

How to Use This Franchise Disclosure Document

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

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

Special Risks to Consider About *This* Franchise

Certain states require that the following risks be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement and multi-unit agreement require you to resolve disputes with the franchisor by litigation only in New York. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in New York than in your own state.
2. **Spousal Liability.** At the franchisor's request, your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even if your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.
3. **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.
4. ~~**Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.~~

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

We may from time to time increase the Fees, fee ranges or fee limits stated as dollar amounts to amounts that do not exceed the percentage increase may be increased from time to time to reflect increases in the Metropolitan Area Consumer Price Index for All Urban Consumers from the date of the franchise agreement, as published by the U.S. Department of Labor, or a successor index, based on the increase since a date not more than four years before the date of the fee increase. After the first such increase we make for any of the above fees stated in dollar amounts, the comparison date will be the date of the most recent increase in that particular fee, fee range or fee limit. We may make these inflation adjustments annually or at intervals longer than one year.

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Franchise Agreement Estimated Initial Investment

Standard Unit

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial franchise fee (Note 1)	\$37,500	\$37,500	Lump sum	When you sign the franchise agreement	Us
Training fee (Note 2)	\$12,500	\$12,500	Lump sum	Before initial training begins	Us
Equipment, furniture, fixtures and signage	\$100,000	\$120,000	As agreed	As incurred	Approved suppliers or other independent suppliers
Computers, printer, fax, other hardware and business software (Note 3)	\$5,000	\$8,000	As agreed	As incurred	Approved suppliers or other independent suppliers
Prepaid rent and security deposit (Note 4)	\$20,000	\$40,000	As agreed	As incurred	Landlord
Leasehold improvements and architectural costs (Note 5)	\$150,000	\$400,000	As agreed	As incurred	Landlord and independent contractors

fee for your first franchise. The development fee is not refundable under any circumstances, regardless of whether you open all of the restaurants in your development schedule.

You will sign your first franchise agreement at the time you sign the multi-unit agreement. You will pay us the \$12,500 training fee only for the first restaurant.

Note 14: Estimates of the other items that constitute your initial investment for the first TKK Fried Chicken restaurant you open under the multi-unit agreement appear in the tables above.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

You must purchase most of your supplies from our affiliate, Arms Global Inc., as described in Item 5. Arms Global Inc. supplies you all breading, seasoning, frying powders and marinating sauce that you will use in the franchised business, as well as our special wrap mix, cups and other items we specify. You must buy reasonable quantities of these products to meet the demands of your customers. You may not purchase these items from any other supplier.

In 2024, Arms Global Inc. received \$264,596 based on sales to our franchisees, which represented less than 1% of the total 2024 revenues of Arms Global Inc. of \$30,026,331 based on the company's internal books and records.

We require you to use the KFT Group App, which enables customers to earn loyalty rewards, as described in Item 11. The technology fee described in Item 6 pays for this service. The KFT Group App is not a revenue source for us. We collect 7.25% on all in-store purchases linked to the KFT Group App. All amounts collected in this manner go into a reserve fund that we use to compensate franchisees when they accept rewards points from customers to "pay" for TKK products. Except for the KFT Group App, we are not a supplier of any goods or services to franchisees

We specify all items of equipment that you must use in your franchised business. You must purchase this equipment from suppliers we specify. Our current supplier for most equipment is WebstaurantStore from Clark's National Account. See www.webstaurantstore.com/restaurant-equipment.html.

We require you to sell soft drinks that we specify or approve.

We also require you to purchase one or more TVs to be mounted on the wall to display the menu that we provide through Chromecast. The TV must meet our specifications but can be purchased from any supplier.

Your purchases of chicken and other foods that we do not supply must meet our specifications and can be purchased from any supplier.

We do not require you to use delivery platforms and services (such as Grubhub, Uber Eats, DoorDash or Postmates). However, if you do, the services and suppliers you use must comply with our requirements.

We estimate that approximately 15% to 20% of your expenditures for leases and purchases in establishing your TKK Fried Chicken restaurant and 25% to 35% of your expenditures in operating the restaurant on an ongoing basis will be for goods and services that are subject to sourcing restrictions,

EXHIBIT A

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

State	State Administrator	Agent for Service of Process
California	<p>California Department of Financial Protection and Innovation One Sansome Street, #600 San Francisco, CA 94104 415-972-8559 www.dfpi.ca.gov Ask.DFPI@dfpi.ca.gov</p> <p>320 West 4th Street Suite 750 Los Angeles, CA 90013 213-576-7500 Toll Free 866-275-2677</p> <p>651 Bannan Street, Suite 300 2101 Arena Blvd. Sacramento, CA 95834 916-445-7205</p> <p>1350 Front Street San Diego, CA 92101 619-525-4233</p>	<p>California Department of Financial Protection and Innovation One Sansome Street, #600 San Francisco, CA 94104</p>
Connecticut	<p>Connecticut Department of Banking Securities and Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 860-240-8109</p>	<p>Banking Commissioner</p>
Hawaii	<p>Business Registration Division Securities Compliance Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722</p>	<p>Commissioner of Securities</p>
Illinois	<p>Illinois Attorney General Franchise Bureau 500 S. Second Street Springfield, IL 62706 217-782-4465</p>	<p>Attorney General</p>

State	State Administrator	Agent for Service of Process
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9th Floor Richmond, VA 23219 804-371-9051	Clerk, State Corporation Commission 1300 E. Main Street, 1 st Floor Richmond, VA 23219 804-371-9733
Washington	Department of Financial Institutions Securities Division PO Box 41200 150 Israel Road SW Olympia <u>Tumwater</u> , WA 98504-1200 360-902-8760	Director of Financial Institutions <u>Securities Division</u> <u>150 Israel Road SW</u> <u>Tumwater, WA 98501</u>
Wisconsin	Wisconsin Division of Securities Department of Financial Institutions P.O. Box 1768 Madison, WI 53701 608-266-8557	Administrator Division of Securities Department of Financial Institutions



FRANCHISE AGREEMENT

FRANCHISEE:

FRANCHISE LOCATION:

DATE OF AGREEMENT:

1.2.2 *No Assurance.* You acknowledge that neither our recommendation nor our approval of the Site nor any information regarding the Site we communicate to you constitutes a guarantee, assurance, representation or warranty of any kind, express or implied, as to the suitability of the Site for a TKK Fried Chicken restaurant or its successful operation or profitability. You acknowledge that your acceptance of the franchise is based on your own independent investigation of the suitability of the Site.

1.2.3 *Your Role as Property Owner or Tenant.* Except as you and we may otherwise agree in writing, each lease, purchase and loan agreement related to the development, opening and operation of the Franchised Business (i) will be entered into by and in the name of your company as tenant, purchaser or borrower and (ii) will not be entered into by or in the name of any of your affiliates or any other person or entity, as tenant, purchaser or borrower.

1.2.4 *Our Role as Landlord or Lease Assignor.* If we or any of our affiliates own or are the lessee of the Restaurant Premises, we will lease the Restaurant Premises for the term of this Agreement (excluding renewals) at fair market value. If you lease or sublease the Restaurant Premises from us or our affiliate, you agree to execute our then current form of lease or sublease and if you are an entity, you agree to have each of your owners execute our then current form of guaranty. If we or one of our affiliates elects to assign an existing lease to you and you desire to obtain an assignment of the existing lease, unless we otherwise agree, you will arrange for our release or the release of our affiliate, as assignor, from all obligations under the assigned lease as of the date of the assignment.

1.2.5 *Lease from a Third Party Landlord.* If neither we nor any of our affiliates owns the Restaurant Premises and we have not assigned an existing lease to you, you must submit your proposed lease of the Restaurant Premises (the "Lease") to us for our prior written approval as to its form. Any Lease or Lease renewal must contain the following provisions:

1.2.5.1. The permitted use of the Restaurant Premises will be limited to the operation of a TKK Fried Chicken restaurant.

1.2.5.2. You are permitted to use and install the trademarks, trade dress, signage and related features associated with the System that we may prescribe.

1.2.5.3. The landlord will provide us with copies of any written notice of default under the Lease sent to you concurrently with the landlord's delivery of such notice to you. Such notice must grant to us the right (but not the obligation) to cure any default under the Lease (should you fail to do so) within 15 days after the expiration of the period in which you may cure the default.

1.2.5.4. You and the landlord will, at our request, execute a lease addendum in a form substantially similar to our then current~~the~~ lease addendum form ~~set forth in our then current franchise disclosure document~~, consenting to the Collateral Assignment of Lease contained in Section 2.3.2, of this Agreement, and granting to us or our assignee the right to succeed to your rights and obligations under the Lease in the event that this Agreement is terminated for any reason or expires without a renewal agreement, or if you commit any breach of the Lease that could lead to termination of the lease.

1.2.5.5. The landlord will grant to us the right (but ~~will not delegate to us~~ the obligation), to assume the Lease upon the expiration of this Agreement or its termination for any reason. In such event, we will give the landlord notice of our assumption of the Lease, and in exchange for the landlord's agreement to recognize us as the new tenant under the Lease, we will agree thereafter to be bound by the terms of the lease. We will have the right to assign our interest in the Lease to an approved franchisee and we will have no further liability or obligation under the Lease after any such assignment. Unless and until we agree in writing to assume the Lease, we will have no liability

1.3.7 *Operations Data*. We will have continuing access to and use of all operations data, including specific products sold and other sales data, customer lists (including the name, address, telephone number and email address of each customer), surveillance video and all other content and data you collect or store on your computer and surveillance system. We will periodically establish policies with respect to the use of such content and data, and you agree to comply with such policies. If we determine based on this data or any other evidence that you are using in the Franchised Business raw materials for the production of food products for sale to customers from any supplier other than Arms Global Inc. without our approval, we may instruct Arms Global Inc. to begin supplying such raw materials to you in quantities generally equal to the demonstrated shortfall in your orders. We will inform you that we have so instructed Arms Global Inc., and you agree to pay Arms Global all amounts invoiced by Arms Global for such materials.

1.3.8 *No Warranty*. We disclaim all express and implied warranties concerning any approved goods, materials or services, including, without limitation, any warranties as to merchantability, fitness for a particular purpose, availability, quality, pricing or profitability.

Section 1.4 – **System Standards**

1.4.1 *Manuals; System Standards*. During the term of this Agreement, we will give you access to the confidential operations manual, training and other materials that we generally furnish to franchisees from time to time for use in operating a TKK Fried Chicken restaurant (the “Manual”), in such media as we select, whether hard copy, through a secure Internet portal or otherwise. The Manual and the bulletins and other written materials we provide to you will contain mandatory and suggested specifications, standards, operating procedures, policies, methods and rules (“System Standards”) that we prescribe from time to time for the operation of a TKK Fried Chicken restaurant and information relating to your other obligations under this Agreement. The Manual is and will remain at all times our sole property. You acknowledge that the Manual contains confidential information that is highly valuable to us. You will protect the confidentiality of such information in accordance with Section 3.2.

1.4.2 *System Modifications by Us*. We may modify or change the System Standards from time to time, and upon notice to you, we may make additions to, deletions from or revisions in the Manual to reflect such modifications or changes. Such modifications or changes (“**Capital Modifications**”) may include, for example, the addition or discontinuation of products and services that you are required to sell at the Franchised Business, and may obligate you to invest additional capital in the Franchised Business (“**Capital Modifications**”). No modification or change that we make will alter your rights or obligations under this Agreement. We will not obligate you to make any Capital Modification that you cannot reasonably amortize during the remaining term of this Agreement and with respect to leasehold improvements over the remaining term of the Lease, unless we agree to extend the term of this Agreement or unless such investment is necessary in order to comply with applicable laws. You agree to adopt or comply with each new or changed procedure, policy, method and requirement as promptly as practicable after notice from us, and in any event within the time period we reasonably require.

1.4.3 *System Modifications by You*. You agree not to implement any modification or change in the System Standards or in the Franchised Business, other than modifications or changes we prescribe or recommend, without our prior written approval, which we may withhold in our discretion. If you or any of your employees makes an improvement to the System Standards or in the Franchised Business, such improvement will be our property. All recipe and menu changes you submit to us for our consideration and approval will become our property. We will have the right to use such improvements and recipe and menu changes anywhere and authorize our affiliates and other franchisees to use them. You assign to us all rights to such improvements and you agree to sign any documents and to require that your employees sign any documents that we may reasonably request from time to time to evidence such assignment.

Section 1.6 – **Operation of the Franchised Business**

1.6.1 *Compliance with System Standards.* You agree to operate the Franchised Business in strict accordance with all System Standards in effect from time to time. You understand and acknowledge that every detail of the Franchised Business is important to you, to us and to other TKK Fried Chicken ~~restaurant franchisees, and that your compliance with all System Standards is necessary in order in order to develop and maintain high operating standards,~~ to increase the demand for the services and products sold by all franchisees, and to protect the reputation and goodwill of the TKK Fried Chicken ~~restaurant~~ brand.

1.6.2 *Customer Service.* You will provide prompt, courteous and efficient service to all customers and treat all customers with respect. You will give prompt attention to all complaints from dissatisfied customers, if any, and use your best efforts to resolve such complaints as quickly as practicable, giving the customer the benefit of the doubt whenever feasible. You will provide customer service training to your employees. If we determine in our sole discretion that our intervention is necessary or desirable to protect the System or the goodwill associated with the System, or if we believe that you have failed adequately to address or resolve any customer complaints, we may, without your consent, resolve any complaints and charge you an amount sufficient to cover our reasonable costs and expenses in resolving the customer complaints, which amount you will pay us immediately on demand.

1.6.3 *Maintaining Goodwill.* You will do nothing that, in our reasonable opinion, tends to discredit the Marks or the System or to bring either into disrepute, or that might diminish or affect adversely our reputation or the goodwill of the TKK Fried Chicken system. This obligation will survive this Agreement and continue in effect after the expiration or termination of this Agreement or your transfer in accordance with Article IV.

1.6.4 *Compliance with Laws.* You will comply with all applicable laws, rules and regulations in the operation of the Franchised Business and pay all taxes when due.

1.6.5 *Health and Safety Standards.* You will meet and maintain a high degree of sanitation and safety at the Restaurant Premises and the highest health standards and ratings ~~with respect~~ applicable to the operation of the Franchised Business. In this connection you agree as follows:

1.6.5.1 If the municipality in which the Franchised Business is located maintains a rating system for or relating to the sanitary conditions of food establishments, you must maintain the highest rating possible for the Franchised Business. If you receive an inspection report or a warning, citation or notice that results in or may result in a lowering of such rating, you must provide us with a copy of such report, warning, citation or notice within 24 hours after you receive it. You agree to take immediate steps to restore the highest rating for the Franchised Business and to seek a reinspection or appeal as soon as possible in order to restore such rating.

1.6.5.2 If you receive an inspection report or a warning, citation, certificate or notice that requires you to repair, replace or further sanitize any item at the Restaurant Premises within 72 hours ~~or less,~~ you must provide us with a copy of such report, warning, citation, certificate or notice within 24 hours after you receive it.

1.6.5.3 In all cases not described in Sections 1.6.5.1 or 1.6.5.2, you will furnish us, within five days after you receive it, a copy of each inspection report, warning, citation, certificate, notice and rating resulting from an inspection conducted by any federal, state, county or municipal agency with jurisdiction over the Franchised Business.

1.6.5.4 You will notify us within 48 hours of the occurrence of any accident or injury that may adversely affect the operation of the Franchised Business or your financial condition, or that may give rise to liability or a claim against you or us.

TKK Fried Chicken brand. You may not discuss any aspect of the Franchised Business or the System with any news reporter without our prior written approval in each instance.

Section 1.8 – **Website and Portal**

1.8.1 *System Website.* We maintain one or more websites to advertise, market and promote TKK Fried Chicken restaurants and the TKK Fried Chicken franchise opportunity (the “System Website”). The System Website lists the locations of TKK Fried Chicken restaurants. We own all intellectual property and other rights in the System Website and all information it contains.

1.8.2 *Promotion of the System Website.* All advertising, marketing and promotional materials that you develop for the Franchised Business must promote the System Website’s domain name in the manner we designate.

1.8.3 *Web Portal.* In addition to the System Website, we may (but we will not be obligated to) maintain a secure web portal, extranet or other system for all TKK Fried Chicken restaurant franchisees that can be accessed only by means of user names and passwords and will not be available to the general public. We may use this portal, extranet or system to provide support for franchisees and to allow for online franchise discussion groups. You agree both during and after the term of this Agreement not to disclose your means of access to such portal to any person or entity who is not under your direct supervision and who does not have a need to have access. You agree to inform all persons under your supervision of this obligation of confidentiality. You further agree to comply with all guidelines and policies we establish from time to time for the use of this portal, extranet or system.

ARTICLE II – **FEES; PAYMENTS; RECORDS; INSPECTIONS**

Section 2.1 – **Fees and Reports**

2.1.1 *Initial Fee.* Upon your signing of this Agreement, you will pay us the initial fee indicated in Schedule A. The amount of any deposit already paid will be credited toward the initial fee. The initial fee is fully earned at the time we grant the franchise and is not refundable under any circumstances.

2.1.2 *Training Fee.* Before you begin initial training, you will pay us a training fee of \$12,500 for a standard or a non-traditional location, or \$5,000 to \$7,500 for a TKK Express franchise as we determine. We require this fee and the initial training only for your first franchise location, although we may require further training in accordance with Section 1.5.5.

2.1.3 *Royalty.* You agree to pay us a royalty (“Royalty”) in the amount of 5% of the Gross Sales (as defined below) of the Franchised Business each Accounting Period (defined below).

2.1.4 *Definition of Gross Sales.* As used in this Agreement, the term “Gross Sales” or “Gross Sales of the Franchised Business” means all sales made in the operation of the Franchised Business, whether collected or not, including, but not limited to, all amounts you receive at or away from the Restaurant Premises, whether from cash, check, credit or debit card (with no deduction for credit card charges), near field communications (such as Apple Pay or Google Pay), proceeds of any business interruption insurance policies, and revenue from any other source. It does not include sales taxes collected from customers for payment to the appropriate taxing authorities or amounts refunded or credited to customers.

2.1.5 *Definition of Accounting Period.* “Accounting Period” means the specific period that we designate from time to time in the Manual or otherwise in writing for purposes of your financial reporting and payment obligations described in this Agreement. The Accounting Period may be a calendar month, but we may change the Accounting Period or designate different Accounting Periods for different purposes in our discretion as changes the System Standards pursuant to Section 1.4.2.

2.1.8.9 If you renew the franchise pursuant to Section 5.1.2, you agree to pay us our then-current renewal fee, which will not exceed the greater of \$10,000 or 25% of the then-current initial franchise fee.

2.1.8.10 If any required payment you make to us is rejected by your bank because of insufficient funds, you will pay us \$50 for each occurrence.

2.1.8.11 If you continue to sell or purchase an unauthorized product or service or you continue to be out of compliance with the System Standards after we have notified you to cease such sales or purchases or to comply with the System Standards, you will pay us our then current fee pursuant to Section 1.1.4 or 1.6.15. Such fee as of the date of this Agreement is \$300 per day. You acknowledge and agree that your continued sale or purchase of unauthorized products or services or your continued noncompliance with System Standards after we have notified you to cease will cause us to incur damages, the actual amount of which would be speculative and difficult to calculate. You acknowledge that \$300 per day from the date you receive our notice is a fair and reasonable estimate of the foreseeable damages that we are likely to incur.

2.1.8.12 If we hold franchisee conferences as described in Section 1.5.8, we may charge you a fee sufficient to cover the reasonable costs of such conferences.

2.1.9 *Inflation.* ~~We may increase the fFees stated in this Section 2.1 as specific dollar amounts may be increased from time to time toby percentages that do not exceed the percentage-reflect~~ increases in the Metropolitan Area Consumer Price Index for All Urban Consumers ~~from the date of this Agreement,~~ as published by the U.S. Department of Labor, or a successor index, from a date not more than four years before the date of the fee increase. After the first increase we make for any of the above fees stated in dollar amounts, the comparison date for any subsequent increase in that fee will be the date of the most recent increase in such fee.

2.1.10 *Reports.* You will submit to us an electronic report within three days after the end of each Accounting Period setting forth your true and correct Gross Sales for such Accounting Period in such detail and in such manner as we require from time to time. We have the right, upon notice to you, to require you to submit to us in digital format, (i) monthly and annual balance sheets and income statements for the Franchised Business, prepared in accordance with generally accepted accounting principles consistently applied, in the format we prescribe, and verified as correct in the manner we prescribe from time to time; and (ii) reviewed financial statements prepared annually.

2.1.11 *Payment.* You will pay us the Royalty and Marketing Fee for each Accounting Period at the time you submit each report to us in accordance with Section 2.1.10, based on Gross Sales during the most recent Accounting Period. You will pay us for all other amounts upon your receipt of our invoice, including but not limited to reimbursements to us for amounts we spend on your behalf, amounts you incur for training, and purchases we make at your request or that we make on your behalf. Time is of the essence with respect to all payments you are to make to us. You will pay all sums owed to us or to any of our affiliates electronically through one or more depository transfer accounts or using such methods as we may designate in the Manual or otherwise in writing. At our request, you agree to execute such documents as we determine are necessary for us to process electronic funds transfers from your designated bank account for payment of the fees you owe to us. You will bear all costs to establish and maintain the required electronic payment system, and all bank service charges. You will comply with our procedures for electronic payment, which we may modify from time to time, including the maintenance of such minimum bank account balance as we specify from time to time.

2.1.12 *Interest on Late Payments.* Any payment that is not made by the date it is due will be subject to interest at the rate of 1.5% per month or the highest rate allowed by law, whichever is less. If no due date is stated, interest begins to run 10 days after billing. Your failure to pay all amounts when due constitutes

2.3.7 *Survival*. The security interest created by this Section 2.3 will survive the termination or the expiration and nonrenewal of this Agreement and remain in effect until all of your monetary obligations to us are satisfied in full.

ARTICLE III - PROPRIETARY RIGHTS; CONFIDENTIALITY; NONCOMPETITION

Section 3.1 – *Our Copyrights and Trademarks*

3.1.1 *Our Copyrights*. We and our affiliates are the sole owners of all copyrights in the Manual and all supplemental materials, and other materials identified as ours that we provide to you, and in all advertising and promotional material created by or for us. You may not copy any such materials, nor create derivative works of any such materials, except as we specifically authorize or permit.

3.1.2 *Our Trademarks*. Your right to use the Marks is derived solely from this Agreement and is limited to your operation of the Franchised Business at and from the Restaurant Premises pursuant to and in compliance with this Agreement and all System Standards. Your unauthorized use of the Marks will be a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that your use of the Marks and any goodwill established by such use will be exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the Franchised Business in compliance with this Agreement). You will not contest or assist others in contesting our right to use the Marks.

3.1.3 *Proper Use of the Marks*. You may not use the Marks except as authorized under this Agreement. You understand that any use of the Marks other than as expressly authorized by this Agreement, without our prior written consent, may constitute infringement and that your right to use the Marks does not extend beyond the expiration or termination of this Agreement. You agree to use the Marks as the sole identification of the Franchised Business, except that you agree to identify yourself as the independent owner of the Franchised Business in the manner we prescribe. You may not use any of the Marks or any word similar to any of the Marks as part of any corporate or legal business name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to you under this Agreement), or in any modified form, nor may you use any Mark in connection with the performance or sale of any unauthorized products or services or in any other manner we have not expressly authorized in writing. You may not use any Mark as part of a domain name or electronic address of a website. You agree to display the Marks prominently in the manner we prescribe at the Franchised Business and on business forms and advertising materials. You agree to give such notices of trademark registrations and our ownership of the Marks as we specify from time to time and to obtain any fictitious or assumed business name registrations required under applicable law.

3.1.4 *Modifying the Marks*. We will have the right to modify or change the Marks from time to time upon written notice to you specifically referring to this Agreement and describing such modification or change. Such right will include the right to use a trademark that is entirely different from “TKK Fried Chicken” and the right to require you to use one or more additional logos and marks; but we will make all such changes in the Marks only for good faith marketing, trademark or other reasons on a uniform basis for all TKK Fried Chicken franchisees in the U.S. You agree, upon notice from us, to regard each such modified, changed, new or additional trademark as being within the definition of “Marks” under this Agreement, and to adopt and use each such trademark at your expense in accordance with the terms and conditions of this Agreement. We will not be obligated to reimburse you for any loss of revenue or expenses caused by any such modification or change.

3.1.5 *Infringement*. You agree to notify us of any infringement or apparent infringement of any Mark or of any ~~of our~~ copyrights, or design patents owned by us or any of our affiliates or licensed to us, by any third party, as soon as such apparent infringement comes to your attention, ~~;~~ and in addition, you agree to notify us immediately of any challenge to your use of any Mark and of any claim by any person of any

CALIFORNIA ADDENDUM

OUR WEBSITE WWW.TKKUSA.COM HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.GOV.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT AT LEAST 14 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 14 DAYS PRIOR TO THE RECEIPT OF ANY CONSIDERATION, WHICHEVER OCCURS FIRST. (SECTION 31119)

Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Corporations before we ask you to consider a material modification of your franchise agreement.

Any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this law or any rule or order hereunder is void. (Section 31512)

Any provision of a franchise agreement, franchise disclosure document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
- (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
- (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
- (d) Violations of any provision of this division. (Section 31512.1)

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

Neither the franchisor nor any person or franchise broker in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

THE REGISTRATION OF THIS FRANCHISE OFFERING BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER.

Item 1 – THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

You must comply with all federal, state and local laws and regulations protecting the health, safety and welfare of the employees and customers of a food service business, such as laws and regulations governing food preparation, handling and service, and sanitary conditions; and laws and regulations governing the public posting of nutritional information; restrictions on smoking; and fire safety. These laws also include California AB 1228 which set a minimum hourly wage rate for certain fast food employees and established a Fast Food Council within the California Department of Industrial Relations to set

MARYLAND ADDENDUM TO THE TKK FRIED CHICKEN FRANCHISE AGREEMENT

between

TKK FRANCHISING LLC

and

This Addendum modifies and amends the TKK Fried Chicken Franchise Agreement dated as of _____, between TKK FRANCHISING LLC and _____ (the "Franchise Agreement").

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

2. Notwithstanding anything to the contrary contained in the Franchise Agreement, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law within three years after the grant of the franchise.

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

4. No provision in the Franchise Agreement or the Franchisee Certification is intended nor will it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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. In all other respects, the Franchise Agreement is unchanged.

TKK FRANCHISING LLC

[Franchisee]

By _____

By _____

Title _____

Title _____

Date _____

Date _____

MARYLAND ADDENDUM TO THE TTK FRIED CHICKEN MULTI-UNIT AGREEMENT

between

TKK FRANCHISING LLC

and

This Addendum modifies and amends the TTK Fried Chicken Multi-Unit Agreement dated as of _____, between TTK FRANCHISING LLC and _____ (the "Multi-Unit Agreement").

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

2. No provision in the Multi-Unit Agreement is intended nor will it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. Notwithstanding anything to the contrary contained in the Multi-Unit Agreement, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law within three years after the grant of the franchise.

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

5. In all other respects, the Multi-Unit Agreement is unchanged.

TKK FRANCHISING LLC

[Developer]

By _____

By _____

Title _____

Title _____

Date _____

Date _____

MINNESOTA ADDENDUM

Cover Page and Item 17

MINNESOTA STATUTES, SECTION 80C.21 AND **MINNESOTA RULE 2860.4400(J)** PROHIBIT US FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE MINNESOTA, REQUIRING WAIVER OF A JURY TRIAL, OR REQUIRING THE FRANCHISEE TO CONSENT TO LIQUIDATED DAMAGES, TERMINATION PENALTIES OR JUDGMENT NOTES. IN ADDITION, NOTHING IN THE FRANCHISE DISCLOSURE DOCUMENT OR AGREEMENT(S) CAN ABROGATE OR REDUCE (1) ANY OF YOUR RIGHTS AS PROVIDED FOR IN **MINNESOTA STATUTES, CHAPTER 80C**, OR (2) YOUR RIGHTS TO ANY PROCEDURE, FORUM, OR REMEDIES PROVIDED FOR BY THE LAWS OF THE JURISDICTION.

Item 17 – RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

With respect to franchises governed by Minnesota law, the franchisor will comply with **MINNESOTA STATUTES, SECTION 80C.14, Subds. 3, 4, and 5**, which require (except in certain specified cases)

1. that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and
2. that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(G). The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

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

The Limitations of Claims section must comply with Minnesota Statute ROC 17 Subd. 5.

NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

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 with the franchise.

The Consent to Transfer Agreement and the Renewal Addendum (Exhibits F3 and F4), referred to in Items 17c and 17m, each contains a general release. Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release. A court will determine if a bond is required. Accordingly, this ~~release requirement~~ will not apply in Minnesota.

The agreements you sign give us the right to obtain injunctive relief in certain cases. (Section 7.3 of the Franchise Agreement and Section 4.2 of the Confidentiality and Non-Competition Agreement.) Under Minnesota Rule 2860.4400J, a franchisee cannot consent to the franchisor obtaining injunctive relief. Accordingly, these provisions are understood to mean that we have the right to seek injunctive relief.

NEW YORK ADDENDUM

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT 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 to be added at the end of Item 3:

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

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

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

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

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

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

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

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

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

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

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

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

~~———— THE STATE OF NEW YORK REQUIRES US TO DISCLOSE THE FOLLOWING INFORMATION:~~

~~———— INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES 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 THAT 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 WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.~~

Item 3 – LITIGATION

~~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, or unfair or deceptive practices or comparable allegations.~~

~~D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunction 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.~~

Item 17 – RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

~~_____ The following is added to the end of the "Summary" sections of Item 17(c) (Requirements for franchisee to renew or extend) and 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 shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.~~

~~_____ The following language replaces the "Summary" section of Item 17(d) (titled "Termination by franchisee"):~~

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

~~———— The following is added to the end of the “Summary” sections of Item 17(v) (entitled “Choice of Forum”) and 17(w) (entitled “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.~~

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, THE MULTI-UNIT AGREEMENT, AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

- 9. Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
- 10. Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
- 11. Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
- 12. Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
- 13. Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
- 14. Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
- 15. Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
- 16. Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supercedes any other term of any document executed in connection with the franchise.
- 17. Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

In addition:

a) If this Addendum amends a Franchise Agreement, Section 1.2.10 of the Franchise Agreement is revised to read as follows:

“You agree to begin commercial operations of the Franchised Business no later than eighteen months after the date of this Agreement. You acknowledge that time is of the essence.”

b) In lieu of an impound of franchise fees, the franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or franchise disclosure document and (b) is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Multi-Unit Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.

The franchise deposit agreement will not be used in Washington because of this requirement to defer all initial payments.

c) The references in Section 5.3.5.1 of the Franchise Agreement to liquidated damages equal to your average monthly royalty amount multiplied by 36 or a lesser number of months that remain in the term are hereby revised by changing “36” to “24” each time it appears, so that liquidated damages will not exceed the average monthly royalty multiplied by 24, not by 36.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this _____ day of _____, 202 .

Signature of Franchisor Representative

Signature of Franchisee Representative

Title of Franchisor Representative

Title of Franchisee Representative

WASHINGTON ADDENDUM

~~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.~~

Item 5 – INITIAL FRANCHISE FEE

~~_____ In lieu of an impound of franchise fees, the franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or franchise disclosure document and (b) is open for business. Because the Franchisor has material pre-opening obligations with respect to each franchised business the Franchisee opens under the Multi-Unit Agreement, the State of Washington will require that the franchise fees be released proportionally with respect to each franchised business.~~

Item 17 – RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

~~_____ In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.~~

~~_____ RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.~~

~~_____ In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.~~

~~_____ A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~

~~_____ Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.~~

~~_____ Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict~~

~~with these limitations are void and unenforceable in Washington.~~

~~_____ RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.~~