

## FRANCHISE DISCLOSURE DOCUMENT



### Chatime Franchise, LLC

a Delaware limited liability company

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

The total investment necessary to begin operation of your Chatime Store is between \$293,100 to \$479,900. This includes ~~\$8069~~,900 to \$91,400 that must be paid to us or our affiliates.

We also offer multi-unit development agreements under which you agree to open and operate an agreed number of Chatime Stores within a specific geographic area according to an agreed development schedule. If you sign a multi-unit development agreement, you will pay us a multi-unit development fee when you sign the multi-unit development agreement, which will serve as a full credit toward the initial franchise fee for each unit to be developed. The number of locations in a multi-unit development agreement will normally range from three to ten locations. The estimated initial investment when signing a multi-unit development agreement for three to ten locations is \$373,100 to \$699,900, which includes the multi-unit development fee and the estimated initial investment for the first location. This includes ~~\$160,149~~,900 to \$311,400 that must be paid to us or our affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different format, contact Chatime Franchise, LLC, at 8 The Green, Suite A, Dover, Delaware 19901, tel. [+61-92830880,+1 \(516\) 672-8763](tel:+6192830880+1), [steven.rothenstein@chatime.com](mailto:steven.rothenstein@chatime.com).

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in New York. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in New York than in your own state.
2. **Spousal Liability.** Your spouse may be required to sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
4. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.
5. **Unopened Franchises.** The Franchisor has signed a significant number of Franchise Agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you may also experience delays in opening your own outlet.
- ~~5.6.~~ **Short Operating History.** The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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.

## **Item 2: Business Experience**

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

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

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

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

### Director and Chairperson: Chen (Charlley) Zhao

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

### ~~Chief Executive Officer: Carlos Antonius~~

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

### ~~Director of Operations: Justin Higgins~~

~~Mr. Higgins has been the director of operations for us and our parent Chatime Global LLC since February 2024, based in Florida. Prior to joining us, Mr. Higgins held several positions at Scenthound in Jupiter, Florida, including director of strategic integrations from August 2023 to January 2024, director of franchise operations from January 2023 to August 2023, senior franchise business coach from February 2022 to January 2023, and franchise success manager from September 2020 to February 2022. From February 2018 to September 2020, he was a franchise business consultant for Self Esteem Brands LLC in Woodbury, Minnesota.~~

### ~~Head of US Development: Steven Rothenstein~~

~~Mr. Rothenstein has served as the Head of US Development for Chatime Franchise LLC since September 2025 out of Paducah, Kentucky. Prior to that Mr. Rothenstein served as Account Manager for Hissho Sushi from July 2024 to September 2025 out of Paducah, Kentucky. Mr. Rothenstein had served as the Vice President of Franchise Operations for Hissho Sushi from July 2022 until January 2024 out of Paducah, Kentucky. Mr. Rothenstein had served as the Associate Vice President – Franchising for Dippin' Dots Franchising and Doc Popcorn Franchising from October 2021 until July 2022, out of Spring Hill, Tennessee. Prior to that Mr. Rothenstein served as the Senior Director of Franchising for Dippin' Dots Franchising from October 2012 to October~~

2021 and Doc Popcorn Franchising from July 2014 – October 2021 out of Spring Hill, Tennessee.

Franchise Launch Coordinator: Carter A. Johnson

Since July 2024, Mr. Johnson has served as Franchise Launch Coordinator with Chatime since July 2024 out of Lynchburg, Virginia. Prior to that Mr. Johnson served as an Associate Business Consultant with Alliance Franchise Brands from June 2023 to July 2024 out of Lynchburg, VA.

Director of Operations: Zach Cheng-Che Wei

Since July 2025, Mr. Wei has served as the Director of Operations for Chatime in the United States, out of Los Angeles, California. Prior to this, he served as International Business Manager at Chatime HQ in Taiwan from 2019 to July 2025, overseeing multiple markets including Canada and Australia.

### **Item 3: Litigation**

*Investigation by Letitia James, Attorney General of the State of New York, of La Kaffa International Co., Ltd., Chatime USA, LLC, and Yao-Hui Wang.* In December 2018, the Attorney General of the State of New York (the “NYOAG”) began to inquire into the activities of our affiliate Chatime USA LLC and La Kaffa pursuant to New York General Business Law, Article 33, §680 *et seq.*, also known as the New York State Franchise Sales Act (the “NY Franchise Sales Act”). The inquiries were made in connection with the issues of whether our affiliate Chatime USA LLC and La Kaffa sold franchises from or in New York without satisfying the pre-requisite of registering the franchise offerings with the NYOAG or otherwise having a franchise registration exemption. The NYOAG found that our affiliate Chatime USA LLC and La Kaffa sold franchises from or in New York without being registered or exempt from registration. On November 25, 2019, our affiliate Chatime USA LLC, La Kaffa, and Yao-Hui Wang entered into an Assurance of Discontinuance with the NYOAG (the “Assurance of Discontinuance”) prohibiting our affiliate Chatime USA LLC and La Kaffa from engaging in, or attempting to engage in, conduct in violation of the NY Franchise Sales Act. Further, pursuant to the Assurance of Discontinuance, (i) our affiliate Chatime USA LLC and La Kaffa were required to offer rescission to franchisees that were sold franchises in violation of the NY Franchise Sales Act, and (ii) our affiliate Chatime USA LLC and La Kaffa were required to pay \$25,000 in penalties and costs to New York.

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

on the size, configuration, and storage capacity of the Chatime Store, the specifics of the location, the season of the year, and other factors. The estimated cost of the opening inventory is \$10,000 to \$16,000. The cost is non-refundable.

### Technology Systems

You must purchase from us or suppliers approved by us our then designated point of sale system and associated operating technology stack. The estimated cost of these technology systems is \$10,500 to \$14,000. The cost is non-refundable.

### Uniforms

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

### Initial Training

We will provide two weeks of initial training for up to four attendees, to be conducted by one or two of our representatives. You must pay us a non-refundable initial training fee of \$5,000 for each Franchise Agreement. You will pay for you and your employee's reasonable accommodations, meal and related travel expenses. We estimate that the amount of travel and living expenses you will spend on you and your employees will be \$200 per person per day.

Initial Fees Payable to Franchisor or Affiliates	Single Unit Franchise Agreement	Three Unit Multi-Unit Development Agreement	Ten Unit Multi-Unit Development Agreement
Franchise Fee	\$54,900	\$134,900	\$274,900
Opening Inventory and Supplies for First Location	\$10,000 to \$16,000	\$10,000 to \$216,000	\$10,000 to \$16,000
Technology Systems for First Location	<del>\$10,500</del> to \$14,000	<del>\$10,500</del> to \$14,000	<del>\$10,500</del> to \$14,000

Uniforms for First Location	\$ <del>500</del> to \$1,500	\$ <del>500</del> to \$1,500	\$ <del>500</del> to \$1,500
Initial Training for First Location	\$5,000	\$5,000	\$5,000
Total	\$ <del>8069</del> ,900 to \$91,400	\$ <del>160149</del> ,900 to \$171,400	\$ <del>300289</del> ,900 to \$311,400

**Item 6: Other Fees**

Type of Fee <sup>(4)</sup>	Amount	Due Date	Remarks
Brand Marketing Fee <sup>(2)</sup>	2.0% of Gross Sales <sup>(2)</sup>	Tenth day of the month	“Gross Sales” means the total actual gross charges for all products, merchandise, and services sold to your Store’s customers for cash or credit, whether such sales are made at or from the premises of your Store or any other location or other channels of distribution if approved in writing in advance by us and including proceeds from any business interruption or similar insurance coverage, but excluding (i) sales, use, service, or excise taxes collected from customers and paid to the appropriate taxing authority and (ii) all customer refunds, adjustments and promotional discounts including any senior citizens discount.
	Sales	calculated based on the Gross Sales of the previous month	calculated based on the Gross Sales of the previous month
Local Marketing Expenditure	At least 2.0% of Gross Sales	As incurred	We require you to spend at least 2.0% of Gross Sales on local marketing. See Item 11.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Meetings and Conference Fees	Attendance fee not more than \$400 per person per day, plus your associated expenses for attending	As invoiced	We may convene meetings and conferences (including regional meetings and conferences) from time to time for you and your key personnel as we deem necessary or appropriate. You will pay any associated fees not more than \$400 per person per day plus your associated expenses including, without limitation, costs for travel, accommodation, meals, employee wages and entitlements, uniforms, workers' compensation insurance and personal expenses.
Legal Expenses	All legal expenses incurred by us to enforce your agreements if you default	Upon demand	If you default under your Franchise Agreement or any other agreement with us, you will reimburse us for our associated legal expenses for the enforcement of the applicable agreements including, without limitation, attorneys' fees and investigation costs.
Indemnification	All costs and damages incurred by us for claims arising from your operation of the business	Upon demand	You will reimburse us for our costs and damages arising from your operation of your Chatime Stores.

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

**Notes:**

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

External Signage	\$4,200 to \$9,500	As arranged	As incurred	Third party
<b>Type of Expenditure</b>	<b>Estimated Amount-Range</b>	<b>Method of Payment</b>	<b>When Payable</b>	<b>Payable to Whom</b>
Opening Inventory and Supplies(6)	\$10,000 to \$16,000	As arranged	As incurred	Our affiliates
Grand opening marketing(7)	\$10,000	As arranged	As incurred	Third parties
Licenses, Permits, and Utility Deposits(8)	\$3,500 to \$5,500	As arranged	Lump sum	Third party
Technology Systems(9)	\$10,500 to \$14,000	As arranged	As incurred	Third party or us
Uniforms	\$500 to \$1,500	As arranged	As incurred	Us or third party
Insurance(10)	\$3,000 to \$6,000	As arranged	As incurred	Third party
Professional Fees	\$1,000 to \$5,000	As arranged	As incurred	Third party
Additional Funds – Three Months(11)	\$12,000 to \$24,000	As arranged	As incurred	Third party
<b>Total Estimated Initial Investment</b>	<b>\$ 293,100 to \$479,900</b>			

**Notes:**

(1) Initial Franchise Fee and Other Fees. You will pay us a non-refundable \$54,900 Initial Franchise Fee. All of the fees paid to us are non-refundable except that, if you give us notice of termination within seven days after execution of your Franchise Agreement, we will return the Initial Franchise Fee within 14 days after receiving your notice of termination. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We and our affiliates do not finance any part of the initial investment.

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

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

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

(4) Leasehold Improvements. Leasehold improvement costs include, without limitation, architectural, project management, design, construction, engineering, and legal fees and are net of tenant lease incentive payments where applicable. These estimates do not include extraordinary costs due to extensive redesign, landlord works, permitting, variances, environmental issues, legal obstacles, etc.

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

(6) Opening Inventory and Supplies. You will purchase an initial inventory consisting of products and supplies from our affiliates or suppliers we approve before opening your Chatime Store. Our affiliates are currently the only approved suppliers. The assortment and number of these items will be based upon the size and configuration of your Chatime Store. The estimated cost for the opening inventory of these products and supplies is \$10,000 to \$16,000 depending on the type of Chatime Store, the specifics of the location, and the storage capacity of your Chatime Store.

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

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

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

~~Components of our technology stack currently include: Revel point of sale system, Bite customer~~

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

Initial Training is conducted in our designated company-owned locations in Southern California, or at one of our Chatime approved training locations or Chatime Stores or at your Chatime location. Training will be led by Justin Higgins, our Director of Operations. Justin has been with the Chatime brand since February 2024. Justin has more than ten years' experience in franchising and restaurant operations leading people, operations and training functions across multi-site customer facing operations. Each of the individual instructors has the following minimum experience and training: each instructor has worked as a Chatime Store Cha-rista and then as a manager, and has transitioned into a training role by completing a mandatory training management program.

Provision	Section in Franchise Agreement (FA) and Multi-Unit Development Agreement (MDA)	Summary
a. Length of the franchise term	FA: §1.1(27)	The term is ten years.
	MDA: §1.1(34)	The period ending the end date of the agreed Development Period.
b. Renewal or extension of the term	FA: §1.1(40); §2.6	At the end of the initial term of your Franchise Agreement, we may grant you the option to continue operating as a franchisee in your Territory and to enter into a new Franchise Agreement for a renewal term of ten years. <u>You may be asked to sign an agreement with materially different terms and conditions from your original agreement.</u>
	MDA: § 2.7	At the end of the initial term of your Franchise Agreement, you may request to enter into an additional term of ten years under the terms of our then-current form of multi-unit development agreement, which may contain <u>materially</u> different terms <u>and conditions from your original agreement.</u>
c. Requirements for franchisee to renew or extend	FA: §2.6	Provided you satisfy all the following conditions, we will grant you the option to continue operating as a franchisee for a renewal term of ten years: (i) give written notice between eight and twelve months before the end of the initial term, (ii) execute a new franchise agreement that may contain materially different terms and conditions than your initial Franchise Agreement, (iii) have substantially complied with all material provisions of your Franchise Agreement, (iv) not be in default of your Franchise Agreement or any other agreements with us or our affiliates, (v) pay us a Renewal Outlet Fee, (vi) undertake any additional training at your expense that we require, (vii) execute the new Franchise Agreement and all other documents we require within 28 days of receipt, (viii) execute a General Release of us and our affiliates, and (ix) renovate and refurbish your Store as we may require. <u>You may be asked to sign an agreement with materially different terms and conditions from the original agreement.</u> This provision is subject to <u>applicable</u> state law.

	MDA: § 2.7	<p>Provided you satisfy all the following conditions, we will grant you the option to continue operating as a franchisee for a renewal term of ten years: (i) give written notice between eight and twelve months before the end of the initial term, with a proposed development schedule for the new term, which we accept; (ii) execute a new MDA that may contain materially different terms and conditions than your initial MDA, (iii) have substantially complied with all material provisions of your MDA; (iv) not be in default of your MDA, Franchise Agreements or any other agreements with us or our affiliates, (v) pay us a Renewal Development Fee, (vi) undertake any additional training at your expense that we require, (vii) execute the new MDA and all other documents we require within 28 days of receipt, (viii) execute a General Release of us and our affiliates, and (ix) ensure that all of your Chatime Store locations which have been in operation for 5 or more years are renovated and refurbished as we may require. <u>You may be asked to sign an agreement with materially different terms and conditions from the original agreement.</u> This provision is subject to <u>applicable</u> state law.</p>
d. Termination by franchisee	FA: §15.1; §15.2	<p>You may terminate your Franchise Agreement if (i) you give us written notice of termination within seven days after execution, or (ii) you are in substantial compliance with the Franchise Agreement, we materially breach the Franchise Agreement, you notify us of such breach and give us at least 60 days to remedy the breach, we do not timely remedy the breach or we fail to show continuing efforts to correct the breach, and you provide 60 days' written notice of termination. These provisions are subject to <u>applicable</u> state law.</p>
	MDA: § 13.1 and 13.2	<p>You may terminate your MDA if (i) you give us written notice of termination within seven days after execution, or (ii) you are in substantial compliance with the MDA, we materially breach the MDA, you notify us of such breach and give us at least 60 days to remedy the breach, we do not timely remedy the breach or we fail to show continuing efforts to correct the breach, and you provide 60 days' written notice of termination. These provisions are subject to <u>applicable</u> state law.</p>
e. Termination by franchisor without "cause"	FA: Not applicable	Not applicable.
	MDA: Not applicable	Not applicable
f. Termination by franchisor with "cause"	FA: §15.3	<p>We have the right to terminate your Franchise Agreement with cause. Depending upon the reason for termination, we may not provide you with an opportunity to cure.</p>

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

	MDA: §11.7	Upon the death or permanent incapacity of any person with an interest in the development business, such interest must be transferred to a third party approved by us within one year following the death or incapacity. We have the right to terminate the agreement if an approved transfer is not completed within the designated period of time.
<u>q. Non-competition covenants during the term of the franchise</u>	<u>§9.2(1)</u>	<u>During the term of your Franchise Agreement, you, your owners and any guarantors will not finance, invest in, or have a financial interest in any other business without our prior written consent. This provision is subject to applicable state law.</u>
	<u>MDA: §7.2(1)</u>	<u>During the term of your MDA, you, your owners and any guarantors will not finance, invest in, or have a financial interest in any other business without our prior written consent. This provision is subject to applicable state law.</u>
<u>q-r. Non-competition covenants during the term of after the franchise is terminated or expire</u>	<u>§9.2(12)</u>	<u>Defined as a “Restraint Period” which is a period of two years following the expiration or termination of your Franchise Agreement, you, in the “Restraint Area” which is (i) your owners Territory, or (ii) any area within twenty five miles of any Store. During the Restraint Period, you and any guarantors will not finance, invest in, or have a financial interest (i) engage or be concerned or interested in any other business within the Restraint Area that supplies products or services the same or similar to those at any time supplied by your franchise business or that could be reasonably regarded as a market competitor of the Chatime network or any Chatime Store, (ii) canvass or solicit any person who was a customer, employee, or prospective franchisee of ours in the twelve months prior to the termination or expiration of your Franchise Agreement, or (iii) employ any person who was employed by us or any other franchisee without first obtaining our prior written consent. These provisions are subject to applicable state law.</u>

	MDA: §7.2(42)	<p><u>Defined as a “Restraint Period” which is a period of two years following the expiration or termination of your Franchise Agreement in the “Restraint Area” which is (i) your Territory, or (ii) any area within twenty five miles of any Chatime Store. During the Restraint Period, you and any guarantors will not (i) engage or be concerned or interested in any business within the Restraint Area that supplies products or services the same or similar to those at any time supplied by your franchise business or that could be reasonably regarded as a market competitor of the Chatime network or any Store, (ii) canvass or solicit any person who was a customer, employee, or prospective franchisee of ours in the twelve months prior to the termination or expiration of your MDA, or (iii) employ any person who was employed by us or any other franchisee without first obtaining our written consent. These provisions shall not apply to your continued operation of individual Chatime Stores under valid Franchise Agreements which have not been terminated and are not in default. These provisions are subject to applicable state law/</u></p> <p><del>During the term of your MDA, you, your owners and any guarantors will not finance, invest in, or have a financial interest in any other business without our prior written consent. This provision is subject to state law.</del></p>
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r. <del>Non-competition covenants after the franchise is terminated or expire</del>	§9.2(2)	<p><del>Defined as a “Restraint Period” which is a period of two years following the expiration or termination of your Franchise Agreement in the “Restraint Area” which is (i) your Territory, or (ii) any area within twenty five miles of any Store. During the Restraint Period, you and any guarantors will not (i) engage or be concerned or interested in any business within the Restraint Area that supplies products or services the same or similar to those at any time supplied by your franchise business or that could be reasonably regarded as a market competitor of the Chatime network or any Chatime Store, (ii) canvass or solicit any person who was a customer, employee, or prospective franchisee of ours in the twelve months prior to the termination or expiration of your Franchise Agreement, or (iii) employ any person who was employed by us or any other franchisee without first obtaining our written consent. These provisions are subject to state law.</del></p>
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	<del>MDA: §7.2(2)</del>	<del>Defined as a “Restraint Period” which is a period of two years following the expiration or termination of your Franchise Agreement in the “Restraint Area” which is (i) your Territory, or (ii) any area within twenty five miles of any Chatime Store. During the Restraint Period, you and any guarantors will not (i) engage or be concerned or interested in any business within the Restraint Area that supplies products or services the same or similar to those at any time supplied by your franchise business or that could be reasonably regarded as a market competitor of the Chatime network or any Store, (ii) canvass or solicit any person who was a customer, employee, or prospective franchisee of ours in the twelve months prior to the termination or expiration of your MDA, or (iii) employ any person who was employed by us or any other franchisee without first obtaining our written consent. These provisions shall not apply to your continued operation of individual Chatime Stores under valid Franchise Agreements which have not been terminated and are not in default. These provisions are subject to state law</del>
s. Modification of agreement	§25.13	Your Franchise Agreement may only be modified by the parties in writing.
	MDA: §23.12	Your MDA may only be modified by the parties in writing.
t. Integration/merger clause	§25.12	Only the terms of your Franchise Agreement are binding. Any representations or promises outside of this FDD and your Franchise Agreement may not be enforceable. This provision is subject to <u>applicable</u> state law. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
	MDA: §23.11	Only the terms of your MDA are binding. Any representations or promises outside of this FDD and your MDA may not be enforceable. This provision is subject to <u>applicable</u> state law. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

u. Dispute resolution by arbitration or mediation	§16	Except as otherwise provided, all disputes and claims relating to your Franchise Agreement or the relationship of the parties must be settled by mediation or arbitration in New York in accordance with the rules of the American Arbitration Association (“AAA”) mediation and arbitration service. These provisions are subject to <u>applicable</u> state law.
	MDA: §14	Except as otherwise provided, all disputes and claims relating to your MDA or the relationship of the parties must be settled by mediation or arbitration in New York in accordance with the rules of the AAA mediation and arbitration service. These provisions are subject to <u>applicable</u> state law.
v. Choice of forum	§16	Arbitration in New York in accordance with the rules of the AAA service. These provisions are subject to <u>applicable</u> state law.
	MDA: §14	Arbitration in New York in accordance with the rules of the AAA service. These provisions are subject to <u>applicable</u> state law.
w. Choice of law	§25.1	Delaware law. These provisions are subject to <u>applicable</u> state law.
	MDA: §23.16	Delaware law. These provisions are subject to <u>applicable</u> state law

Applicable state law might require additional disclosures related to the information contained in this Item 17. These additional disclosures appear in Exhibit E.

### **Item 18: Public Figures**

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

### **Item 19: Financial Performance Representations**

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

This Item 19 shows the historic Net Sales information for calendar year 2024 for the Chatime franchise locations operating within the United States of America which have been operating more than 12 months in their current location and were operating as of December 31, 2024 under agreement with Chatime Franchise LLC. franchise agreements issued by us (Chatime Franchise

LLC). Only stores open longer than a year are included, since stores typically experience atypical results in the first few months due to ramp-up and opening promotions. Only stores with agreements issued by us (and not our affiliates La Kaffa or Chatime USA LLC) are included, since the agreements issued by us contain different terms than the agreements issued by our affiliates, and the stores with agreements issued by us are more representative of the support and training that you will receive from us.

Net Sales means all revenue from the sale of all products and sources, derived from, or originating from the relevant Chatime store, minus any customer refunds, staff tips and/or sales taxes collected from customers and actually transmitted to the appropriate taxing authorities. This includes online sales fulfilled from the location. Net sales includes transactions, whether for cash, check, or credit, and regardless of collection in the case of check or credit, less any customer refunds, staff tips and/or sales taxes collected from customers and actually transmitted to the appropriate taxing authorities.

Net Sales information included in this Item 19 and the table below is obtained from store point-of-sale (POS) reports and other materials submitted by the retail locations and franchisee. Neither we, any of our affiliates nor an independent certified public accountant has independently audited or verified the information.

	Net Sales - 2024
Location 1	\$ 793,037
Location 2	\$ 476,602
Location 3	\$ 243,569
Location 4	\$ 210,709
Location 5	\$ 125,407

*Some stores have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.*

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, Chatime Franchise LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting ~~Carlos Antonius, Company Secretary~~ Steven Rothenstein, Head of US Development, at 8 The Green, Suite A, Dover, Delaware 19901, tel. ~~+61 292830880~~ (516) 672-8763, email [steven.rothenstein@chatime.com](mailto:steven.rothenstein@chatime.com), the Federal Trade Commission, and the appropriate state regulatory agencies.

### **Item 20: Outlets and Franchisee Information**

The tables below list all of the outlets operated by us, our affiliates, or our affiliates' franchisees,

licensees, subfranchisors, or subfranchisees.

**Table 1**  
**System-wide Outlet Summary for Years 2022 to 2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	<del>1217</del>	<del>1216</del>	<del>0-1</del>
	2023	<del>1216</del>	<del>1014</del>	-2
	2024	<del>1014</del>	16	+ <del>62</del>
Company- Owned	2022	0	0	0
	2023	0	3	+3
	2024	3	3	0
Total Outlets	2022	<del>1217</del>	<del>1216</del>	<del>0-1</del>
	2023	<del>1216</del>	<del>1317</del>	+1
	2024	<del>1317</del>	19	+ <del>62</del>

**Notes:**

The franchised outlets listed in this Table 1 and in Table 3 below for the years 2022 to 2024 were operated by the franchisees, licensees, subfranchisors, or subfranchisees of our affiliates Chatime USA LLC or La Kaffa. These outlets are included in this table because they are outlets of a type substantially similar to that offered to you.

**Table 2**  
**Transfer of Franchise Outlets from Franchisees to New Owners**  
**(Other than the Franchisor) for Years 2022 to 2024**

State	Year	Number of Transfers
Maryland	2022	0
	2023	0
	2024	2
All States	2022	0
	2023	0
	2024	2

**Table 3**  
**Status of Franchise Outlets for Years 2022 to 2024**

State	Year	Outlets at Start or the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
AL	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
CA	2022	3	0	0	0	0	2	1
	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
FL	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
GA*	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	1	0	0	0
GU**	2022	5	0	0	0	0	1	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
KS	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
MD	2022	3	3	0	0	0	0	6
	2023	6	0	0	0	0	2	4
	2024	4	0	0	0	0	0	4
MI	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
NY	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
ND	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
OH	2022	1	1	0	0	0	1	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
TN	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1

**Table 5**  
**Projected Openings as of December 31, 2024**

State	Franchise Agreements Signed but Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama	1	1	0
Maryland	1	1	0
Florida	1	1	0
Texas	3	4	0
New Jersey	1	1	0
Nevada	2	2	0
Virginia	1	1	0
<b>Total</b>	<b>10</b>	<b>11</b>	<b>0</b>

Notes:

A list of the current franchisees, subfranchisees, or licensees of us and our affiliates Chatime USA LLC and La Kaffa as of December 31, 2024 and their contact information, is provided in Exhibit G. In addition, Exhibit G contains a list of all franchisees, subfranchisees, or licensees of our affiliates Chatime USA LLC and La Kaffa that had an outlet transferred, terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased doing business in our last fiscal year, or that had not communicated with us or our affiliates within ten weeks of the date of this FDD.

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

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

#### **Item 21: Financial Statements**

Attached as Exhibit A are our audited financial statements, as of ~~the year ending December 31, 2024, and December 31, 2023, and the audited opening balance sheet as of April 4, 2023.~~ We have not been in business for three years or more and cannot include all the financial statements required by the FTC Rule for our last three fiscal years. Our fiscal year end is December 31.

#### **Item 22: Contracts**

The following agreements are exhibits to this FDD:

**CHATIME FRANCHISE LLC**  
**(A Limited Liability Company)**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

**CHATIME FRANCHISE LLC**  
**(A Limited Liability Company)**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Member  
Chatime Franchise LLC

### Opinion

We have audited the accompanying financial statements of Chatime Franchise LLC (a limited liability company) which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations and member's equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chatime Franchise LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

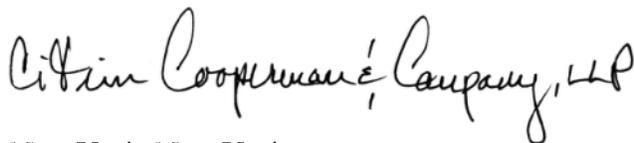
## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chatime Franchise LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chatime Franchise LLC's ability to continue as a going concern for a reasonable period of time.

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



New York, New York  
April 18, 2025

**CHATIME FRANCHISE LLC**  
**(A Limited Liability Company)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash	\$ 144,258	\$ 5,287
Accounts and franchise fees receivable	205,053	-
Prepaid commissions, current	49,370	6,992
Prepaid expenses	5,312	11,950
Due from member	20,108	300,000
Total current assets	424,101	324,229
Property and equipment, net	791	-
Other assets:		
Prepaid commissions, net of current	933,346	151,506
<b>TOTAL ASSETS</b>	<b>\$ 1,358,238</b>	<b>\$ 475,735</b>
<b><u>LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</u></b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 49,272	\$ 4,015
Deferred revenue, current	92,959	23,983
Total current liabilities	142,231	27,998
Long-term liabilities:		
Due to member	60,015	-
Due to affiliates, net	75,928	-
Deferred revenue, net of current portion	1,496,404	303,012
Total liabilities	1,774,578	331,010
Commitments (Notes 7 and 8)		
Member's equity (deficit)	(416,340)	144,725
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</b>	<b>\$ 1,358,238</b>	<b>\$ 475,735</b>

See accompanying notes to financial statements.

**CHATIME FRANCHISE LLC**  
**(A Limited Liability Company)**  
**STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY (DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Revenues:		
Franchise fees	\$ 52,531	\$ 2,706
Royalties and marketing fund fees	<u>88,993</u>	<u>-</u>
Total revenues	141,524	2,706
Selling, general and administrative expenses	<u>705,386</u>	<u>57,981</u>
Loss before other income	(563,862)	(55,275)
Other income	<u>2,797</u>	<u>-</u>
Net loss	(561,065)	(55,275)
Member's equity - beginning	144,725	-
Member's contributions	<u>-</u>	<u>200,000</u>
<b>MEMBER'S EQUITY (DEFICIT) - ENDING</b>	<b><u>\$(416,340)</u></b>	<b><u>\$ 144,725</u></b>

See accompanying notes to financial statements.

**CHATIME FRANCHISE LLC**  
**(A Limited Liability Company)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Net loss	\$ (561,065)	\$ (55,275)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	263	-
Changes in operating assets and liabilities:		
Accounts and franchise fees receivable	(205,053)	-
Prepaid commissions	(824,218)	(158,498)
Prepaid expenses	6,638	(11,950)
Accounts payable and accrued expenses	45,257	4,015
Due to affiliates, net	75,928	-
Deferred revenue	<u>1,262,368</u>	<u>326,995</u>
Net cash provided by (used in) operating activities	<u>(199,882)</u>	<u>105,287</u>
Cash flows from investing activities:		
Additions to property and equipment	(1,054)	-
Increase (decrease) in due to (from) member	<u>339,907</u>	<u>(300,000)</u>
Net cash provided by (used in) investing activities	<u>338,853</u>	<u>(300,000)</u>
Cash provided by financing activities:		
Member's contributions	<u>-</u>	<u>200,000</u>
Net increase in cash	138,971	5,287
Cash - beginning	<u>5,287</u>	<u>-</u>
<b>CASH - ENDING</b>	<u><u>\$ 144,258</u></u>	<u><u>\$ 5,287</u></u>

See accompanying notes to financial statements.

**CHATIME FRANCHISE LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS**

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

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

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

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

Use of estimates

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

Property and equipment

Property and equipment is carried at cost, less accumulated depreciation. Expenditures for maintenance and repairs are expensed as incurred, while renewals and betterments that materially extend the life of an asset are capitalized. The costs of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts, and any resulting gain or loss is recognized.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are as follows:

Computer Equipment	3 years
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**CHATIME FRANCHISE LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and cost recognition

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

*Franchise fees, royalties and other franchise related fees*

Contract consideration from franchisees consists primarily of initial or renewal franchise fees, multi-unit development agreement ("MUDA") fees, sales-based royalties, sales-based marketing and promotional fund fees, technology fees and transfer fees payable by a franchisee for the transfer of their franchise unit to another franchisee. The Company also may enter into MUDAs which grant a franchisee the right to develop two or more franchise territories. The Company collects an up-front fee for the grant of such rights. The initial franchise fees are nonrefundable and collectible when the underlying franchise agreement or MUDA is signed by the franchisee. Sales-based royalties, sales-based marketing and promotional fees, and technology fees are payable on a monthly basis. Renewal and transfer fees are due from franchisees when an existing franchisee renews the franchise agreement for an additional term or when a transfer to a third party occurs, respectively.

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

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

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

**CHATIME FRANCHISE LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and cost recognition (continued)

*Marketing and promotional fund*

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

*Other revenues*

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

*Incremental costs of obtaining a contract*

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

Accounts and franchise fees receivable

Accounts and franchise fees receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of some of its franchisees to make required payments. The Company assesses collectibility by reviewing accounts and franchise fees receivable on a collective basis where similar risk characteristics exist. In determining the amount of the allowance for doubtful accounts, management considers historical collectibility and makes judgments about the creditworthiness of the pool of franchisees based on credit evaluations. Current market conditions and reasonable and supportable forecasts of future economic conditions are considered in adjusting the historical losses to determine the appropriate allowance for doubtful accounts. Uncollectible accounts are written off when all collection efforts have been exhausted. There was no allowance for doubtful accounts at December 31, 2024 and 2023.

**CHATIME FRANCHISE LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Advertising

Advertising costs are expensed as incurred and amounted to \$250,838 and \$- for the years ended December 31, 2024 and 2023, respectively.

Income taxes

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

Uncertain tax positions

The Company recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change. There were no uncertain tax positions at December 31, 2024 and 2023.

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

Variable interest entities

In accordance with the provisions of FASB Accounting Standards Update (ASU) No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* ("ASU 2018-17"), FASB no longer requires nonpublic companies to apply variable interest entity guidance to certain common control arrangements, including leasing arrangements under common control. The Company has applied these provisions to the accompanying financial statements and has determined that the entities affiliated through common ownership and control as disclosed in Note 8, meet the conditions under ASU 2018-17, and accordingly, is not required to include the accounts of the related parties in the Company's financial statements.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated subsequent events through April 18, 2025, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.

**CHATIME FRANCHISE LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 3. FRANCHISED OUTLETS**

The following data presents the status of the Company's franchised outlets as of and for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Franchises sold	6	1
Franchises purchased	-	-
Franchised outlets in operation	1	-
Corporate outlets in operation	3	-

The following data represents the status of the Company's multi-unit development agreements as of and for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Development agreements sold	7	2
Multi-unit developments in operation	2	-
Terminated outlets	-	-

**NOTE 4. LIQUIDITY**

The Company has sustained continued net losses and negative cash flows from operations for 2024, and as a result, has a member's deficit of \$416,340 for the year ended December 31, 2024. The Company is growing, and as such, is incurring expenditures in the near term to benefit the future as it looks to grow the franchise base and expand into new markets. As such, certain expenses could be reduced or eliminated in order to improve operating cash flows as needed in the future.

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

**CHATIME FRANCHISE LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 5. REVENUES AND RELATED CONTRACT BALANCES**

Disaggregated revenues

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

Revenues by timing of recognition were as follows for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
<i>Point in time:</i>		
Franchise fees	\$ 10,000	\$ -
Royalties and marketing fund fees	<u>88,993</u>	<u>-</u>
Total point in time	98,993	-
<i>Over time:</i>		
Franchise fees	<u>42,531</u>	<u>2,706</u>
Total revenues	<u>\$ 141,524</u>	<u>\$ 2,706</u>

Contract balances

Contract assets include accounts and franchise fees receivable. The balances, net of allowance for doubtful accounts as of December 31, 2024, is \$205,053. There were no contract assets as of December 31, 2023.

Contract liabilities are comprised of unamortized initial franchise and MUDA fees received from franchisees, which are presented as "Deferred revenue" in the accompanying balance sheets. A summary of significant changes in deferred revenues during the years ended December 31, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Deferred revenue - beginning of year	\$ 326,995	\$ -
Revenue recognized during the year	(52,531)	(2,706)
Additions for initial franchise fees	<u>1,314,899</u>	<u>329,701</u>
Deferred revenue - end of year	<u>\$ 1,589,363</u>	<u>\$ 326,995</u>

**CHATIME FRANCHISE LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 5. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)**

Contract balances (continued)

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

<u>Year ending December 31:</u>	<u>Amount</u>
2025	\$ 92,959
2026	82,959
2027	82,959
2028	82,959
2029	82,959
Thereafter	<u>1,164,568</u>
Total	<u>\$ 1,589,363</u>

Deferred revenue consisted of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Franchise units not yet opened	\$ 1,305,154	\$ 326,995
Opened franchise units	<u>284,209</u>	<u>-</u>
Total	<u>\$ 1,589,363</u>	<u>\$ 326,995</u>

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

<u>Year ending December 31:</u>	<u>Amount</u>
2025	\$ 49,370
2026	49,370
2027	49,370
2028	49,370
2029	49,370
Thereafter	<u>735,866</u>
Total	<u>\$ 982,716</u>

**NOTE 6. CONCENTRATIONS OF CREDIT RISK**

Cash

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

Accounts and franchise fees receivable

Concentration of credit risk with respect to receivables is limited due to the number of franchisees in the Company's customer base and their geographic dispersion. As of December 31, 2024, four franchisees accounted for approximately 94% of the Company's accounts and franchise fees receivable.

**CHATIME FRANCHISE LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 7. BRAND FUND**

Pursuant to the structured form of the franchising arrangement, the Company reserves the right to collect marketing fund fees of up to 2% of franchisees' gross sales. These funds are to be spent solely on advertising and related expenses for the benefit of the franchisees with a portion designated to offset the Company's administrative costs to administer the funds, all at the discretion of the Company. The Company established the brand fund in 2024, currently charging 2%, and collected \$16,777 for the year ended December 31, 2024, which is included in "Royalties and marketing fund fees" in the accompanying statements of operations and member's equity (deficit).

**NOTE 8. RELATED-PARTY TRANSACTIONS**

License agreement

On September 23, 2022, the Licensee Parties entered into a 30-year non-exclusive license agreement with the Licensor for the use of the registered name "Chatime" (the "license agreement"). Pursuant to the license agreement, the Licensee Parties acquired the rights to sell "Chatime" franchises, and the right to earn franchise fees, royalties and other fees from franchisees. The license agreement will be renewed as long as a request for renewal has been submitted at least six months prior to the expiration term, for successive terms of 10 years, unless one party provides the other party with notice of its intention not to renew the license agreement at least 90 days before the end of the then-current term. The Company pays a 1.25% monthly royalty fee to the Licensor based on franchise outlet gross sales. Royalties paid to the Licensor for the year ended December 31, 2024 totaled \$22,115, which is included in "Selling, general and administrative expenses" in the accompanying statements of operations and member's equity (deficit). There were no royalties paid to the Licensor in 2023.

Due to affiliates

In the ordinary course of business, the Company advances funds to and from entities affiliated to the Company by common ownership and control. Advances to and from the affiliates are unsecured and have no specific repayment terms. The amount due to the affiliates, net, at December 31, 2024 was \$75,928. Such amounts are not expected to be settled within the next year and, accordingly, have been classified as noncurrent liabilities. There were no amounts due to affiliates at December 31, 2023.

Due to/from member

In the ordinary course of business, the Company periodically advances funds to and receives funds from the Member of the Company. No interest is charged on these advances. Advances to and from the Member are noninterest bearing and have no specific date for repayment. The balance due from Member amounted to \$20,108 and \$300,000 at December 31, 2024 and 2023, respectively. Management expects these balances to be settled within the next year. The balance due to Member amounted to \$60,015 and \$- at December 31, 2024 and 2023, respectively. Management does not expect these balances to be settled within the next year.

**Premises address:** \_\_\_\_\_

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

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**Section 5 New Outlet Fee**

\$54,900

**Section 6 Initial Training Fee**

\$10,000

**Section 7 Franchisor's Bank Account**

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

**Section 8 Franchisor's Address for Service**

8 The Green, Suite A  
Dover, Delaware 19901  
Tel. [+61-202830880+1](tel:+61-202830880+1)  
[\(516\) 672-8763](tel:+1-516-672-8763)

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

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

Attn: \_\_\_\_\_

Email address: \_\_\_\_\_

Contact: \_\_\_\_\_

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

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

Attn: \_\_\_\_\_

Email address: \_\_\_\_\_

Contact: \_\_\_\_\_

SWIFT CODE: EWBKUS66XXX  
Account name: Chatime Franchise LLC  
Account Number: 8627007092

Section 8 **Franchisor's Address for Service**

8 The Green, Suite A  
Dover, Delaware 19901  
Tel. ~~+61~~  
~~202840880~~+1(516)  
672 8763

Section 9 **Developer's Address for Service**

Address:  
Attn:  
Email address:  
Tel. no.:

Section 10 **Guarantor's Address for Service**

Address:  
Attn:  
Email address:  
Tel. no.:

Section 11 **Special Conditions**

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**MARYLAND AMENDMENT TO THE CHATIME FRANCHISE, LLC**  
**FRANCHISE AGREEMENT**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Bus. Reg. Code Ann. §14-201 *et seq.*, the parties to the attached Chatime Franchise, LLC Franchise Agreement (the “Franchise Agreement”) agree as follows:

1. Clause 6 of the Franchise Agreement is amended to add the following:

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

2. Clauses 2.6(3)(h) and 26.2 of the Franchise Agreement, entitled “Options for New Term,” and “Governing Law and Jurisdiction,” will be amended by the addition of the following at the end of the clauses:

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

3. Clause 16.3 of the Franchise Agreement is amended to add the following:

“This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”

4. Clause 25.12 of the Franchise Agreement, entitled “Entire Understanding,” will be amended by the addition of the following at the end of the clause:

“Nothing in this Agreement or any other agreement is intended to disclaim Franchisor’s representations in Franchisor’s Franchise Disclosure Document.”

5. Clause 25.1 of the Franchise Agreement, entitled “Choice of Law,” will be amended by the addition of the following at the end of the clause:

“Notwithstanding the above, Maryland franchisees are permitted to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

6. Clauses 20.1(1), (2), and (3), and 20.2(3) of the Franchise Agreement are deleted.

7. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in

**MARYLAND AMENDMENT TO THE CHATIME FRANCHISE, LLC**  
**MULTI-UNIT DEVELOPMENT AGREEMENT**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Bus. Reg. Code Ann. §14-201 *et seq.*, the parties to the attached Chatime Franchise, LLC Multi-Unit Agreement (the “Multi-Unit Development Agreement”) agree as follows:

1. Clause 5.1 of the Multi-Unit Development Agreement is amended to add the following:

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

2. Clause 2.7(3)(h) of any Multi-Unit Development Agreement, will be amended by the addition of the following at the end of the clauses:

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

3. Clause 14.3 of the Multi-Unit Development Agreement is amended to add the following:

“This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”

4. Clauses 18.1(1), (2) and (3), and 18.2(3) of the Multi-Unit Development Agreement are deleted.

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

6. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independently of the Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

[SIGNATURE PAGE FOLLOWS]

**NEW YORK ADDENDUM TO THE CHATIME FRANCHISE, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the New York General Business Law, Article 33, §§680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, §§200.1 through 201.16, the Chatime Franchise, LLC Franchise Disclosure Document for use in the State of New York will be amended as follows:

1. ~~The “Special Risks~~The following information is added to ~~Consider About This Franchise” listed on the cover~~ page “iv” of the Franchise Disclosure Document ~~will be supplemented with the following additional risk(s):~~

~~“The franchisor may, if it chooses, negotiate with you about items covered in the Franchise Disclosure Document. However, the franchisor cannot use the negotiating process to prevail upon a prospective franchisee to accept terms which are less favorable than those set forth in this Franchise Disclosure Document.”~~

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor’s principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded *nolo contendere* to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded *nolo contendere* to a misdemeanor charge or has been the subject of a civil action alleging violation of a franchise, antifraud, or securities law, fraud;

embezzlement, fraudulent conversion or misappropriation of property, unfair or deceptive practices, or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange, or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), “Requirements for franchisee to renew or extend,” and Item 17(m), “Conditions for franchisor approval of transfer:”

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force; it being the intent of this provision that the non-waiver provisions of General Business Law §§~~Sections~~ 687-(4) and 687-(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), “Termination by franchisee:” “You may terminate the Agreement on any grounds available by law.”

~~You may terminate the Agreement on any grounds available by law.~~

5. The following is added to the end of the “Summary” sections of Item 17(v), “Choice of forum,” and Item 17(w), “Choice of law:”

The foregoing choice of law should not be considered a waiver of any right conferred upon the Franchisor or upon the Franchisee by Article 33 of the General Business Law of the State of New York.

~~6.1. Franchise Questionnaires and Acknowledgements - Exhibit F to the Franchise Disclosure Document (Acknowledgement Addendum to Franchise Agreement) is deleted. Franchisee and its principals are not required to complete and sign the Acknowledgement Addendum.~~

~~7.6.~~ No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

~~7. Exhibit F to the Franchise Disclosure Document (Acknowledgement Addendum to Franchise Agreement) is deleted. Franchisee and its principals are not required to complete and sign the Acknowledgement Addendum.~~

8. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act

(N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship

### State Effective Dates

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

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

<b>State</b>	<b>Effective Date</b>
California	<del>June 9, 2025</del>
Illinois	June 10, 2025
Indiana	May 10, 2025
Maryland	Pending
Michigan	May 15, 2025
Minnesota	Pending
New York	Pending
North Dakota	April 29, 2025
Rhode Island	May 15, 2025
South Dakota	<del>May 15, 2025</del>
Virginia	May 27, 2025
Washington	July 21, 2025
Wisconsin	April 29, 2025

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

## RECEIPT

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

If Chatime Franchise, LLC offers you a franchise, it must provide this Franchise Disclosure Document to you: (a) 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or at your reasonable request, or (b) under New York and Rhode Island law, if applicable, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) ten business days before you sign a binding agreement with, or make payment to the franchisor or an affiliate in connection with the proposed franchise sale, or (c) under Michigan, if applicable, at least ten business days before you sign any binding franchise or other agreement or pay any consideration to the franchisor or an affiliate, whichever occurs first.

If Chatime Franchise, LLC does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in Exhibit C to this Franchise Disclosure Document.

The name, address and telephone number of the franchise seller offering the franchise are listed below:

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This Franchise Disclosure Document was issued: April 21, 2025 (see Exhibit I for state effective dates).

Chatime Franchise, LLC, authorizes the respective state agencies identified in Exhibit D to receive service of process for it in the particular state. For all other states, the franchisor's agent for service of process is A Registered Agent, Inc., 8 The Green, Suite A, Dover, Delaware 19901.

I received a Franchise Disclosure Document issued April 21, 2025. Included are the following:

- Exhibit A – Financial Statements
- Exhibit B – Franchise Agreement
- Exhibit C – Multi-Unit Development Agreement
- Exhibit D – List of Agents for Service of Process and Regulatory Authorities
- Exhibit E – Addenda Required by State(s)
- Exhibit F – Acknowledgment Addendum to Chatime Franchise, LLC Franchise Agreement
- Exhibit G – List of Franchisees
- Exhibit H – Operations Manual Table of Contents
- Exhibit I – State Effective Dates
- Exhibit J – Receipt

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

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

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

**Please remove this page, sign and date this page and return this page to Chatime Franchise, LLC, 8 The Green, Suite A, Dover, DE 19901 or [companysecretaryusaSteven.Rothenstein@chatime.com](mailto:companysecretaryusaSteven.Rothenstein@chatime.com).**