between Captain and Purchaser.

Section 1.10 Third Party. “Third Party” means any individual, corporation, trust, estate, partnership, joint venture, company, association, league, governmental bureau or agency, or any other entity regardless of the type or nature, which is not a Party or an Affiliate.

**Article 2**  
**PURCHASE AND SUPPLY OF PRODUCTS**

Section 2.1 Purchase and Supply of Products. Starting on the Effective Date and throughout the term of this Agreement, the Parties agree that Purchaser shall purchase Products set forth in Schedule A, as necessary, from Captain and/or its Affiliates and Captain and/or its Affiliates shall supply to Purchaser Products in accordance with the product quality agreed in this Agreement for the operation of the franchised restaurant.

**Article 3**  
**PURCHASE ORDER**

Section 3.1 Order Placement. Captain shall make Products available to Purchaser pursuant to written orders placed by Purchaser during the term of this Agreement. Purchase order shall include, among others, the type, quantity and quality standards of Products, as well as delivery date, destination and terms of delivery. Each purchase order will be governed by and be deemed to incorporate all the terms and conditions of this Agreement. In the event of any discrepancy between a purchase order and any provisions of this Agreement, the purchase order shall prevail.

Section 3.2 Quality standards. Purchaser shall specify in purchase orders, if the quality of Products required thereof is different from Standard Product Warranty offered by Captain.

Section 3.3 Acceptance. Upon receipt of a purchase order, Captain and/or its Affiliates shall notify Purchaser within seven Business Days in writing indicating acceptance or rejection of such purchase order. If Captain and/or its Affiliates does not confirm acceptance in writing within seven Business Days after receipt of purchase order, the purchase order shall be deemed to have been rejected by Captain. Where a purchase order is accepted, Captain and/or its Affiliates shall use commercially reasonable efforts to complete the production and delivery of Products as specified in the purchase order.

Section 3.4 Cancellation. The purchase order shall come into effect upon acceptance. If Purchaser needs to cancel the purchase order for any reason after acceptance, it shall notify Captain and/or its Affiliates in writing of cancellation within one calendar day after acceptance, and compensate Captain and/or its Affiliates for any production and shipment costs incurred for this purchase order.

**Article 4**  
**DELIVERY**

Section 4.1 Labeling and Packaging. Both Parties agree that the Products shall be produced based on the terms of this Agreement and accepted purchase orders, packaged based on requirements from Purchaser, and labeled with trademark(s) of Captain and/or its Affiliates.

Section 4.2 Delivery. The Products hereunder will be delivered according to the conditions set forth in purchase order. Delivery shall be deemed to have been completed, and title, ownership and risk of loss shall be transferred to Purchaser upon products arriving at the first carrier, or by terms stipulated in the purchase order.

Section 4.3 Customs Clearance. Captain and its Affiliates shall be responsible for all clearance procedures in relation to importing the Products into the destination. Purchaser shall be responsible for the payment, including but not limited to registration, payment of import duties, sales taxes, use taxes, consumption taxes, value-added taxes, excise taxes, property taxes, withholding taxes, or any other tax, and related penalties or interest.

Section 4.4 Inspection and Acceptance. Captain shall arrange customs clearance and may request assistance from Purchaser from time to time as appropriate. Purchaser shall arrange inspection in a timely manner after the Products arrive at the first carrier, or by terms stipulated in the purchase order, and shall notify Captain in writing in relation to its completion of inspection and acceptance within one calendar day. If Captain has not received any written notification from Purchaser within one calendar day, the Products are deemed to be accepted at the end of the time limit. In case of product quality failure, packaging damage or any other defects that, Purchaser shall notify Captain in writing within the aforesaid time limit. In this case, both Parties shall negotiate the return and replacement of Products separately. Purchaser shall not reject Products for any other reason not specified above.

## **Article 5 DUTIES OF PURCHASER**

Section 5.1 General Conduct. Captain shall, in accordance with Section 4 of this Agreement, timely handle the import customs clearance procedures after Products arrive at the entry at the destination.

Section 5.2 Quality Standard. Purchaser shall specify the quality standard of Products in each purchase order, especially when the quality standard required is higher than Standard Product Warranty offered by Captain.

Section 5.3 Assumption of Certain Risks and Indemnification.

(a) Purchaser shall assume all risks of loss in relation to Products after Products reach the first carrier, or by terms stipulated in the purchase order.

(b) Purchaser shall assume all risks and expenses in relation failure of Products meeting the required product quality standard, if Purchaser fails to specify the required quality standard in the purchase order (especially when the quality standard required is higher than Standard Product Warranty offered by Captain), and indemnify Captain for all economic losses incurred.

## **Article 6 DUTIES OF SELLER**

Section 6.1 General Conduct. Captain shall produce Products as stipulated in this Agreement and purchase orders, and timely deliver Products to the first carrier or by terms stipulated in the purchase order.

Section 6.2 Warranty. Captain shall assume related warranty obligations, including warranty service responsibility and associated costs, for the Products sold to Purchaser; provided that, the warranty obligations are limited to Standard Product Warranty and quality standard specified in purchase orders. Within this scope, if Purchaser incurs any costs due to Captain's product quality failure or due to assisting Captain to perform warranty obligations, Purchaser is entitled to claim costs incurred from Captain. In no event the total costs that Purchaser may claim from Captain shall exceed the purchase price of the defective products.

Section 6.3 Assumption of Certain Risks and Indemnification.

(a) Captain shall assume all risks relating to order processing errors, mistakes in communication of Products specifications and late delivery under this Agreement, and indemnify Purchaser for all economic losses incurred.

(b) Captain shall assume all quality risk relating to Products within the scope of

Standard Product Warranty and quality standards specified in purchase orders. Within this scope, if Purchaser requests to return or replace the Products due to quality problems, Captain shall bear all expenses in relation to returning or replacing the products.

## **Article 7 PRICE CALCULATION AND PAYMENT**

Section 7.1 Purchase Price. The Parties agree that Purchaser shall pay an arm's length Purchase Price to Captain and/or its Affiliates based on the price calculation method agreed by the Parties and specified in the purchase order in consideration for the Products supplied to Purchaser by Captain under this Agreement.

Section 7.2 Payment. Purchaser shall make payment at least three calendar days before the Products shipping for each order, unless otherwise agreed by both Parties. If the payment is not made on the date agreed in this Agreement, Purchaser shall bear the interest during the overdue period at the rate of 9.00% per day.

Section 7.3 Currency of Payment. All payments to Captain and/or its Affiliates shall be made in United States dollar (USD), Singapore dollar (SGD), Renminbi (CNY) or any other currency as mutually agreed by the Parties.

Section 7.4 Value Added Taxes ("VAT"). Amount payable pursuant to this Agreement are exclusive of any VAT properly chargeable. If there is any VAT payable on the amount, Purchaser shall bear such tax burden where Purchaser shall pay any VAT applicable at the prevailing rate to government authorities and gross up the Purchase Price to be received from Purchaser.

Section 7.5 Custom Duty and Tax. Amount payable pursuant to this Agreement are exclusive of any custom duty or tax. If Purchaser needs to pay custom duty or tax for the imported Products, the Parties agree that such tax burden should be paid by Purchaser on top of the Purchase Price.

Section 7.6 Other Taxes. Each Party to this Agreement shall be responsible for any other tax (including but not limited to income taxes and government surcharges etc.) levied within their respective tax jurisdiction as a result of the performance of their respective activities under this Agreement.

## **Article 8 INTELLECTUAL PROPERTY RIGHTS**

Section 8.1 Acknowledgment. Both Parties hereby acknowledge and confirm all rights, ownerships and interests of the other Party in all Intellectual Property Rights involved in this Agreement.

Section 8.2 Assistance. One Party shall promptly notify the other Party of: (a) any claims or objections that its use of the other Party's Intellectual Property Rights for performing this Agreement may or will infringe the patent, copyright, trademarks, trade names, or other proprietary rights of another Person; and (b) one Party is aware of any infringements, imitations, illegal use or misuse by any Person of the other Party's Intellectual Property Rights. One Party shall provide all reasonable assistance in connection with any matter pertaining to the protection of the other Party's Intellectual Property Rights, whether in the courts, administrative agencies, or otherwise, at the cost of the other Party.

**Article 9**  
**TERM AND TERMINATION**

Section 9.1 Term. This Agreement shall enter into effect on the Effective Date and shall remain in full force and effect for a term of one year from the Effective Date (the “**Initial Term**”). After the Initial Term, the Agreement shall be automatically renewed on an annual basis thereafter (all such renewal periods together with the Initial Term, the “**Term**”), unless terminated by either Party upon thirty (30) days prior written notice to the other Party.

Section 9.2 Termination on Default. If either Party defaults in the performance of its material obligations hereunder, the other Party shall have the right to deliver written notice to the defaulting party to express the non-defaulting party's desire to terminate this Agreement subject to the defaulting party's remedy. If within thirty (30) days after notice of termination, the defaulting party has not remedied the default, the Parties shall consult in good faith for an additional thirty (30) days to develop a plan to remedy such default and if such default is not corrected after such thirty (30) day period, then this Agreement shall terminate.

Section 9.3 Termination on Insufficient Order. If Purchaser’s cumulative orders fail to reach the agreed upon quantity within the six consecutive months, which is not corrected at Captain’s satisfaction within the designated period, Captain is entitled to terminate this Agreement in accordance with this Section 9 herein.

Section 9.4 Termination in the Event of Bankruptcy. This Agreement may be terminated by either Party on notice, (i) upon the institution by the other Party of insolvency, receivership or bankruptcy proceedings or any other proceedings for the settlement of the debts, (ii) upon the institution of such proceedings against the other Party, which are not dismissed or otherwise resolved in such Party’s favor within sixty (60) days thereafter, (iii) upon the other Party's making a general assignment for the benefit of creditors, or (iv) upon the other Party's dissolution or ceasing to do business in the normal course.

Section 9.5 Termination on Force Majeure. A “Force Majeure Event” is one of the following events which is not caused by, influenced or contributed to by, or within the control of a party (using all lawful means available to such party to exert control over such event): fire, hurricane, tornado, typhoon, flood (other than a flood caused by a defect in the party’s premises), earthquake, other natural disaster, pandemic, war, riot, confiscation by or order of any governmental authority. If a Force Majeure Event renders a party’s performance of its obligation under this Agreement impossible (not merely more costly or more inconvenient), such affected party shall notify the other party in writing within 24 hours after the occurrence of a Force Majeure Event, that a Force Majeure Event has occurred, the manner and extent to which such party’s obligations have been impacted, and the estimated period during which the party’s performance of such obligations is expected to be impacted. The affected party shall take any reasonable measures to mitigate the loss, and resume performance of this Agreement immediately after the elimination of the Force Majeure Event. A Force Majeure Event shall not suspend a party’s payment obligations for monies owned or any other obligations that are not rendered impossible by the Force Majeure Event. The Term shall not be suspended during, or extended as a result of, a Force Majeure Event.

Section 9.6 No Payment Due Upon Termination. Termination of this Agreement for any reason whatsoever shall not relieve Purchaser of its obligations to pay all outstanding payment due.

**Article 10**  
**GOVERNMENTAL REGULATION**

Section 10.1 In General. In the exercise of Purchaser’s rights, and the performance of

Purchaser's obligations, under this Agreement, Purchaser shall comply with all applicable laws, regulations and governmental orders. Without limiting the generality of this Section 10.1, each Party shall obtain, and shall maintain in full force and effect throughout the continuance of this Agreement, all licenses, permits, authorizations, approvals and government filings and registrations necessary or appropriate for the exercise of its rights and the performance of its obligations hereunder.

Section 10.2 P.R.C. Export Controls. Without limiting the generality of Section 10.1 (In General) hereof, Purchaser hereby acknowledges and agrees that the Products, and all of the Confidential Information, may be subject to export controls under the laws and regulations of P.R.C. In the exercise of its rights, and the performance of its obligations under this Agreement, Purchaser shall comply strictly with all such Chinese export control laws and regulations which may be applicable to the Products and Confidential Information, and shall not export, re-export, transfer, divert or disclose any such Products or Confidential Information, or any direct product thereof, to any destination, end use or end-user, restricted or prohibited under P.R.C. export controls, or to any national or resident thereof, except in accordance with all P.R.C. export controls. Purchaser's obligations under this Section 10.2 (P.R.C. Export Controls) shall survive the termination of this Agreement for any reason whatsoever.

## **Article 11 GOVERNING LAW AND DISPUTE RESOLUTION**

Section 11.1 Governing Law. This Agreement shall be governed by the laws of state of Delaware, without reference to conflict of laws principles.

Section 11.2 Dispute Resolution. All disputes arising out of this Agreement shall be settled through friendly consultation. If such dispute cannot be so resolved within 14 days from the date that either Party gives the other notice of such dispute, such dispute shall be resolved by arbitration administered by the American Arbitration Association ("AAA") in Delaware or Captain's then current principal place of business, by a single arbitrator, in accordance with the rules of the AAA for the time being in force (which rules are deemed to be incorporated by reference in this clause). The language of the arbitration shall be Chinese. The arbitration award shall be final and binding upon both Parties.

## **Article 12 GENERAL PROVISIONS**

Section 12.1 Notices. Any notice which any Party desires or is obligated to give to the other shall be given in writing or by facsimile and sent to the appropriate address addresses as may from time to time be supplied to each other. Except as otherwise expressly provided herein, notice shall be deemed to have been received on the earlier of the date when actually received or ten (10) days after being deposited in the mail, postage prepaid, registered or certified mail, return receipt requested, or within one day if by facsimile, promptly confirmed in writing, properly addressed to the recipient.

Section 12.2 Non-Waiver. The failure of either Party at any time to require performance by the other Party of any provision hereof shall not affect in any way, or act as a waiver of, the right to require the other Party to perform in accordance with this Agreement at any other time, nor shall the waiver of either Party of a breach of a provision of this Agreement be held or taken to be a waiver of the provision itself.

Section 12.3 Partial Invalidity. If any provision in this Agreement shall be found or be held to be invalid or unenforceable in any jurisdiction in which this Agreement is being performed, then the meaning of said provision shall be construed, to the extent feasible, so as to render the provision enforceable, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement which shall remain in full force and effect. In such event, the Parties shall

negotiate, in good faith, a substitute, valid and enforceable provision which most nearly effects the Parties' intent in entering into this Agreement.

Section 12.4 Assignment. No Party may assign, delegate or otherwise transfer any or all of its rights or obligations under this Agreement without the prior written consent of the other Party, and any purported assignment, delegation or other transfer without such consent shall have no force or effect. Notwithstanding the foregoing, the prior written authorization of one of the Parties hereto shall not be required for the other Party to assign any of its rights, or delegate or subcontract any of its obligations under this Agreement to an Affiliate of that Party. Subject to the foregoing, this Agreement shall bind and inure to the benefit of the respective parties hereto and their successors and assigns.

Section 12.5 Entire Agreement. This Agreement and Schedule contain the Parties' entire understanding with respect to the matters contained herein. There are no promises, covenants or undertakings other than those set forth herein, and neither Party is relying upon any representations or warranties except as set forth herein. This Agreement may not be modified except by a writing signed by the Parties.

Section 12.6 Headings; Counterparts. Headings to Sections of this Agreement are to facilitate reference only, do not form a part of this Agreement, and shall not in any way affect the interpretation hereof. This Agreement may be executed in two or more counterparts or duplicate originals, all of which shall be regarded as one and the same instrument, and which shall be the official and governing version in the interpretation of this Agreement.

*[Signature page follows]*

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first written above.

**CAPTAIN BUSINESS MANAGEMENT  
CO., LIMITED**

**[name of Purchaser]**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name:

Name:

Title:

Title:

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Schedule A**  
**List of Products Supplied by Captain**

物料编码	物料名称	规格
0101037	YGF 冬阳功火锅底料 500g(升级款)	500g*42 袋/箱
0101020	YGF 火锅底料 (番茄味)	1kg*20 袋/箱
0102093	YGF 油辣椒 (辣)	1kg*16 袋/箱
0102110	YGF 双椒调味油 (外卖装)	10g*200 袋/箱
0102109	YGF 油辣椒 (外卖装)	15g*200 袋/箱
0102104	YGF 食用植物调和油	5L*4 桶/箱
0102080	YGF 麻辣拌 (复合调味粉)	1kg*20 袋/箱
0102105	YGF 牛骨汤粉调味料	1kg*16 袋/箱
0102118	YGF 椰子汤粉	630g*20 袋/箱
0102101	YGF 双椒调味油	900ml*16 瓶/箱
0101034	YGF 花胶鸡火锅底料 500g	500g*42 袋/箱
0101013	YGF 火锅底料	1kg*20 袋/箱
0102058	YGF 复合香辛调味料	1. 1kg*8 袋/箱
0101039	YGF 咖喱火锅底料 500g	500g*42 袋/箱
0102122	YGF 复合调味粉	1. 15kg*12 包/箱
0101051	YGF 爆香红油	1kg*16 袋/箱

**EXHIBIT I TO THE FRANCHISE DISCLOSURE DOCUMENT**

**STATE SPECIFIC ADDENDA OF THE FRANCHISE DISCLOSURE DOCUMENT AND  
FRANCHISE AGREEMENT**

The following are additional disclosures for the Franchise Disclosure Document (“FDD”) of Captain Business Management Co., Limited required by various state laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

**STATE OF MINNESOTA**  
**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

Item 13 of the Franchise Disclosure Document, under the heading “Trademarks,” shall be supplemented by the addition of the following paragraph:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee’s use of the franchisor’s trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee’s use of a franchisor’s trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim. You must cooperate in the defense in any reasonable manner we prescribe with any direct cost of such cooperation to be borne by us.

The following paragraphs are added to the end of Item 17 of the Franchise Disclosure Document:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) of the Franchise Agreement and 180 days’ notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to injunctive relief, liquidated damages, termination penalties, or judgment notes. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

Minnesota Rule 2860.4400(K) prohibits a franchisor from requiring a security deposit except for the purpose of securing against damage to property, equipment, inventory, or leaseholds.

Any release required as a condition of renewal, sale, and/or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

The Commissioner of Commerce for the State of Minnesota (the “Commissioner”) has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from Minnesota franchisees until we have completed all of our pre-opening obligations and you are open for business.

**ADDENDUM TO THE FRANCHISE AGREEMENT REQUIRED BY  
THE STATE OF MINNESOTA**

**This ADDENDUM TO THE FRANCHISE AGREEMENT (this “Addendum”) is entered into this** \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ (the “Effective Date”), by and between Captain Business Management Co., Limited, a Delaware limited liability company, with its principal place of business located at 1521 Concord Pike, Suite 201, Wilmington, DE 19803 (“Franchisor,” “we,” or “us”), and the following individual(s) and/or entity: \_\_\_\_\_

(individually or collectively referred to as “Franchisee” or “you”), in recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22 (the “Minnesota Act”), and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930 (the “Minnesota Rules”), to revise and amend said Franchise Agreement as follows.

1. Sections 2.B(5), 12.B(4)(i), and 14.A(5)(f) of the Agreement shall be amended by adding the following:

Notwithstanding the above language, any release signed under this Section will exclude any claims that you may have that arise under the Minnesota Act or the Minnesota Rules.

2. Section 2.B(5) of the Agreement shall be supplemented by adding the following:

Minnesota law provides franchisees with certain non-renewal rights. In sum, Minn. Stat. § 80C.14 (subd. 4) currently requires, except in certain specified cases, that a franchisee be given 180 days’ notice of non-renewal of this Agreement.

3. Section 13.C of the Agreement shall be amended by adding the following:

Minnesota law provides franchisees with certain termination rights. In sum, Minn. Stat. § 80C.14 (subd. 3) currently requires, except in certain specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) of the Franchise Agreement.

4. Section 18 of the Agreement shall be amended by adding the following:

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

5. Section 5.B of the Agreement shall be amended by adding the following:

Minnesota Rule 2860.4400(K) prohibits a franchisor from requiring a security deposit except for the purpose of securing against damage to property, equipment, inventory, or leaseholds.

6. The following is added to the end of both Section 5.A(1) and Section 5.A(2):  
  
Notwithstanding the foregoing, the collection of the Initial Franchise Fee is deferred from Minnesota franchisees until we have completed all of our pre-opening obligations and you are open for business.
7. As to Sections 10.A and 10.B of APPENDIX A of the Franchise Agreement (FRANCHISEE-SPECIFIC TERMS), on the first row of the tables, the Payment Due Date of Initial Franchise Fee is changed to “Day of Opening.”
8. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Act or the Minnesota Rules are met independently without reference to this Amendment.
9. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
10. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.
11. This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

**Franchisor:**

**Franchisee:**

**CAPTAIN BUSINESS MANAGEMENT  
CO., LIMITED**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

### **State Effective Dates**

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

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

<b>State</b>	<b>Effective Date</b>
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
North Dakota	Pending
New York	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**RECEIPT**  
(Your Copy)

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you: (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, 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) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or (c) Michigan and Oregon require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state administrator identified on Exhibit A to this Disclosure Document.

The name, principal business address and telephone number of each franchise seller offering the franchise is: Fei Feng, 1521 Concord Pike, Suite 201, Wilmington, DE 19803; (+86) 021-80121276 (Phone) and Fei.feng@yangguofu.global (email). Or \_\_\_\_\_.

The issuance date of this Disclosure Document is March 31, 2025.

We authorize the respective state agencies identified on Exhibit A to receive service of process for us in the particular state.

I received a Disclosure Document dated March 31, 2025 (certain state effective dates appear on the State Cover Page) that included the following Exhibits:

Exhibit A	List of State Administrators and Agents for Service of Process
Exhibit B	Franchise Agreement and Exhibits
Exhibit C	List of Franchisees
Exhibit D	List of Franchisees Who Have Left System
Exhibit E	Financial Statements
Exhibit F	Form of General Release
Exhibit G	Table of Contents to Operations Manual
Exhibit H	Sample of Product Supply Agreement Exhibit I State Specific Addenda

DATE: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

PRINT NAME: \_\_\_\_\_

(Retain this copy)

**RECEIPT**  
(Franchisor Copy)

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you: (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, 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) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or (c) Michigan and Oregon require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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Exhibit B	Franchise Agreement and Exhibits
Exhibit C	List of Franchisees
Exhibit D	List of Franchisees Who Have Left System
Exhibit E	Financial Statements
Exhibit F	Form of General Release
Exhibit G	Table of Contents to Operations Manual
Exhibit H	Sample of Product Supply Agreement
Exhibit I	State Specific Addenda

DATE: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

PRINT NAME: \_\_\_\_\_

(Return this copy to franchisor)