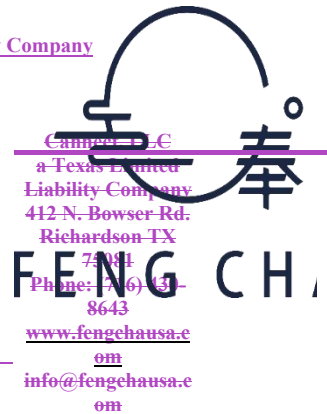




FENG CHA

SURE DOCUMENT

Cannect, LLC  
a Texas Limited Liability Company  
412 N. Bowser Rd.  
Richardson TX 75081  
Phone: (716) 430-8643  
www.fengchausa.com



info@fengchausa.com

The franchise offered is for the operation of a Feng Cha business serving bubble tea blends, coffee and teas, smoothies, juices, cakes, desserts and other related products. The franchise operates under the name "Feng Cha" and uses the franchisor's proprietary methods, techniques, trade dress, trademarks and logos.

The total investment necessary to begin operation of a single Feng Cha franchise is between \$246,706.80 to \$206,925 to \$663,328.22 582,710. This includes \$100,000 to 102,150 to \$128,000 to 145,950 that must be paid to the franchisor and/or its affiliate. We may also offer to certain qualified people the right to develop multiple Feng Cha franchises under a Multi-Unit Developer Agreement. The total investment for the first location under a Multi-Unit Developer Agreement for the development of two Feng Cha businesses is between \$261,706.80 to 219,425 to \$678,328.22 to 595,210. This includes \$115,000 to 114,650 to \$143,000 to 158,450 that must be paid to the franchisor and/or its affiliate. The total investment for the first location under a Multi-Unit Developer Agreement for the development of three Feng Cha businesses is between \$274,207 to 229,425 to \$690,828.22 to 605,210. This includes \$127,500 to \$155,500 to 124,650 to \$168,450 that must be paid to the franchisor and/or its affiliate.

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 the disclosure document at least 14 calendar days before you sign a binding agreement with or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 formats, contact Johnny Gao at 412 N. Bowser Rd., Richardson TX 75081 or at (716) 430-8643

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

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

**Issuance Date:** ~~May 19, 2025~~

|

March 23, 2026

**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.

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

## What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

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

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

1. **Out of State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by mediation, arbitration, and litigation only in Texas. Out-of-state arbitration, litigation, and mediation may force you to accept a less favorable settlement for disputes. It may also cost you more to sue, arbitrate, or mediate with us in Texas than in your own state.

Special Risks to Consider About This Franchise  
Certain states require that the following risk(s) be highlighted.

2. **Spousal Guarantee.** Your spouse must sign a document, such as a guarantee, that makes your spouse liable for your financial obligations under the franchise agreement even if your spouse does not own any part of the franchise business. If you live in a community property state, your spouse may be liable for your financial obligations even if he or she hasn't signed anything. In either case, both you and your spouse's marital and personal assets, including your house, could be lost 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.

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

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- E – List of Franchisees
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- G – Table of Contents of Confidential Franchise Operations Manual
- H – Multi-State Addendum

APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT AND MIGHT REQUIRE A RIDER TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES AND RIDERS, IF ANY, APPEAR IN EXHIBIT H.

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

The Franchisor is Cannect, LLC, a Texas limited liability company. To simplify the language in this Disclosure Document, the Franchisor, will be referred to as “we” or “us”. “You” means the individual or individuals or corporation, partnership or limited liability company buying the franchise. If you are a legal entity, each of the following individuals must sign our Guaranty: (i) each of your shareholders if you are a corporation; (ii) each of your partners if you are a general partnership; or (iii) each of your members and managers if you are a limited liability company. All spouses of signatories must also sign. All of the provisions of our Franchise Agreement (a copy of which is attached as Exhibit B to this Disclosure Document) will apply to you and to each individual who signs the Guaranty, including the confidentiality and non-competition covenants.

**The Franchisor**

We are a Texas limited liability company, organized on November 10, 2016. We do business only under our corporate name and maintain our principal business address at 412 N Bowser Rd, Richardson, TX 75081. We sell franchises for the operation of a business known as “Feng Cha” (the “Franchised Business” or “Feng Cha business”). We offer a Franchise Agreement for the development and operation of a single Feng Cha business at a specified location ~~as well as a Multi-Unit Developer Agreement for the development of multiple Feng Cha businesses.~~

We have never engaged in any other business activity or offered franchises in any other line of business. We have never operated a Feng Cha business. ~~We own our Proprietary Marks which we license in connection with the operation of a~~ however, our affiliate, Feng Cha Lab, LLC, operates one corporate owned Feng Cha business.

**Our Parents, Predecessors and Affiliates**

We have no parent or predecessor. Our affiliate OFFO, LLC, a Texas limited liability company ~~formed on January 22, 2021,~~ is a supplier of certain products for Feng Cha businesses. It maintains a principal business address at 412 N Bowser Rd, Richardson, TX 75081. OFFO, LLC does not offer, and has never offered, franchises in any line of business. ~~In addition, OFFO, LLC and has never operated a Feng Cha business similar to the ones being offered under this disclosure document. Offo LLC is not engaged in any other business activity.~~

~~Our affiliate FC USA, LLC, a Texas limited liability company formed on December 23, 2024 owns our Proprietary Marks which we license in connection with the franchising and operation of Feng Cha businesses. It maintains a principal business address at 412 N Bowser Rd, Richardson, TX 75081. FC USA, LLC does not offer, and has never offered, franchises in any line of business and has never operated a Feng Cha business. FC USA, LLC is not engaged in any other business activity.~~

**Description of Franchise**

The franchise offered is for the ownership and operation of a Feng Cha business using proprietary methods, recipes, ingredients, food preparation and handling techniques, trade dress, trademarks and logos owned by us or our affiliates. Feng Cha businesses offer bubble tea blends, coffee and teas, smoothies, juices, cakes, desserts and other related products.

You will be required to sign our franchise agreement, which is attached to this Disclosure Document as Exhibit B (the “Franchise Agreement”) for the right to operate one Feng Cha business at a location selected by you and accepted by us (the “Approved Location”). If we have not yet designated an Approved Location for the Feng Cha business when the Franchise Agreement is signed then you are responsible for locating a site within a specified geographic site selection area (the “Search Area”).

You will operate your Franchised Business under our unique system governing the establishment and operation of Feng Cha businesses (the “System”). The System includes the Proprietary Marks; IT platforms; recognized designs, decor and color schemes; distinctive specifications for furniture, fixtures, equipment, and wall, ceiling and display designs; know-how; training techniques; trade secrets; uniform specifications of products and services; menu items; proprietary products; recipes and ingredients; procedures for sanitation; food preparation techniques and storage; sales techniques and merchandising, marketing; advertising; inventory management systems; quality control procedures; and procedures for operation and management of System businesses. We may periodically make changes to the System, including System standards, menu offerings, facility location requirements and design, signage, equipment, trade dress and fixture requirements. Your Feng Cha business must be open on the days and times we specify.

The “Proprietary Marks” include various trade names, trademarks, service marks, logos, and other indicia of origin, including the trademark “Feng Cha” or any other marks we have designated or may in the future designate for use in connection with the System.

Under a separate disclosure document, we [used to](#) offer franchises to qualified individuals to serve as our Area Representatives and solicit prospective franchisees for Feng Cha franchised businesses. Since November, 2016, we have sold a limited number of area representative franchises. As of the date of this Disclosure Document, we have two Area Representatives.

#### **Multi-Unit Developer Agreement**

We offer a Multi-Unit Developer Agreement for the development of multiple Feng Cha businesses ~~with~~[within](#) a defined development area. Our form of Multi-Unit Developer Agreement is attached as Exhibit C to this Disclosure Document. ~~You will be~~[Franchisees who wish to enter into our Multi-Unit Developer Agreement](#) [are](#) required to open each Franchised Business in accordance with a development schedule. The Franchise Agreement for each Franchised Business developed under the Multi-Unit Developer Agreement will be the form of Franchise Agreement being offered by us generally at the time each Franchise Agreement is executed.

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

The market for bubble tea, tea drinks and other items sold at a Feng Cha business also may be affected by general economic conditions and may be more seasonal in some parts of the country.

### **Industry Regulations**

The food service industry is heavily regulated. Your Franchised Business will be subject to various federal, state and local laws and regulations affecting the Franchised Business. You must investigate, keep informed of and comply with these laws. You must comply with all local, state and federal laws applicable to establishments handling food, including zoning, licensing, health, sanitation, safety, fire, insecticides, and use, storage and disposal of waste (including laws requiring recycling and regulating the use of certain types of containers and other materials potentially harmful to the environment). The operation of your Franchised Business may require a license for preparing and serving food on-premises.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture, and state and local health departments administer and enforce laws and regulations that govern food preparation and service and establishment of sanitary conditions. State and local agencies inspect foodservice establishments to ensure that they comply with these laws and regulations. Some state and local authorities have adopted, or are considering adopting, laws or regulations that could affect: the content or make-up of food served in restaurants, such as the level of trans fat contained in a food item; general requirements or restrictions on advertising containing false or misleading claims, or health and nutrient claims on menus or otherwise, such as “low calorie” or “fat free”; the posting of calorie and other nutritional information on menus; the use of polystyrene in packaging; the use of plastic carry out bags and the use of plastic straws.

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

Your Franchised Business will also be subject to other laws or regulations that are not specific to the industry, but apply to businesses generally, including the ~~American~~Americans with Disabilities Act and privacy laws.

You or your Operating Principal (if you are an entity) and your General Manager (and other employees as we may designate) must be ServSafe Manager Training certified (or another similar food safety training certification which we approve, at our discretion).

### **Agent for Service of Process**

Our agents for service of process are identified in Exhibit D to this Disclosure Document.

REMAINDER LEFT INTENTIONALLY BLANK

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

**Co-Founder and Co-Ceo: Zhongming Gao**

Mr. Gao is our co-founder and has served as our Co-CEO since our formation in 2016. He has also served as the Co-CEO of our affiliates, Feng Cha Lab, LLC since April, 2024 and Offo, LLC since January, 2021.

**Co-Founder and Co-Ceo: Yan Chen**

Ms. Chen is our co-founder and has served as our Co-CEO since our formation in 2016. She has also served as the Co-CEO of our affiliates, Feng Cha Lab, LLC since April, 2024 and Offo, LLC since January, 2021.

**Director of Franchise Success: Terry Collinworth**

[Mr. Collinworth has served as Feng Cha's Director of Franchise Success since December 2024. From April 2022 to September 2024 he served as Director of New Store Opens for Charleys Philly Steaks in Columbus, Ohio and served as a Franchise Business Consultant for them from February 2018 to March 2022.](#)

**Director of Marketing: Dessie Brown**

[Mr. Brown has served as the Director of Marketing for Feng Cha since December 2025. From April 2021 to December 2025, Mr. Brown served as Head of Digital Marketing & Programming for Genius Entertainment in Los Angeles, CA. Prior to that, from 2004 to March, 2021, Mr. Brown served as a Marketing Executive at LD Unlimited in Dallas, TX.](#)

**ITEM 3**  
**LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4**  
**BANKRUPTCY**

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

**Franchise Agreement**

**Initial Franchise Fee**

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

You must pay us an initial franchise fee for the right to establish a single Feng Cha business under a franchise agreement in the amount of ~~\$35~~30,000. You must pay the initial franchise fee in full when you sign the

franchise agreement. Except as otherwise provided herein, the initial franchise fee is imposed uniformly on all franchisees and is not refundable under any circumstances.

~~We currently offer as a development incentive a reduced initial franchise fee of \$17,500 for existing franchisees in good standing who are, or who demonstrate to us their desire and ability to be, both financially and operationally qualified to purchase an additional franchise to develop a new Feng Cha location. If you qualify and participate in this incentive program, we also offer to reduce the royalty fee by one percent (1%) during the first year and provide you with a \$3,000 credit towards your first inventory order. This offer is only given to existing franchisees for new franchise agreements to develop a new Feng Cha location and may not be transferred or combined with any other discount or incentive offer. To qualify, the existing franchisee must own at least 50% of the new franchise and the existing franchise. You will be required to sign our current form of franchise agreement by March 30, 2026 in order to qualify for this incentive.~~

We may pay a referral fee in the amount of \$10,000 to certain chambers of commerce who provide us with prospective franchisee leads that result in the signing of a Franchise Agreement. This referral program is administered in our sole discretion and may be changed or discontinued by us at any time. The amount of the referral fee is also subject to change at any time. Those who are eligible to participate in this referral program and who refer prospective franchisees are not acting as our agent and do not speak for us, despite the receipt of a referral fee. We do not control what these individuals say, and we cannot guarantee the accuracy of any statement made by them, to you or any other prospective franchisee.

Initial Training Fee.

~~You will be required to participate in basic training, presently delivered through an online platform. Upon successful completion (with a 90% passing grade), you will be required to attend an in person training at a location of our designation, anticipated to span at least six (6) days. Associated with this in person training, you will pay for our trainers' airfare or other transportation, lodging and meal costs in delivering the follow up on site support (estimated at 7 days) when your Franchised Business is under its soft opening.~~

**Multi-Unit Developer Agreement**

We offer qualified candidates the ability to open multiple Feng Cha stores pursuant to a Multi-Unit Developer Agreement. If you qualify to develop and operate multiple Feng Cha stores, you must pay to us a development fee. The development fee will be based on a percentage of the initial franchise fee. For purposes of calculation, the initial franchise fee utilized for the first location will be ~~\$3530,000~~, the initial franchise fee utilized for the second location will be ~~\$3025,000~~ and the initial franchise fee for each additional location will be ~~\$2520,000~~, payable as follows:

For the development of 2 stores the development fee will be equal to 100% of the initial franchise fee for the first location and 50% of the initial franchise fee for the second location, totaling ~~\$50,000~~42,500. The remaining 50% of the initial franchise fee for location 2 must be paid at the time the franchise agreement for location 2 is signed.

For the development of 3 stores the development fee will be equal to 100% of the initial franchise fee for the first location and 50% of the initial franchise fee for locations 2 and 3, totaling ~~\$6252,500~~. The remaining 50% of the initial franchise fee for each of location 2 and location 3 must be paid at the time the respective franchise agreements for locations 2 and 3 are signed.

For the development of 4 or more locations, the development fee will increase by ~~\$12,500~~10,000 per location. The remaining 50% of the initial franchise fee for each location (other than location 1) must be paid at the time each franchise agreement is signed.

The development fee must be paid in full when you sign the Multi-Unit Developer Agreement. The development fee is imposed uniformly on all Multi-Unit Developers, is fully earned by us when received and is not refundable. Each franchise agreement must be executed (and the balance of the initial franchise fee must be paid) at least 12 months prior to the expected date of opening as listed in the Development Schedule.

### **Initial Training Fee.**

You will be required to participate in basic training, presently delivered through an online platform. Upon successful completion (with a 90% passing grade), you will be required to attend an in-person training at a location of our designation, anticipated to span at least six (6) days. Associated with this in-person training, you will pay us a \$10,000 Initial Training Fee plus, our trainers' airfare or other transportation, lodging and meal costs in delivering the follow-up on-site support (estimated at 7 days) when your Franchised Business is under its soft opening.

### **Supplies and Inventory.**

You will also pay for initial supplies, inventory and smallware that will be used in your Feng Cha business, including supplies and smallware used for the location and lobby. We require all such supplies, inventory and smallware to be purchased from us, or our affiliate, and the anticipated total cost, is generally around ~~\$19,000~~18,600 to ~~\$28,000~~24,600. Among the initial supplies, inventory, and equipment will be your fructose dispenser (sugar machine), smallware kit, and cup sealer machine, initial marketing materials (posters, interior signage, canvas and etc.) as well as your initial supply of tea, coffee, concentrates, and flavoring ingredients, as well as packaging materials, cups, and other merchandise bearing our logo.

Additionally, equipment such as appropriate refrigeration and freezer fixtures, a coffee and espresso machine, and other related items will be purchased from our affiliate, Offo, LLC. The anticipated cost for these items is ~~\$36,000~~ ~~\$55,000~~—43,500-\$69,300.

### **Tiles.**

Franchisees may choose to purchase tiles for the store's build out from our affiliate Offo, LLC. We estimate the cost for tile purchases from our affiliate to be between \$0-\$12,000. The low end assumes that the tiles are being purchased from a third party vendor.

### **Inventory Management Software Setup Fee.**

You will be required to pay a \$50 setup fee for the use of our inventory management software. This amount is collected by us and is paid by us to the third party vendor as a pass through.

The above fees are not refundable in whole or in part under any circumstances.

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

Fees <sup>(1)</sup>	Amount	Due Date	Remarks
Royalty Fee <sup>(2)</sup>	5% of Gross Revenue.	Payable on the 5th of each month, for all Gross Revenues during the preceding month.  We reserve the right, upon notice to you, to make such fee payable on a weekly basis.	This fee must be payable through automatic debit processes as outlined in the Operating Manual.
Brand Development Fund	Up to 2% (currently 1% of Gross Revenue).	Payable on the 5th of each month, for all Gross Revenues of the preceding month.  We reserve the right, upon notice to you, to make such fee payable on a weekly basis.	This fee must be payable through automatic debit processes as outlined in the Operating Manual.
Cooperative Marketing <sup>(3)</sup>	As determined by the cooperative members but not to exceed 2% of your monthly Gross Revenues.	As determined by the cooperative members	If a marketing cooperative is formed for your area, you must join the cooperative. Amounts contributed to the cooperative will be in addition to your local advertising requirement.

<b>Fees <sup>(1)</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Technology Fee	Up to \$350 per month (Currently \$0)	Payable on the 5th of each month	We currently have not implemented the Technology Fee, but reserve the right to do so in the future.
Additional Training <sup>(4)</sup>	The then-current rate of our personnel, currently \$500 per day.	Before opening or after you open your franchise for business.	You must give us not less than 35 days' prior written notice of your desire to receive additional training. The duration of training is negotiable depending upon your needs. You will not receive any compensation for services rendered by the trainee during this or any other training. We may designate qualified franchisees or master franchisees to conduct some or all of your training. The training fee listed here is paid to us. You will additionally be responsible for associated travel expenses. We reserve the right to increase this fee to a maximum of \$1,000 per day.
Refresher training programs and seminars <sup>(4)</sup>	\$500 per registration, per person	Upon demand	In addition to a reasonable training fee, you are exclusively responsible for paying all travel, living and other expenses and compensation of attending refresher training programs and seminars. (See Franchise Agreement, Section 3.2). We reserve the right to increase

Fees <sup>(1)</sup>	Amount	Due Date	Remarks
<del>Conferences</del>	Our then current attendance fee (currently \$500 per person), plus expenses. The per person attendance fee shall not exceed \$1,000 per conference.	As incurred.	this fee to a maximum of \$1,000 per registration, per person.  <del>We have the right, but are not required to conduct conferences. In the event we elect to offer any conferences, you are required to attend.</del>
Reexamination/Re-examination Fee	\$100 per reexamination/re-examination per trainee	Upon demand	Training is deemed completed upon successful completion of the final training exam. In the event that you do not successfully complete the final training exam on your first attempt a reexamination/re-examination fee of \$100 will apply for each trainee requiring additional examination.
Transfer Fee	Greater of \$17,500 or 50% of our then current initial franchise fee.	Before transfer	No fee is charged for a one time transfer from individual(s) to a corporate entity formed for convenience of ownership of the franchise.
	\$15,000  In the event we introduce the buyer to you, we reserve the right to charge an additional 5% of the purchase price.		

<b>Fees <sup>(1)</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Renewal	Up to the greater of \$17,500 or 50% of the then-current initial franchise fee.  \$15,000	Immediately upon demand	Your renewal will not be effective until payment is made.
Step-In Rights Fee	Fee of 10% of Gross Revenue occurring during exercise of Step-In Rights.	As Incurred	In addition to the Step-In Rights Fee, you must reimburse us for our out-of-pocket expenses and costs we incur if we step-in to operate your franchise according to Franchise Agreement.
Addendum Fee	\$500	As incurred	You must pay us a processing fee for modifications to your franchise agreement that are made at your request. Because those requests which you make are unknown to us, we do not know what proposed modifications that might include, and cannot anticipate which proposed modifications could be agreed to by us. When you request an amendment or addendum to your franchise agreement or related agreements we may require that you sign a general release releasing us from all claims you may have except claims which, under state law, may not be released.

Fees <sup>(1)</sup>	Amount	Due Date	Remarks
Relocation	You will reimburse us for our out-of-pocket costs concerning the relocation, plus \$5,000.	Prior to relocation	Any relocation is subject to our prior approval.
Audit <sup>(5)</sup>	Our costs for the audit if you understate revenue by more than 2% or fail to deliver to us required reports on time.	Immediately upon demand	See notes below.
Re-Inspection Fee and Costs	You will pay a Re-Inspection Fee of \$500 and additionally reimburse us for our out-of-pocket costs if you fail an inspection and the inspector performs a reinspection.	Immediately, as applicable, upon demand.	The Re-Inspection Fee of \$500 is due in connection with the re-inspection, and plus you additionally will owe reimbursement for the inspector's travel expenses, inclusive of a reasonable fee for the driving or commuting time to and from your store, will be assessed, and inclusive of any required round trip airfare, lodging, ground transportation, and per diem meals.
Liquidated Damages <sup>(6)</sup>	The average monthly Royalty Fees you owed during the 12 months preceding the effective date of termination (or your period of operation if less than 12 months) multiplied by: (a) 24 (being the number of months in two full years), or (b) the number of months	As incurred	Should your material breach or non-cured default result in termination, you agree to a liquidated damage that accrues upon termination.

<b>Fees <sup>(1)</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Attorneys' fees and costs <sup>(7)</sup>	Our actual costs remaining in the Agreement had it not been terminated, whichever is <del>higher</del> <u>less</u> .	As incurred	Payable if we incur costs in obtaining injunctive or other relief for the enforcement of any term of the franchise agreement because of your default under the franchise agreement.
Insufficient Funds Fee	\$50 per failed attempt, plus bank charges.	On demand, if incurred	Payable if there are insufficient funds in your account to pay fees due to us. If you incur three insufficient funds fees in any 12 month period, we have the right to terminate your Franchise Agreement.
Late Charge	The <del>greater</del> <u>lesser</u> of 1.5% per month or the maximum amount allowed by applicable law.	Each month that amounts owed remain unpaid	You will not be compelled to pay late charges at a rate greater than the maximum allowed by applicable law.
Operational Non-Compliance Fee	\$100 per day until cured	Upon demand	If you fail any compliance inspection, or otherwise are confirmed to be non-compliant with the agreement or with the operations manual, you will incur this fee until you correct the non-compliance.

<b>Fees <sup>(1)</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Prohibited product or service fee.	\$300 per product or service, per day of use or offering of unauthorized products or services (including unauthorized ingredients, menu items, services, or use of unauthorized third-party vendors for services)	If incurred	In addition to other remedies available to us. Cure must be immediate upon oral or written notification. The fee applies if you continue to sell or purchase an unauthorized product or service after we have notified you to cease.
Customer Complaint Reimbursement	<b>Out-of-Pocket Cost of Reimbursement</b>	As invoiced	You must provide reimbursement if we or our designee resolves a customer complaint because you do not do so; amount depends on extent of your non-compliance.
Software Fee	Currently, <del>\$350-148</del> per month, <del>which may vary and be increased based on third-party vendor's then-current rates.</del>	As invoiced.	<del>Includes customer loyalty app and franchise management system. We collect this and then pass it on to third party vendors. This cost may be increased based on the third-party vendors' then-current rates.</del>
Product Testing Fee		On Demand	
	If you request that you be permitted to use an unapproved product or supplier, you must reimburse our expenses, including travel, lodging, meals and wages for our personnel conducting an inspection and the costs of testing and evaluation plus our then-current request fees (request fees are \$500 per request or up to \$2,000 if a request involves more than one supplier, product or item of equipment).		Payable if you request that we evaluate a product, item of equipment or supplier that we have not previously approved and that you want to use for your Franchised Business.

Insurance Premiums	<b>Fees <sup>(1)</sup></b> <b>Amount</b> Reimbursement of our costs, plus our administrative fee of 25% of the premium cost. <b>Due Date</b> On demand	<b>Remarks</b>	If you do not maintain the required insurance coverages, we have the right (but not the obligation) to obtain insurance on your behalf.
Indemnification	<b>Amount</b> Amount of loss or damages plus costs. <b>Due Date</b> On demand		You must indemnify us if we are sued or held liable for claims that arise from your ownership or operation of the Franchised Business or for costs associated with defending claims that you used the Proprietary Marks in an unauthorized manner.

Notes:

(1) All fees described in this Item 6 are non-refundable. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us. Fees may not be uniform for all franchisees.

(2) For the purposes of determining the Royalty Fee to be paid under the Franchise Agreement, “Gross Revenues” means the total selling price of all services and products and all income of every other kind and nature related to the Franchised Business, whether for cash or credit and regardless of collection in the case of credit, including any sales taxes collected and any implied or imputed Gross Revenues from business interruption insurance. Gross Revenues expressly excludes customer refunds or adjustments. Gift cards or similar program payments are currently included in Gross Revenues when the gift card or applicable credit is purchased, not upon redemption, however we reserve our right to change this in the future.

Upon signing a Multi-Unit Development Agreement, you will be eligible for the following royalty discounts based on the number of Feng Cha stores you commit to develop:

**Development Agreement for 2 Stores – Royalty Discount**

	1 <sup>st</sup> Year of Operations	2 <sup>nd</sup> Year of Operations
First Store	1%	No Discount
Second Store	No Discount	No Discount

**Development Agreement for 3 Stores – Royalty Discount**

	1 <sup>st</sup> Year of Operations	2 <sup>nd</sup> Year of Operations
First Two Stores	1%	No Discount
Third Store	No Discount	No Discount


	<b>1<sup>st</sup> Year of Operations</b>	<b>2<sup>nd</sup> Year of Operations</b>	
First 2 Stores	2%	1%	
3 <sup>rd</sup> Store	1%	No Discount	
4 <sup>th</sup> Store	No Discount	No Discount	
<b>Development Agreement for 7 Stores – Royalty Discount</b>			
	<b>1<sup>st</sup> Year of Operations</b>	<b>2<sup>nd</sup> Year of Operations</b>	
First 4 Stores	2%	No Discount	
5 <sup>th</sup> and 6 <sup>th</sup> Stores	1%	No Discount	
7 <sup>th</sup> Store	No Discount	No Discount	
	<b>1<sup>st</sup> Year of Operations</b>	<b>2<sup>nd</sup> Year of Operations</b>	
First 2 Stores	2%	1%	
3 <sup>rd</sup> and 4 <sup>th</sup> Stores	1%	No Discount	
5 <sup>th</sup> Store	No Discount	No Discount	
<b>Development Agreement for 8 Stores – Royalty Discount</b>			
	<b>1<sup>st</sup> Year of Operations</b>	<b>2<sup>nd</sup> Year of Operations</b>	
First 5 Stores	2%	1%	
6 <sup>th</sup> and 7 <sup>th</sup> Stores	1%	No Discount	
8 <sup>th</sup> Store	No Discount	No Discount	
4 <sup>th</sup> and 5 <sup>th</sup> Stores	1%	No Discount	
6 <sup>th</sup> Store	No Discount	No Discount	
<b>Development Agreement for 9 Stores – Royalty Discount</b>			


<b>Franchise Fee</b>			
<b>7<sup>th</sup> and 8<sup>th</sup> Stores</b>	1%	No Discount	
<b>9<sup>th</sup> Store</b>	No Discount	No Discount	
<b>Development Agreement for 10 Stores – Royalty Discount</b>			

	<b>1<sup>st</sup> Year of Operations</b>	<b>2<sup>nd</sup> Year of Operations</b>	<b>3<sup>rd</sup> Year of Operations</b>
<b>First 7 Stores</b>	3%	2%	1%
<b>8<sup>th</sup> and 9<sup>th</sup> Store</b>	2%	1%	No Discount
<b>10<sup>th</sup> Store</b>	No Discount	No Discount	No Discount

The Royalty Fee will be withdrawn from your designated bank account by electronic funds transfer (“EFT”) monthly based on the Franchised Business’ Gross Revenues for the preceding month. If you do not report the Franchised Business’ Gross Revenues, we may debit your account for 120% of the last Royalty Fee that we debited. If the fees we debit are less than the fees you actually owe us, once we have been able to determine the true and correct Gross Revenues, we will debit your account for the balance on a day we specify. If the fees we debit are greater than the fees you actually owe us, we will credit the excess against the amount we otherwise would debit from your account during the next collection period.

If any state imposes a sales or other tax on the Royalty Fees, then we have the right to collect this tax from you.

(3) No Cooperatives have been established as of the date of this Disclosure Document. If established, our affiliate owned businesses may but will have no obligation to participate in any such advertising cooperatives.

(4) Our Area Representative may conduct the additional training and the refresher training program and seminars noted in this Item 6.

(5) You must maintain accurate business records, reports, accounts, books and data relating to the operation of your Franchised Business. We have the right to inspect and/or audit your business records during normal business hours. If any audit reveals that you have understated Gross Revenues by 2% or more, or if you have failed to submit complete reports and/or remittances for any 2 reporting periods within a 12 month period, or you do not make them available when requested, you must pay the reasonable cost of the audit, including the cost of auditors and attorneys, together with amounts due for royalty and other fees as a result of the understated Gross Revenues, including interest from the date when the Gross Revenues should have been reported or paid.

(6) If we terminate your Franchise Agreement for cause, ~~you must pay us or~~ should you terminate the franchise agreement early, within 15 days after the effective date of termination, liquidated damages equal to the average monthly Royalty Fees you owed to us during the 12 months of operation preceding the effective date of termination (or your period of operation if less than 12 months) multiplied by: (a) 24 (being the number of months in two full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is ~~higher~~ less.

(7) If we engage an attorney to collect any unpaid amounts (whether or not formal judicial proceedings are initiated), you must pay all reasonable attorneys’ fees, court costs and collection expenses incurred by us. If you are in breach or default of any non-monetary material obligation and we engage an attorney to enforce our

rights (whether or not judicial proceedings are initiated), you must pay all reasonable attorneys' fees, court costs and litigation expenses. If you institute any legal action to interpret or enforce the terms of the Franchise Agreement, and your claim in the action is denied or the action is dismissed, we may recover our reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against the same.

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

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Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made			
Initial Franchise Fee	\$ <del>35</del> 30,000	Check or Wire/ACH	Due upon signing Franchise Agreement.	Us			
Initial Training Fee (up to three attendees)	\$10,000	Check or Wire/ACH	training request.	Us	Due upon confirmation of your		
Professional Fees	\$ <del>7</del> 7,000 to \$15,000	As Incurred	Before opening and as incurred			Designated Licensed Architect, Attorney/Accountant	
Equipment, Fixtures, Signs and Technology Materials (Notes 32 and 43)	\$ <del>75,246.80</del> 64,825 to \$ <del>137,748.22</del> 119,610	As Incurred	Before Opening and thereafter	Us/Our approved Suppliers			
Leasehold improvements (Note 21)		As incurred	As incurred	Landlord or contractors			
Signage	\$ <del>604</del> 0,000 to \$280,000	As incurred	Before Opening	Suppliers			
Advertising (Note *)	\$5,000 to \$ <del>17</del> 000	As Incurred	As Incurred	Approved Suppliers			
Franchise Premises Rent and Security Deposit (Note 21) (Note *)	\$ <del>40</del> 32,000	As Incurred	As Incurred	Landlord			
		\$12,000 to					

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial inventory of tea, coffee, cups, menu boards and packaging materials. (Note 43) (Note *)	\$19,000 to \$28,000	ACH	Due upon order	Our affiliate or approved suppliers.
Initial training expenses (Travel and living expenses for your attendance at training)	\$98,500.	As Incurred	Due thirty (30) business days prior to the commencement of training.	Vendors of travel services
On-Site Support Expenses (for on-site support during your location's soft launch)	\$8080	Check or Wire/ACH	Due as the trainer incurs the expenses.	Us or our designated Trainer
Insurance - liability and worker's compensation (initial deposit)	\$54,000	As Incurred	Before Opening	Insurers
Miscellaneous Initial Expenses	\$403,000	As Incurred	As Incurred	Approved Suppliers
Additional Funds (Notes 1 and 5) (Note 4)	\$10,000 to \$5040,000	As Incurred	As Incurred	Employees, Suppliers, Utilities, etc.
<b>TOTAL</b>	<b>\$663,328.22</b>			

You should anticipate the preceding initial expenditures in connection with the establishment of a FENG CHA franchised business. Additional factors related to each expenditure category are described in the following notes. None of the expenses listed in the above chart are refundable. We do not finance any portion of your initial investment.

Note \*: Please note that all entries of these anticipated initial investment amounts reflect an estimate for the initial three months.

Note 1: We estimate that the initial phase covered by the additional funds estimate to be approximately 3 months, with the estimated amounts ranging from 1 month at the low end of the estimates to 3 months at the high end of the estimates, based upon our supply order data. The predominant factors for calculating the 3-month estimates are amounts paid for your location, employee wages and inventory.

Note 2 Note 1: The typical franchise will need approximately 1200-2,500 square feet of space. The cost of purchasing or leasing retail or warehouse space varies with the location and size of the premises.

Note 32: You are required to have access to a reliable computer, telephone, internet services and reliable transportation.

Note 43: Supplies, equipment, software and inventory are required as outlined in the FENG CHA ShareDrive: myfengcha.com and a copy of an itemized projected supply and equipment list may be obtained from the Franchise Relationship Manager prior to execution of your Franchise Agreement.

Note 5: A minimum of \$20,000 to \$50,000 of additional funds is strongly recommended. You should plan on other sources of income to cover your living expenses. We relied upon the experience of our franchised locations, and our general business knowledge when preparing these figures.

Note 65: No allowance has been made in this table for interest or other financing expenses related to opening the franchise. The need for this type of expense will vary with the terms of any financing you get in connection with your franchise. Financing sources may reduce your initial cash requirements, and the availability and terms of financing to any individual franchisee will depend upon factors including the availability of financing in general, your credit worthiness, the collateral security that you may have and policies of lending institutions concerning the type of business to be operated by you. The investment and expenditures required of actual franchisees may vary considerably from the projections outlined above, depending on many factors, including geographical area, the amount of space leased by you and the capabilities of any particular management and service team. If you are purchasing multiple franchises, you will incur the estimated initial expenditures for each franchise you operate.

You must pay all taxes required by local, state or federal laws related to the services furnished or used in connection with the operation of your franchise. You must obtain all permits, certificates or licenses necessary for the full and proper conduct of the franchise.

**YOUR ESTIMATED INITIAL INVESTMENT-TWO STORES**

<u>YOUR ESTIMATED INITIAL INVESTMENT – MULTI-UNIT DEVELOPER AGREEMENT</u>				
<u>Method of Payment</u>				
<u>Type of Expenditure</u>	<u>Amount</u>	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is to be Made</u>
<u>Development Fee <sup>(1)</sup></u>	<u>\$42,500</u>	<u>Lump Sum</u>	<u>Upon signing Multi-Unit Developer Agreement</u>	<u>Us</u>
<u>Other Expenditures for First Store <sup>(2)</sup></u>	<u>\$176,925 to \$552,710</u>	<u>Per Table Above</u>	<u>Per Table Above</u>	<u>Per Table Above</u>
<b><u>Total</u></b>	<b><u>\$219,425 to \$595,210</u></b>			

**YOUR ESTIMATED INITIAL INVESTMENT-THREE STORES**

<b>YOUR ESTIMATED INITIAL INVESTMENT – MULTI-UNIT DEVELOPER AGREEMENT</b>				
<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Development Fee <sup>(1)</sup>	<del>\$50,000</del> <u>\$2,500</u>	Lump Sum	Upon signing Multi-Unit Developer Agreement	Us
Other Expenditures for First Store <sup>(2)</sup>	<del>\$211,707– \$628,328.22</del> <u>\$176,925 to \$552,710</u>	Per Table Above	Per Table Above	Per Table Above
<b>Total</b>	<del>\$261,706.80– \$678,328.22</del> <u>\$229,425 to \$605,210</u>			

~~YOUR ESTIMATED INITIAL INVESTMENT – THREE STORES~~

<del>YOUR ESTIMATED INITIAL INVESTMENT – MULTI-UNIT DEVELOPER AGREEMENT</del>				
<del>Type of Expenditure</del>	<del>Amount</del>	<del>Method of Payment</del>	<del>When Due</del>	<del>To Whom Payment is to be Made</del>
<del>Development Fee <sup>(1)</sup></del>	<del>\$62,500</del>	<del>Lump Sum</del>	<del>Upon signing Multi Unit Developer Agreement</del>	<del>Us</del>
<del>Other Expenditures for First Store <sup>(2)</sup></del>	<del>\$211,707– \$628,328.22</del>	<del>Per Table Above</del>	<del>Per Table Above</del>	<del>Per Table Above</del>
<del>Total</del>	<del>\$274,207– \$690,828.22</del>			

Note 1: This fee is discussed in Item 5.

Note 2: These are the estimates to build-out your first store based on the estimates listed above. Costs associated with building out additional units are subject to factors that we cannot estimate or control, such as inflation, increased labor costs or increased materials costs

None of the expenses listed in the above charts are refundable. We do not finance any portion of your initial investment.

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### ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

#### Required Purchases

We, and our affiliates, have spent considerable time, effort and money to develop the System. We also anticipate that our System standards will change over time. You are required to adhere to these changes. System standards and specifications may regulate required signs, letterhead, business cards and other promotional materials, computer hardware and software, food, beverage and ingredient purchases, packaging, paper goods, insurance providers and coverage, types and models of authorized equipment and supplies to be used in operating the Franchised Business, and designation of approved suppliers and vendors of these items.

Your Franchised Business must conform to our high and uniform standards of quality, safety, cleanliness, appearance and service. Part of the appeal of the System is the quality and consistency of the products and services offered to customers. Accordingly, you must not purchase any fixtures, furnishings, equipment, décor items, signs, games, vending machines or other items that do not comply with our specifications, without our written consent. You must purchase all food and beverage products, paper products, furniture, fixtures, decorations, uniforms, equipment, merchandise, and items and products containing the Proprietary Marks and other specified items, exclusively in accordance with our standards and specifications that will be disclosed to you in the Operations Manual or otherwise. [We reserve the right to require you to use our designated marketing agency.](#)

You must purchase all advertising materials, equipment, supplies, [specified merchandise, and](#) kiosks from us or our approved suppliers to ensure uniformity and quality ~~of the advertising~~. Any equipment, products, inventory, or other items that bear the Proprietary Marks must be bought from us or an approved supplier. You must purchase all equipment, inventory, and all other items used in your franchised business from us or from approved suppliers to ensure the quality and uniformity of services in the System. [We reserve the right to require you to purchase furniture and construction materials from us or our affiliate.](#) Among the approved suppliers is our affiliate, OFFO LLC, who is the only approved supplier for ingredients, flavors, and certain equipment and packaging. None of our officers have an ownership interest in any other approved supplier. We are currently the only approved suppliers for advertising materials and equipment, products, inventory, and all other items that bear the FENG CHA name or logo.

We reserve the right to designate ourselves or our affiliates as the only approved supplier for any of the items noted above in the future. We reserve the right to earn a profit from the sale of items to our franchisees.

Those items for which we have neither designated nor approved suppliers must be purchased in accordance with our standards and specifications as described in the Operations Manual or otherwise. We have the right to modify specifications, standards, suppliers and approval criteria by providing you written notice. There is no limit on our right to do so. We will not permit you or another franchisee to be a supplier of any products or services to other System franchisees, unless we grant approval for same in writing.

We estimate that the current required purchases and leases described above in accordance with our standards and specifications and designated suppliers are approximately 60% to 90% of your overall purchases and leases to establish and operate the Franchised Business and approximately 70% to 90% of the ongoing purchases and leases.

It is recommended that you have at least 15 days' worth of products on hand. Otherwise, we do not require a specific level of inventory.

#### **Approval of New Suppliers or Items**

If we designate one or more exclusive suppliers for a particular good or service, you may not request to utilize an alternative supplier. However, if an exclusive supplier has not been designated and you desire to purchase any item from a supplier that is not on our approved supplier list, you must request approval of the item or supplier in writing and we will evaluate the supplier and/or item for approval. Although we are not contractually bound to evaluate any supplier or item within a definite time period, we will make a good faith effort to evaluate the supplier or item and to notify you of approval or disapproval within 30 days from the date we receive your written request. You must pay us our then-current fee for evaluating a supplier, product or item and must reimburse us for our reasonable costs of evaluation and/or testing the proposed supplier, product or item, regardless of whether we approve the supplier, product or item.

Before approving any supplier, product or item we may take into consideration: i) consistency of products and/or name brands, ii) economies of scale achieved by larger volumes, iii) delivery frequency and reliability, and iv) certain other benefits that a particular supplier may offer, such as new product development capability. When approving a supplier, product or item we take into consideration the System as a whole, which means that certain franchisees may pay higher prices than they could receive from another supplier that is not approved. We reserve the right to withhold approval for any reason. We do not release our standards and specifications or criteria for supplier approval to System franchisees.

You may not purchase any item from any supplier for which approval is required until you have first received written notification of our approval. Your request is considered denied unless and until you hear otherwise from us. We may withdraw our approval of a supplier at any time, in our sole discretion.

You must permit us or our agents, at any reasonable time, to remove a reasonable number of food or non-food samples from your Feng Cha business free of charge for testing by us or by an independent laboratory, to determine whether the samples meet our then-current standards and specifications. In addition to any other remedies we may have, we may require you to reimburse us for the cost of the inspection and testing if (i) a supplier being utilized is found to be one we have not previously approved; or (ii) any sample taken by us fails to conform to our specifications.

#### **Revenues of Franchisor and Affiliates**

We, and our affiliates, may derive income or revenue from franchisee purchases. We and/or our affiliates have the right to receive payments from any supplier, manufacturer, vendor or distributor to you or to other franchisees within our franchise system and to use these monies without restriction, and as we deem appropriate. For the fiscal year ended December 31, ~~2024~~2025, we earned \$~~21,279.76~~39,059.20 in rebate revenue from approved suppliers based on their sales of products to System franchisees which was approximately ~~+2.2~~% of

our total revenue of \$~~2,092,866~~1,767,993.00. The revenue we receive from the rebates is based on different methods of calculation. For the fiscal year ended December 31, ~~2024~~2025, we did not earn any revenue from the sale of products to our franchisees. For the fiscal year ended December 31, ~~2024~~2025, our affiliate earned \$~~4,621,408.60~~844,404.80 from the sale of products to our franchisees.

### **Approved Location**

We must ~~accept~~pre-approve the location of your Feng Cha business and any applicable lease for the premises. Our ~~acceptance~~approval of the lease will be conditioned upon your execution, and your landlord's execution, of the Collateral Assignment of Lease and Consent of Lessor attached as Exhibit 4 to the Franchise Agreement under which you, as the lessee, conditionally assign to us your rights under the lease. We reserve the right to reject any lease that does not have general business terms that meet our standards.

We will provide you with a sample layout and specifications for the Feng Cha business. You must hire an approved architect to prepare your plans and make any necessary changes to our standard layout and specifications. Before we ~~accept~~approve your final architectural renderings, plans, and specifications for your Feng Cha business we must receive certification that the architectural renderings, plans, and specifications comply with the Americans with Disabilities Act (the "ADA"), the architectural guidelines under the ADA, and all applicable state and local codes for accessible facilities. You must display a sign at all times that states "Independently owned and operated."

You must hire a general contractor to complete the build-out of your Feng Cha business. You must obtain certain items of machinery and equipment from sources we approve. Our approval of your equipment source will not in any way be our endorsement of your equipment source or render us liable for your equipment source's performance. You must obtain certain equipment for the opening of your Feng Cha business through vendors that we have approved.

### **Computer Purchase**

You must purchase our specified computer system or an alternative system we approve and must purchase software and/or subscribe to any internet-based programs we require, as specified in the Operations Manual or otherwise. We reserve the right to designate ourselves or our affiliate as the sole supplier of required hardware, software or subscription services. We also reserve the right to designate other exclusive technology vendors.

You must accept all major credit cards for customer purchases. This requirement may require that you invest in additional equipment and that you incur fees from the credit card processing vendors that we designate.

You may be required to install a camera system in the Feng Cha Business and provide us with access if we request it. All of your employees must sign documentation acknowledging that they may be recorded and/or may be subject to monitoring and agreeing to same.

### **Advertising**

All advertising and promotion of your Feng Cha business must conform to our specifications and standards and must be accepted by us in advance. You must submit to us, for our prior approval, at least 30 days in advance of placement deadlines, copies of all advertising and promotional materials, including but not limited to, business cards, signs, displays and mail outs. All advertising and promotional materials, signs, decorations,

You must comply with our rules, specifications, reporting requirements, and reimbursement procedures concerning the offer, sale, redemption, and accounting for gift certificates, gift cards and/or stored value cards.

You must participate in and comply with our rules, specifications, reporting requirements, and reimbursement procedures concerning any loyalty card program and other system-wide marketing programs.

### Insurance Requirements

You must obtain and keep in force at a minimum the insurance we require in the Operations Manual or otherwise. The mandatory insurance currently includes the following:

- A. Comprehensive general liability insurance, including completed operations, property damage, contractual liability, independent contractors liability, and personal injury coverage with a combined single limit of at least \$2,000,000 per occurrence and \$4,000,000 aggregate.
- B. Workers' compensation and employer's liability insurance, and other insurance required by statute or rule of the state in which the franchise is located and operated.
- C. Business interruption and lost profit insurance
- D. ~~Employer Practice~~Employment Practices liability insurance.
- E. You must obtain automobile liability insurance, including owned, non-owned, leased and hired vehicle coverage, with a combined single limit of at least \$1,000,000 for death, personal injury and property damage for each vehicle designated for business use.

You may, after obtaining our written consent, elect to have reasonable deductibles under the coverage described above. All of the policies must include a waiver of subrogation in favor of all parties. The policies must contain certain clauses approved by us and waivers approved by us as outlined in the Operations Manual and must be "occurrence" coverage rather than "claims made" coverage.

If the lease for the Approved Location requires you to purchase additional insurance or insurance with higher limits than those we require, the lease insurance requirements will take precedence. All insurance policies must contain a separate endorsement naming us and our affiliates as additional insureds using ISO form providing coverage at least as broad as ISO forms CG2033 and CG2029 or an equivalent endorsement (no blanket additional insured language is acceptable) and must be written by an insurance carrier accepted by us in writing with an A. M. Best and Standard and Poor's rating of at least "A" or better. You must provide us with all information requested by us to assist us in determining whether a carrier is acceptable. We may require that you obtain insurance from a carrier we designate. No insurance policy may be subject to cancellation, termination, non-renewal or material modification, except upon at least thirty (30) days' prior written notice from the insurance carrier to us. Upon request, you must provide us with a currently issued certificate of insurance evidencing coverage in conformity with our requirements. We may increase or otherwise modify the minimum insurance requirements and you must comply with any modification. We may obtain insurance coverage for your Franchised Business if you fail to do so, at your cost, plus our administrative fee for doing so.

If you will be engaging in any construction, renovation or build-out of the premises for the Feng Cha business, either you or your third-party contractor must have in force for the duration of said project, Commercial General Liability insurance and Worker’s Compensation and Employer’s Liability insurance in the amounts listed above as well as Builder’s Risk insurance in an amount approved by us.

**Purchasing or Distribution Cooperatives**

We may negotiate purchase arrangements with some of our suppliers (including price terms and product allocations) for the benefit of System franchisees, but we are under no obligation to do so. There are currently no purchasing or distribution cooperatives related to the System.

**Material Benefits**

We do not provide material benefits to franchisees, such as renewal rights, to purchase additional franchises, based on your use of approved or designated sources.

**FRANCHISEE’S OBLIGATIONS**

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

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

Obligation	Section in Agreement	Disclosure Document Item	
a. Site selection and acquisition/lease	FA – Sections 3 and 5	Items 7, 8 and 11	
b. Pre-opening purchases/leases	FA – Section 3.3	Items 5, 6, 7, 8 and 11	
c. Site development and other pre-opening requirements	FA – Sections 3 and 5	Items 1,7, 8 and 11	
d. Initial and ongoing training	FA – Section 5.3	Items 5, 6 and 11	
e. Opening	FA – Section 6.1	Items 5, 6 and 11	
f. Fees	FA – Section 4	Items 5, 6, and 7	
g. Compliance with standards and policies/Manuals	FA – Sections 5.5 and 6	Items 8, 11 and 14	
h. Trademarks and proprietary information	FA – Section 6.6	Items 11, 13 and 14	

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>	
i. Restrictions on products/services offered	FA – Section 6.9	Items 8, 11 and 16	
j. Warranty and customer service requirements	FA – Section 6.12	Item 8	
k. Territorial development and sales quotas	FA – N/A	Item 12	
l. Ongoing product/service purchases	FA – Section 6.2 and 6.9	Items 6 and 8	
m. Maintenance, appearance and remodeling requirements	FA – Section 6	Items 8 and 11	
n. Insurance	FA – Section 7.6	Items 6, 7 and 8	
o. Advertising	FA – Section 4.3	Items 6, 8 and 11	
p. Indemnification	FA – Section 7.2	Item 6	
q. Owner’s participation/management/staffing	FA – Sections 6.3	Items 1, 11 and 15	
r. Records and Reports	FA – Sections 4.3.1, 4.7 and 4.8	Item 6 and 11	
s. Inspections and audits	FA – Sections 4.8, 4.9 and 6.7	Items 6, 8 and 11	
t. Transfer	FA – Section 8	Items 6 and 17	
u. Renewal	FA – Section 2.2	Items 6 and 17	
v. Post-termination obligations	FA – Section 10	Items 6 and 17	
w. Non-competition covenants	FA Section 7.4	Item 17	
x. Dispute Resolution	FA – Section 12	Items 6 and 17	
y. Liquidated Damages	FA – Section 9	Item 6	
z. Guarantee of franchisee obligations	FA-Exhibit 3	Item 1	


<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
		<b><u>ITEM 10</u></b> <b><u>FINANCING</u></b>

**ITEM 11**

**FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

We do not offer either direct or indirect financing. We do not guarantee your note, lease or other obligation.

**Except as listed below, we are not required to provide you with any assistance.**

**Pre-Opening Obligations**

Before the opening of the Franchised Business we will provide the following assistance and services:

1. A copy of our written site selection guidelines and the site selection assistance we deem ~~advisable,~~ ~~advisable~~, including review and approval or disapproval of proposed sites and the proposed lease or purchase agreement for the premises (Franchise Agreement, Section 5.1.) We will also designate a Search Area ~~and your~~ ~~Territory~~.
2. A copy of standard specifications and requirements for building and furnishing the Feng Cha business and the required computer and technology systems. Your construction plans must be ~~accepted~~ ~~approved~~ by us before construction can begin. (Franchise Agreement, Section 5.2.)
3. A copy, on loan, via e-mail (or any other method of our choosing) of our Confidential Operations Manuals, which we may revise during the term of your Franchise Agreement. (Franchise Agreement, Sections 5.5.)
4. A list of any required products or equipment and of approved suppliers, which is subject to change during the term of your Franchise Agreement. (Franchise Agreement, Sections 6.2)
5. An initial training program at our headquarters (or any other location designated by us), as described below. (Franchise Agreement, Sections 5.3)

If you are a Multi-Unit Developer, in addition to assigning you a Development Area, we will do the following:

1. We will review site survey information on sites you select for conformity to our standards and criteria for potential sites and, if the site meets our criteria, approve the site for a Franchised Business (Multi-Unit Developer Agreement – Section 5.1.3).

2. We will provide you with standard specifications and layouts for building and furnishing the Franchised Business (Multi-Unit Developer Agreement – Section 5.1.4).
3. We will review your site plan and final build-out plans and specifications for conformity to our standards and specifications (Multi-Unit Developer Agreement – Section 5.1.5).
4. We may conduct on-site evaluations, as we deem advisable, as part of our evaluation of the site for a Franchised Business (Multi-Unit Developer Agreement – Section 5.1.2).
5. We will provide other resources and assistance as may be developed and offered to our Multi-Unit Developers (Multi-Unit Developer Agreement – Section 5.1.2).

### **Ongoing Obligations**

During your operation of a Feng Cha business we will provide the following assistance and services, [some of which we may delegate to our Area Representative to perform on our behalf](#):

1. As we reasonably determine necessary, visits to and evaluations of the Franchised Business and the products and services provided to make sure that our high standards of quality, appearance and service of the System are maintained. (Franchise Agreement, Section 6.7.)
2. Advice and written materials (including updates to the Operations Manual) concerning techniques of managing and operating the Franchised Business, including new developments and improvements in equipment, food products, recipes, packaging and preparation, as we deem appropriate. We may also provide a telephone hotline, free of charge, to answer questions (during regular business hours Central Time Zone). You will be able to contact us for questions, suggestions and guidance on certain matters relating to the System (Franchise Agreement, Sections 5.4. and 5.5)
3. Training programs and seminars, franchisee meetings and other related activities regarding the operation of the Franchised Business, as we determine necessary, for you or the Franchised Business' personnel generally, which may be mandatory for you, your General Manager and other personnel. (Franchise Agreement, Sections 5.3 and 5.6.)
4. At your request, subject to availability of personnel, additional on-site training or assistance at your Franchised Business. You must pay our then-current fee as well as provide reimbursement of expenses for our personnel performing the training or assistance (see Item 6). (Franchise Agreement, Section 5.3)
5. Administration of the Brand Development Fund for so long as we maintain one, in our discretion. (Franchise Agreement, Section 4.3.3.)
6. We reserve the right to approve pricing and/or designate minimum and/or maximum prices you may charge, to the extent permitted by applicable law. (Franchise Agreement, Section 6.2)

### **Site Selection and Opening**

If we have not yet designated an ~~accepted~~[Approved](#) Location for the Franchised Business when the Franchise Agreement is signed then you are responsible for locating a site within a Search Area. The Search Area is delineated for the sole purpose of site selection and does not provide any territorial exclusivity or protection.

You must assume all costs, liabilities, expenses and responsibility for locating, obtaining and developing a site for the Franchised Business and for constructing and equipping the Franchised Business at the ~~accepted~~approved site. You will select the site for the Franchised Business subject to our ~~acceptance~~approval and using our site selection criteria and any designated vendors we require. Before you lease or purchase the site for the Feng Cha business, you must locate a site that satisfies our site selection guidelines. Our ~~acceptance~~approval only means that the site meets our minimum requirements for a Feng Cha business. We reserve the right to approve deviations from our site selection standards based on the individual factors and components of a particular site.

On-site evaluations will be performed as we deem necessary or in response to your reasonable request for site approval, in our discretion. ~~You will be responsible to cover the transportation, room and board and miscellaneous expenses incurred by our personnel during these visits.~~

Site selection assistance by us does not relieve you of the primary obligation to locate a site within the time periods prescribed herein. Our criteria for site selection include, but are not limited to: location of the site and its setting (free-standing building, shopping center, downtown location, etc.); availability of parking; visibility from main roads; availability, size and placement of signage; co-tenants in the shopping center or immediate area; accessibility to the site; condition of the premises and how much build-out or construction it will need; proximity to competitive businesses; and availability of utilities. We will use these and other factors in determining the suitability of your proposed site for a Feng Cha business. Once the location for your Feng Cha business has been determined your Feng Cha business may not be relocated without our prior written consent. You must provide us with a copy of the lease for your Feng Cha business' location for review prior to execution. You must also provide an executed copy once signed.

There is no contractual limit on the time it takes us to ~~accept~~approve or reject your proposed location, however we generally do not take more than 30 days from the time we receive the information requested by us, to ~~accept~~approve or reject your proposed location. You must sign a lease for an ~~Accepted~~Approved Location within six months from the signing the Franchise Agreement. We estimate that the time from when you sign the Franchise Agreement to the opening of the Franchised Business will be twelve months. This time depends on the time necessary to obtain financing, to obtain the permits and licenses for the construction and operation of the Feng Cha business, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Feng Cha business, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Feng Cha business, including purchasing inventory and supplies. If you are unable to open the Feng Cha business within twelve months from signing the Franchise Agreement we have the right to terminate your Franchise Agreement without providing a refund of any portion of the initial franchise fee.

You may not open for business until: (i) you pay the initial franchise fee and other amounts due to us or our affiliate; (ii) we notify you in writing that your Franchised Business meets our standards and specifications; (iii) you and your General Manager have successfully completed initial training to our satisfaction and have obtained the required certifications; (iv) you have provided us with certificates of insurance for all required insurance policies; and (v) you have received our written approval.

#### **Advertising Generally**

All franchisees must participate in any customer rewards/loyalty program we establish and adhere to the guidelines we establish from time to time, as set forth in our Operations Manual. We may change the program in any way in our discretion and we may discontinue the program at any time. All Franchised Businesses will

be required to honor the rewards any customer receives as part of being a member of the program, unless we state otherwise. Further, you must participate in and comply with all advertising and promotional campaigns and activities that we conduct, including our gift card program. You must honor all gift cards presented to you in conformance with our gift card policies then in effect.

### **Grand Opening Marketing Campaign**

You must conduct a grand opening marketing campaign to promote the opening of your Feng Cha business, and you must spend between \$4,000 to \$6,000 for this campaign. This marketing campaign will begin after your soft opening and will continue until approximately 60 days post-opening, provided however, we may designate a different time period. We must ~~approve~~ approve your grand opening marketing campaign before it is conducted.

### **Brand Development Fund**

We have established a brand development fund to be administered for the common benefit of System franchisees (the "Fund"). Under the Franchise Agreement, we have the right to require you to contribute 1% of your monthly Gross Revenues to the Fund which is currently required to be paid on the 5<sup>th</sup> day of each month, beginning when you begin making sales in connection with your Franchised Business. We reserve the right to change the pay day or frequency. We can increase the brand development fund payment to a maximum of 2% upon 30 days' notice to you.

Our affiliate-owned Feng Cha businesses will ~~not~~ be required to contribute to the Fund. We have the sole right to determine contributions and expenditures from the Fund, or any other advertising program, and sole authority to determine the selection of the advertising materials and programs. We are not required, under the Franchise Agreement, to spend any amount of Fund contributions in the immediate vicinity of your Territory store and not all System franchisees will benefit directly or on a pro rata basis from these expenditures. (Section 4.3.3.2 and 4.3.3.3 of the Franchise Agreement). We have the right to use Fund contributions, at our discretion, to meet any and all costs of maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which we believe will enhance the image of the System, including the costs of preparing and conducting radio, television, electronic and print advertising campaigns in any local, regional or national medium; utilizing networking sites and social media, such as Instagram, Facebook, X, TikTok, LinkedIn, Threads, YouTube, and online blogs and forums; creating and/or maintaining a presence in virtual worlds; developing, maintaining, and updating a World Wide Web or Internet site for the System; direct mail advertising; deploying social networking promotional initiatives through online media channels; marketing surveys; employing advertising and/or public relations agencies to provide assistance; purchasing promotional items; conducting and administering promotions and "mystery shopper" program(s) which may include call recording; implementation and use of Customer Relationship Management software and solutions; including the development and maintenance of application software designed to run on computers and other personal electronic devices and providing promotional and other marketing materials and services to the Feng Cha businesses operating under the System. Our decisions in all aspects related to the Fund will be final and binding. We may charge the Fund for the costs and overhead, if any, we incur in activities reasonably related to the creation, implementation and administration of the Fund and the advertising and marketing programs for franchisees. These costs and overhead include: (i) the cost of preparing advertising campaigns and other public relations activities, (ii) the cost of employing advertising agencies, including fees to have print or broadcast advertising placed by an agency and all other advertising agency fees, and (iii) the proportionate compensation of our employees who devote time and render services in

the conduct, formulation, development and production of advertising, marketing and promotion programs or who administer the Fund. (Section 4.3.3.2 of the Franchise Agreement).

Although we anticipate that all Fund contributions will be spent in the fiscal year in which they are collected, any remaining amounts will be carried over for use during the next fiscal year. We do not owe you any fiduciary obligation for administering the Fund. The Fund may spend more or less than the total Fund annual contributions in a given fiscal year and may borrow funds to cover deficits. If we terminate the Fund, we may choose to spend the funds in accordance with our then-current marketing policies or distribute funds to franchisees on a pro-rata basis. There is no requirement that the Fund be audited. Upon your written request, we will provide you with un-audited fiscal year-end accountings of Fund expenditures. (Section 4.3.3.2 of the Franchise Agreement). We may incorporate the Fund or operate it through a separate entity if we deem appropriate and we may maintain contributions to the Fund in a separate bank account or hold them in our general account and account for them separately.

In our prior fiscal year, we received \$~~106,598,216.624.41~~ in Fund contributions. \$~~188,347.07150,699.01~~ was spent by the Fund, ~~resulting in a deficit of \$81,749.07.~~ Of the amount spent, ~~34.5226.47%~~ was spent on marketing agency services; ~~1323.01%~~ was spent on ~~event sponsorships~~; ~~1.6a~~ ~~graphic designer~~; ~~45.39%~~ was spent on ~~confereneesa loyalty system~~ and ~~64.283.19%~~ was spent on ~~administration expensesadvertisements and 2.03% was spent on marketing materials.~~

Local Advertising to be used by the Fund or by you locally may be produced in-house or through an outside agency. (Section 4.3.3.2 of the Franchise Agreement).

We will benefit from contacts by new franchisee candidates through our Website, and our franchise opportunity information and application pages will be present within the site, however, we do not otherwise anticipate that any part of your contributions to the Fund will be used for advertising that is principally a solicitation for the sale of additional franchises, but we reserve the right to include a message or statement in any advertisement indicating that franchises are available for purchase and related information. (Section 4.3.3.3 of the Franchise Agreement). We also reserve the right to require you to place a "franchises available" sign (which signage will be provided by us) at a location we designate at your Franchised Business.

### **Local Advertising and Marketing**

You must conduct local advertising ~~ing~~ ~~geared towards~~ your ~~Territory~~~~store~~ and you must spend at least 1% of your monthly Gross Revenue on local advertising, in addition to your Fund contribution and amounts owed to any cooperative. We reserve the right to adjust this amount (not to exceed 2% of your Monthly Gross Revenue) as needed, upon 30 days advanced written notice. ~~However, in the event you are in the bottom 25% of System average unit volume, as determined by our review of financial information, your required local advertising spend shall be 2% of your monthly Gross Revenue and shall remain as such unless and until we notify you otherwise.~~ You must report your quarterly advertising expenditures to us by the 10th day after the end of each quarter, or at times, on forms, and in a manner we determine.

We must ~~accept~~~~approve~~ all promotional materials before you use them. You must not advertise or use our Proprietary Marks in any fashion on the Internet, World Wide Web or via other means of advertising through telecommunication without our express written consent.

You must provide any proposed promotional materials to us at least 30 days before placement deadline. We are not contractually obligated to accept or reject any materials submitted to us within the 30 days, but we will

attempt to do so. You may not use the materials unless we give you approval in writing. Any materials you submit to us for our review will become our property, and there will be no restriction on our use or distribution of these materials. [We reserve the right to require you to use our designated marketing agency.](#)

We reserve the right to require you to include certain language in your local advertising, such as “Franchises Available” and/or “Each Franchise Location Independently Owned and Operated” and our website address and phone number.

### **Cooperative Marketing**

If we establish an advertising cooperative within a geographically defined local or regional marketing area in which your Franchised Business is located, you must participate and abide by any rules and procedures the cooperative adopts and we approve. You will not have to participate in more than one advertising cooperative. Each cooperative will be organized for the exclusive purposes of administering marketing programs and developing promotional materials for use by the members in local advertising and marketing. You will contribute to your respective cooperative an amount determined by the cooperative, but not to exceed 2% of your monthly Gross Revenues, which is in addition to your local advertising requirement. We have the right to draft your bank account for the advertising cooperative contribution and to pass those funds on to your respective cooperative. Our affiliate owned businesses may, but will have no obligation to, participate in any such advertising cooperatives.

The cooperative members are responsible for the administration of their respective advertising cooperative, as stated in the bylaws that we approve. The bylaws and governing agreements will be made available for review by the cooperative’s franchisee members. Each cooperative will maintain its own funds; however, we have the right to review the cooperative’s finances, if we so choose. We may require a cooperative to prepare annual or periodic financial statements for our review. Your Franchised Business may not benefit directly or proportionately to its contribution to the cooperative.

We reserve the right to approve all of a cooperative’s marketing programs and advertising materials, [and to approve all expenditures.](#) On 30 days written notice to affected franchisees, we may terminate or suspend a cooperative’s program or operations. We may form, change, dissolve or merge any advertising cooperative. Currently there are no cooperatives in the System.

### **Website**

Posting on internet websites is considered “advertising” under the Franchise Agreement, and is subject (among other things) to our review and prior written approval. The term Website includes Internet and World Wide Web pages and encompasses social media sites and activities in virtual worlds. You may not establish a Website using or displaying any of the Proprietary Marks, and you may not advertise your Franchised Business or the sale of products or services offered by your Franchised Business on a Website, except as we permit. We may host and give you access to a separate web page for your Franchised Business on our website(s) (“Location Micro-Site”). Any electronic materials you propose to use must be approved in advance by us before publication to any site. (Section 4.3.4 of the Franchise Agreement).

Currently, customers will find your Location Micro-Site as a link on our System Website. You do not have any responsibility for designing or hosting the Website. However, if you are found to not be in compliance with the System or anything required under this Agreement you may be denied the benefits of your Location Micro-Site until the violation is corrected.

We will have the right to establish a Website or other electronic system providing private and secure communications between us, our franchisees, and other persons and entities that we decide are appropriate. If we require, you must establish and maintain access in the manner we designate.

We reserve the right to develop proprietary software or alternate sources to provide your Location Micro-Site hosting and/or other services. If we do so, we or our designee shall license the software to you and you must pay any fees associated as a result. You must comply with all standards and specifications prescribed by us in the Operations Manual.

We reserve the right to provide you password protected access to conduct all business related e-mail operations through your private portion of your Location Micro-Site. You may only use the Website and Internet presence provided by us. You may not use any other form of Website, URL or Internet advertising without our express permission.

Computer and Accounting System  
We have the contractual right to develop a point of sale (POS) system and a backroom computer system for use in connection with the System. You must acquire computer hardware equipment, software, telecommunications infrastructure products, credit card processing equipment, security and support services we require in connection with the operation of your Franchised Business and all additions, substitutions and upgrades we specify. Your computer system must be able to send and receive email and attachments on the Internet and provide access to the World Wide Web and otherwise support our then-current information technology system. (Section 6.9.5 of the Franchise Agreement). We may provide you with a Feng Cha e-mail address. We own all Feng Cha e-mail addresses that you are permitted to use and have full access to all communications sent and received using those addresses. When conducting business with customers, vendors or suppliers of your Franchised Business via e-mail, you must use any Feng Cha e-mail address provided by us.

We will have the right to independently access information and data collected by the POS system or otherwise related to the operation of your Franchised Business. You must allow us to access the information remotely and we shall have the right to disclose the information and data contained therein to the System and/or third parties. There is no contractual limitation on our right to access this information and data. (Sections 6.9.5 of the Franchise Agreement).  
~~We will have currently, you are required to use~~ a designated point-of-sale provider and ~~the~~ kiosk order services we select for the System. You will pay such provider its standard fee for such license, which is currently approximately \$276320 per month. This monthly fee includes all required ~~update~~updates and upgrades to the system. It's also mandatory to use our designated app, at a fee of \$129.9900 per month, subject to change upon notice of ~~such~~the provider as well as our inventory management software which currently costs \$19 per month in addition to a \$50 setup fee. Your point-of-sale account's ownership will be maintained under Connect LLC. You may receive the administration right for your daily operation, but we will retain the ownership of the account.

We do not require that you engage any other third-party vendor to maintain your computer system. But if you do, after obtaining our prior written approval, any updates or upgrades will be at your expense. The cost of maintaining, updating or upgrading your computer system or its components in addition to the point-of-sale maintenance might range from nothing to as much as \$2,000 in any year. It will depend on local costs of computer maintenance services in your area and technological developments that we cannot predict. We may

also require upgrades in accordance with the terms of the franchise agreement. There is no limitation on the frequency or cost of such upgrades.

The cost of the required computer point of sale system and printer is approximately \$1,000 to \$3,000.

We may require you to use an information processing and communication system that is fully compatible with any program or system which we, in our sole discretion, may employ. If we require, you must record and transmit all financial information using this system and our designated ISP or other communication vendors. We may at our discretion change standards for reporting to provide effective technology for the entire system. We will have full ability to poll your data, system, and related information by means of direct access whether in person or ~~by telephone/modem~~ remotely. We will have independent access to the information that will be generated and stored in your information processing and communication system. We will have access to all of your data and there will be no contractual limitation on our right to access your information or data. We will not implement any electronic system that will disrupt or damage your electronic system, and our access will be read only.

Other than our proprietary software referenced above, none of the hardware or software you are required to obtain is proprietary to us. Any hardware and software that is functionally equivalent and fully compatible to that ~~we may use to create or update our software~~ ~~you must upgrade or update your computer equipment and software to comply with our current requirements~~ within thirty days of a change in our requirements. There is no contractual limitation on the frequency or cost of required updates or upgrades. We reserve the right to adopt new technology at any time, which may result in additional fees to you that are not currently known.

**REMAINDER LEFT INTENTIONALLY LEFT BLANK**

## INITIAL TRAINING PROGRAM

<u>Subject</u>	<u>Hours of Online Training</u>	<u>Hours of on-the-job Training</u>	<u>Location</u>
<u>Franchise Compliance</u>	<u>1</u>		<u>Online</u>
<u>Industry &amp; Brand Introduction</u>	<u>1</u>		<u>Online</u>
<u>Checklist: Pre-opening &amp; store daily operation checklist</u>	<u>0</u>	<u>1</u>	<u>In-Person at our Texas headquarters or designated location</u>
<u>Marketing</u>	<u>1</u>		<u>Online</u>
<u>Customer Service</u>	<u>1 (Introduction to CARE and recovery)</u>	<u>(Throughout Training)</u>	<u>In-Person at our Texas headquarters or designated location</u>
<u>Menu Training</u>	<u>1</u>	<u>(Throughout Training)</u>	<u>Online</u>
<u>Food Preparation</u>	<u>3</u>	<u>64</u>	<u>In-Person at our Texas headquarters or designated location</u>
<u>Human Resource Management</u>	<u>2</u>	<u>4</u>	<u>In-Person at our Texas headquarters or designated location</u>
<u>Final Exam &amp; Review</u>		<u>6</u>	<u>In-Person at our Texas headquarters or designated location</u>
<u>Overview: Toast and POS Systems</u>	<u>1</u>	<u>(Throughout) Training</u>	<u>Online</u>
<u>Operation Manual &amp; Myfengcha.com</u>	<u>2</u>		<u>Online</u>
<u>Total</u>	<u>13</u>	<u>75</u>	

<u>Schedule</u>	<u>Subject</u>	<u>Hours of Classroom Training</u>	<u>Hours of On-the-Job Training</u>	<u>Location</u>
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Day 1	<ul style="list-style-type: none"> <li>● Our Story, Mission, Vision, Impact</li> <li>● Store Layout and Design</li> <li>● Review Equipment</li> <li>● Drink and Desert Categories</li> <li>● Preparation of Classic Drinks</li> <li>● Shadow Register Team Member</li> <li>● Hospitality and Steps of Service</li> <li>● POS System</li> </ul>		10	Corporate Headquarters in Dallas, TX area or as we specify
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Schedule	Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Day 2	<ul style="list-style-type: none"> <li>● Review Opening Checklist</li> <li>● Prepare all Ingredients with Trainer</li> <li>● Review Previous Days' Learnings</li> <li>● Review Previous Day's Homework</li> <li>● Classic Drinks</li> <li>● All modifiers</li> <li>● Preparation for Special Drinks</li> <li>● Practice Making Special Drinks</li> <li>● Make Drinks for Guest's Orders</li> <li>● Practice Questions</li> <li>● Review Free Time Checklist &amp; Restroom Checklist</li> <li>● Review Classic Drink Recipes</li> <li>● Review Special Drink Recipes</li> <li>● Review Morning Preparation Recipes</li> <li>● Give Special Drink Homework</li> <li>● Review Next Day Training Plan</li> </ul>		10.5	Corporate Headquarters in Dallas, TX area or as we specify
Schedule	Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location

Day 3	<ul style="list-style-type: none"> <li>● Prepare all Ingredients with Trainer</li> <li>● Review Previous Days' Learnings</li> <li>● Review Previous Day's Homework</li> <li>● Special Drinks</li> <li>● All modifiers</li> <li>● Review Milk Foam Tea Recipes</li> <li>● Review Original Tea Recipes</li> <li>● Make Drinks for Guest's Orders</li> <li>● Continue Making Drinks for Guests Orders</li> <li>● Prepare Black Tea, Black Milk Tea and Boba</li> <li>● Prepare Fruit Puree if needed</li> <li>● Tips and Gratuities</li> <li>● Rewards and Mobile App</li> <li>● Guest Recovery</li> <li>● Free time Checklist</li> <li>● Closing Checklist</li> <li>● Closing Procedures</li> <li>● Give Milk Foam tea and Original Tea Homework</li> <li>● Review Next Day Training Plan</li> </ul>		9.5	Corporate Headquarters in Dallas, TX area or as we specify
<b>Schedule</b>	<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>

Day 4	<ul style="list-style-type: none"> <li>● <del>Prepare all Ingredients with Trainer</del></li> <li>● <del>Review Remaining Milk Foam Recipes</del></li> <li>● <del>Recap all Preparations Recipes</del></li> <li>● <del>Recap Milk Foam Tea</del></li> <li>● <del>Recap Original Teas</del></li> <li>● <del>Review Previous Days' Learnings</del></li> <li>● <del>Review Previous Day's Homework</del></li> <li>● <del>Review Breeze Drink Recipes</del></li> <li>● <del>Make all Breeze Drinks and Taste Each One</del></li> <li>● <del>Continue Making Drinks for Guests Orders</del></li> <li>● <del>Prepare Black Tea, Black Milk Tea and Boba</del></li> <li>● <del>Prepare Fruit Puree if needed</del></li> <li>● <del>Review Guest Recovery</del></li> <li>● <del>Recap all Recipes and Morning Preparation Recipes</del></li> <li>● <del>Give Breeze Drink Homework</del></li> <li>● <del>Review Next Day Training Plan</del></li> </ul>		9.5	Corporate Headquarters in Dallas, TX area or as we specify
Schedule	Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location

Day 5	<ul style="list-style-type: none"> <li>● Prepare all Ingredients with Trainer</li> <li>● Prepare all Milk Foam Recipes</li> <li>● Review Previous Days' Learnings</li> <li>● Review Previous Day's Homework</li> <li>● Breeze Drinks</li> <li>● All modifiers</li> <li>● Review Fruit Drink Recipes</li> <li>● Make all Fruit Drinks and Taste Each One</li> <li>● Review Cake Baking Recipes</li> <li>● Continue Making Drinks for Guests Orders</li> <li>● Prepare Black Tea, Black Milk Tea and Boba</li> <li>● Prepare Fruit Puree if needed</li> <li>● Recap all Recipes and Morning Preparation Recipes</li> <li>● Give Fruit Drink Homework</li> <li>● Review Next Day Training Plan</li> </ul>		9.5	Corporate Headquarters in Dallas, TX area or as we specify
<b>Schedule</b>	<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>

Day 6	<ul style="list-style-type: none"> <li>● Prepare all Ingredients with Trainer</li> <li>● Prepare all Milk Foam Recipes</li> <li>● Review Previous Days' Learnings</li> <li>● Review Previous Day's Homework</li> <li>● Fruit Drinks</li> <li>● All modifiers</li> <li>● Review Coffee and Hot Drink Recipes</li> <li>● Make all Coffee and Hot Drinks and Taste Each One</li> <li>● Review Cake Baking Recipes</li> <li>● Continue Making Drinks for Guests Orders</li> <li>● Take Orders on POS System</li> <li>● Prepare Ingredients if needed</li> <li>● Pre-Closing Procedures</li> <li>● Closing Checklist</li> <li>● Recap all Coffee and Hot Drink Recipes</li> <li>● Give Coffee and Hot Drinks Homework</li> <li>● Review Next Day Training Plan</li> </ul>		9.5	Corporate Headquarters in Dallas, TX area or as we specify
<b>Schedule</b>	<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>

Day 7	<ul style="list-style-type: none"> <li>● Prepare all Ingredients with Trainer</li> <li>● Prepare all Milk Foam Recipes</li> <li>● Review Previous Days' Learnings</li> <li>● Review Previous Day's Homework</li> <li>● Practice Making All Drinks for Guest's Orders</li> <li>● Take Orders on POS System</li> <li>● Prepare Ingredients if needed</li> <li>● Start Pre-Closing Procedures</li> <li>● Make Cold Brew Tea</li> <li>● Closing Procedures</li> <li>● Cleaning Store</li> <li>● Review Next Day Training Plan</li> </ul>		9.5	Corporate Headquarters in Dallas, TX area or as we specify
Day 8	<ul style="list-style-type: none"> <li>● Practice Making All Drinks for Guest's Orders</li> <li>● Take Orders on POS System</li> <li>● Prepare Ingredients if needed</li> <li>● Start Pre-Closing Procedures</li> <li>● Make Cold Brew Tea</li> <li>● Closing Procedures</li> <li>● Cleaning Store</li> <li>● Review Next Day Training Plan</li> </ul>		9.5	Corporate Headquarters in Dallas, TX area or as we specify

Schedule	Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Day 9	<ul style="list-style-type: none"> <li>• Take Final Exam on all Drinks</li> <li>• Manager Responsibilities</li> <li>• Management Operations</li> <li>• Financial Management</li> <li>• Guest Relations</li> <li>• Recruiting, Interviewing and Hiring</li> <li>• Team Member Relations</li> <li>• Interpersonal Communications</li> <li>• Local Store Marketing</li> <li>• Review Options of Drinks</li> </ul>	8		Corporate Headquarters in Dallas, TX area or as we specify

\*This includes “virtual” training.

\*\*\*“On-the-job” training hours may be converted to “classroom” training hours if we determine that in person training is not advisable due to health and safety reasons or otherwise in our discretion. In that case, remote training will be conducted.

We will give you an Initial Training and familiarization program (“Initial Training Program”) before the ~~start~~ opening of your business. You will first complete an orientation, delivered via online portal (with a required 100% completion score). Then the in-person Initial Training will be held at our headquarters or a designated site over an estimated seven day period, subject to change. All your accommodations, travel, room, board, and wage expenses during this period are borne exclusively by you. Following the Initial Training, our trainer will deliver on-site training and support as you prepare for your opening and as your store holds a “soft” opening. The training program must be completed by ~~all franchisees~~ the Franchisee (or their designated managers) Operating Principal) and General Manager, unless, at our reasonable discretion, based upon a franchisee’s experience, it is deemed unnecessary. The training must be completed, to our satisfaction, no later than 30 days before the date the Franchised Business begins operation.

~~No later than 30 days before the date the Franchised Business begins operation, you (or your Operating Principal, if you are an entity) and your General Manager must have completed, to our satisfaction, our new owners training program (“Initial Training Program”).~~ The initial training program is designed to provide training in the operation and management of a Feng Cha business. We plan to conduct this training at our corporate headquarters in the Dallas, Texas area or at another location we designate, however, we may conduct portions of training virtually. There currently are no fixed (such as monthly or bi-monthly) training schedules. We will hold our training program on an “as needed” basis, depending on the number of franchisees and their employees needing training.

We will provide instructors and training materials for up to three trainees (consisting of the Franchisee (or Operating Principal) and General Manager), the cost of which is included in the Initial Training Fee. We may permit you to have additional owners or personnel trained by us for the Franchised Business, at your expense, for the then-current additional per person training fee (currently \$500 per day) plus travel, lodging

and meal expenses. You are responsible for all training related expenses including transportation to and from the training site, lodging and dining expenses. In addition, if your employees will receive a salary during training, you are solely responsible for paying their salary.

Any General Manager or Operating Principal subsequently designated by you must also receive and complete the initial training program. We may approve you to train replacement managers under our training program but you may not train any personnel until we have approved you as a trainer.

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

The ~~instructor~~instructors primarily conducting our initial training program will be Mr. Kaihui Li and Ms. LaQuanda McGeachy. Mr. Li has been serving as the corporate trainer for Feng Cha since 2021, bringing extensive experience in restaurant operations and management. Prior to joining the corporate team, Mr. Li managed a Feng Cha store for three years. Ms. McGeachy has been serving as a corporate trainer since 2025 and has been involved in the corporate training space for over three years. Ms. McGeachy brings experience in operations and management.

We may delegate initial training and orientation to be conducted by our Area Representative. Ms. Jin has served as our Area Representative since June, 2020 and currently operates three Feng Cha franchised businesses.

If, during the term of your Franchise Agreement, you request that we provide additional training or assistance on-site at your Approved Location, or if we determine it is necessary, you must pay our then-current fee (currently \$500 per person, per day) and you must reimburse us for any expenses our trainers incur, such as costs of travel, lodging, and meals. Remote training may be substituted for in person training, at our discretion. If remedial training will be provided off-site you must pay the per person daily fee plus travel, lodging, meals and wages for you and your attendees. Additional training and/or consultation may also be conducted by our Area Representative, at our discretion.

We may also choose to hold continuing education seminars and refresher training courses, and we may designate that attendance is mandatory for you, your Operating Principal, General Manager and/or other personnel. We may charge our then-current fee (currently \$500 per person, per day) and you ~~will~~must pay for all of the expenses incurred by your trainees, including travel, lodging, meals and wages. You are required to attend all franchisee meetings and continuing education held at our corporate office or elsewhere as we determine.

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

We may choose to hold an annual conference of our franchisees to provide additional training, introduce new products or changes to the System, or for other reasons. We may designate that attendance at an annual conference is mandatory for you, your Operating Principal, your General Manager and/or other personnel. ~~We may charge an attendance fee, which is payable whether you attend or not, and you will pay for all of the expenses incurred by your attendees at the conference, including travel, lodging, meals and wages.~~ We do not expect that any conference will last longer than four days.

In addition, you, your General Managers and any other personnel we designate must complete ServSafe Manager Training (or a similar certification program approved by us). The cost of this certification is not included in the initial franchise fee and we do not provide certification. You may need to receive periodic additional training and/or certification.

You must hire all employees of your Franchised Business and are responsible for the terms of their work, training, compensation, management, promotions, terminations, and oversight. You must communicate clearly with your employees in your employment agreements, employee manuals, human resources materials, written and electronic correspondence, pay checks and other materials that you (and only you) are their employer.

**Confidential Franchise Operations Manual**

The Table of Contents for our Operations Manual is attached to this ~~ITEM 12~~ document as Exhibit G. Our Operations Manual contains approximately ~~400~~123 pages. **TERRITORY**

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

The Franchise Agreement grants you the right to operate one Feng Cha business at the Approved Location identified in the Franchise Agreement or subsequently identified and mutually acceptable to both you and us. You must locate an Approved Location within the non-exclusive Search Area that we specify. The Approved Location will be added to the Franchise Agreement once we ~~accept~~approve it and you secure it. Your Search Area is not exclusive and is only intended to give you a general indication of the area within which you may locate the site for the Approved Location.

If the lease term is shorter than the term of the Franchise Agreement and the lease cannot be renewed or extended, or you cannot continue for any other reason to occupy the premises of the Feng Cha business, you must relocate your Feng Cha business to a site mutually acceptable to you and us in order to complete the balance of the term of the Franchise Agreement. You must give us notice of your intent to relocate, must pay the relocation fee, must procure a site acceptable to us within 60 days after closing the prior Feng Cha business location, and must re-open the Feng Cha business ~~for business~~ within 180 days of closing the previous one. We may or may not agree to such relocation based upon various criteria including, but not limited to: area demographics, estimated market demand and proximity to other System businesses. If you

The continuation of your right to operate the Feng Cha business is not dependent upon achieving a certain sales volume or other performance objectives.

fail to comply with the relocation requirements, we may terminate the Franchise Agreement.

You have no right to distribute any services or products offered in the Feng Cha business through any alternate channels of distribution such as the Internet, catalog sales, telemarketing or other mail order devices. We and/or our affiliates retain the right to use and to license others to use the System for the operation and licensing of other Feng Cha businesses at any locations regardless of the proximity to your Feng Cha business.

We and our affiliates are under no obligation to pay you any compensation for selling similar products or services through other channels of distribution under the same and/or different proprietary marks ~~within the Territory~~anywhere. We or our affiliates will fulfill all orders placed through the retail portion of our

Website and you will not be entitled to any portion of the profits received from this, ~~even if the customer's order is generated from or delivered in your Territory.~~

You are unrestricted as to the geographic area from which you may accept business as a System franchisee ~~but you may not actively solicit business from outside your Territory.~~ Except as we otherwise approve, you may not take part in any sales from a location other than the premises of the Franchised Business. You are not entitled to offer you a protected Territory. ~~Your Territory will consist of the~~ **Approved Location only.** We do not offer you a protected Territory. We currently allow franchisees to provide catering and delivery services regardless of where the order originates (as long as the product is fresh at the time of delivery), though we reserve the right to change this in the future.

You are not entitled to any automatic option, right of first refusal or any similar right to acquire additional franchises ~~within the Territory or contiguous territories,~~ but we reserve the right to offer franchisees such rights, in our discretion.

**Multi-Unit Developer Agreement**

If you enter into a Multi-Unit Developer Agreement, we will define a Development Area within which you will have the right to locate and secure the ~~accepted~~ Approved Location for each Franchised Business you must open under your Development Schedule. The size of the Development Area will likely vary among new prospects and developers, with the size of your Development Area typically depending on the demographics of the area in and around the region you wish to develop.

We typically identify your Development Area early during the franchise due diligence and offer process, based on where you tell us you wish to operate, and the agreed-to geographic description is inserted into your Multi-Unit Developer Agreement before you sign it. The Development Area may not be modified at any time during the term of the Multi-Unit Developer Agreement unless the parties mutually agree to the modification in a separate signed writing. Typically, your Development Area will be all or part of a Metropolitan Statistical Area (MSA). You maintain your rights to your Development Area, even if the population increases.

Your Development Schedule will depend on the number of Franchised Businesses you acquire the rights to develop in your Multi-Unit Developer Agreement. If you enter into an agreement granting you the rights to develop three units, your Development Schedule will typically be as follows:

<del>Number of new locations within Development Period</del> <b>Businesses to be Opened</b>	<b>Initial Franchise Fee Balance Owed and Franchise Agreement Signing Deadline</b>	<b>Business to be Opened By (Date)</b>	<del>Cumulative No. Number of locations that must</del> <b>Businesses to be Open &amp; Operating by Opening Date (in previous column)</b>
<b>1</b>	<b>12 months prior to expected</b>	<del>Within</del> <b>12 months from Effective Date</b>	<b>1</b>

	<b>“Opened By” Date</b>	<b><u>of Development Agreement</u></b>	
<b>1</b>	<b>12 months prior to expected “Opened By” Date</b>	<b><del>Within</del> 18 months from Effective Date of <u>Development Agreement</u></b>	<b>2</b>
<b>1</b>	<b>12 months prior to expected “Opened By” Date</b>	<b><del>Within</del> 24 months from Effective Date of <u>Development Agreement</u></b>	<b>3</b>

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

Upon completion of your Development Area in the Multi-Unit Developer Agreement, your rights to develop Franchised Businesses within the Development Area will end and you will have no further rights in the Development Area.

We and/or our affiliate or predecessor reserve all other rights with respect to your Development Area, which include but are not limited to:

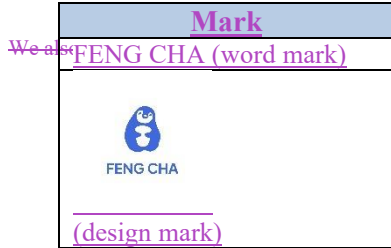
- (i) in connection with a merger or acquisition, the right to own, operate, franchise or license businesses operating under names other than those identified by the Proprietary Marks, regardless of whether or not these other concepts offer products and services similar to or competitive with those to be offered by your Franchised Businesses and regardless of location, and the right to convert those locations to Feng Cha businesses;
- (ii) the right to be acquired by (or merge or become affiliated with) any other business operating under names other than the Proprietary Marks, including a competing business, with locations anywhere, which may result in the required conversion of franchised businesses;
- (iii) the right to establish and operate, and allow others to establish and operate, businesses that may offer products and services which are identical or similar to products and services offered by Feng Cha businesses, under other trade names, trademarks, service marks and commercial symbols different from the Proprietary Marks; and
- (iv) the right to distribute products and services in alternative channels of distribution both within and outside the Development Area, (which alternative channels of distribution include but are not limited to: sales of services and products at or through mail order, catalog, telemarketing, direct mail marketing or via the internet, and any similar outlets or distribution methods).

You are not granted any right of first refusal to obtain additional development rights.

**ITEM 13**  
**TRADEMARKS**

Under the Franchise Agreement, we grant to you the right to use certain trademarks, service marks and other commercial symbols in connection with the operation of your franchise (the “Proprietary Marks”). The Multi-Unit Developer Agreement does not grant you the right to use these Proprietary Marks or the System. Our primary service marks are listed below. ~~We have registered~~ Our affiliate, FC USA, LLC, is

Mark	Registration Number	Registration Date	Classes
FENG CHA <u>(design mark)</u>	5514503	July 10, 2018	IC 043
FENG CHA <u>(design mark)</u>	6296253	March 16, 2021	IC 030



We do not have a federal registration for all of our Proprietary Marks. Therefore, unregistered or pending Proprietary Marks do not have as many legal benefits and rights as federally registered trademarks. If our right to use these Proprietary Marks is challenged, upon our discretion, you may have to change to an alternative trademark, which may increase your expenses.

We own and claim common law trademark rights in the trade dress used in your Feng Cha Business. Our common law trademark rights and trade dress are also included as part of the Proprietary Marks. You cannot contest, directly or indirectly, our and/or our affiliate’s ownership of the Proprietary Marks.

You cannot contest, directly or indirectly, our ownership of the Proprietary Marks. We intend to file all affidavits and any and all renewals, when due, for the Proprietary Marks listed above.

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court involving the Proprietary Marks, nor any pending infringement, opposition, or cancellation proceedings or material litigation involving the Proprietary Marks.

Our right to the registered Proprietary Marks is derived from a license agreement dated January 2, 2026 (the “Intercompany License”) between us and FC USA, LLC. The Intercompany License grants us the right to use the Proprietary Marks for the purpose of licensing them to our franchisees and fulfilling our obligations under the Franchise Agreement. The Intercompany License runs for thirty (30) years and automatically renews for an unlimited number of terms of twenty (20) years each, unless either party notifies the other party in writing that it does not intend to renew for an additional term at least one hundred eighty (180) days before the end of the then-current term. This Agreement may be terminated by written

consent of both parties or for material uncured breach. Other than the Intercompany License there are no agreements currently in effect that significantly limit our right to use or license the use of the Proprietary Marks in any manner material to the franchise. We are not aware of any superior rights that could affect your use of the Proprietary Marks.

Your rights to the Proprietary Marks are derived solely from your Franchise Agreement. You may have the right to potentially use future trademarks, service marks and logos that we may subsequently license to you. You will only use the Proprietary Marks as we authorize. In using the Proprietary Marks, you must strictly follow our rules, standards, specifications, requirements and instructions which may be modified by us in our discretion. All goodwill associated with the Proprietary Marks remains our and our affiliate's exclusive property. You may not use the Proprietary Marks with any unauthorized product or service or in any way not explicitly authorized by the Franchise Agreement. When your Franchise Agreement expires or terminates, all rights for you to use the Proprietary Marks shall cease and you shall not maintain any rights to use any Proprietary Marks. You may not use any other marks, names, commercial symbols or logo type other than those listed above in offering services to the public in connection with your Feng Cha business.

You cannot use the Proprietary Marks (or any variation of the Proprietary Marks) as part of a corporate name, domain name, homepage, email address or on any website or with modifying words, designs or symbols. You may not use our registered name in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. You may not apply for any trademark or service mark using our name.

In the event of any infringement of, or challenge to, your use of any of the Proprietary Marks, you must immediately notify us, and we will have sole discretion to take such action as deemed appropriate. You must not communicate with any person other than your legal counsel, us and our legal representative in connection with any infringement challenge or claim. We will indemnify and hold you harmless from any suits, proceedings, demands, obligations, actions or claims, including costs and reasonable attorneys' fees, for any alleged infringement under federal or state trademark law arising solely from your authorized use of the Proprietary Marks in accordance with the Franchise Agreement or as otherwise set forth by us in writing, if you have notified us promptly of the claim. We reserve the right, under the Franchise Agreement, to substitute different Proprietary Marks for use in identifying the System and the businesses operating under the System if the current Proprietary Marks no longer can be used, or if we, in our sole discretion, determine that substitution of different Proprietary Marks will be beneficial to the System. If we substitute, change or add any marks, you must bear the cost and expense at your Franchised Business (for example, changing signage, business cards, etc.).

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

### **Patents and Copyrights**

We do not own any registered patents which are material to the franchise. We do claim copyright protection for many aspects of the System, including, without limitation, the content contained in the Operations Manual and other manuals, advertising and promotional materials, training materials and programs, our menus, recipes, product specifications and ingredient lists, videos, proprietary computer software and applications (including mobile applications), architectural plans and designs, web sites and web pages (including content in virtual worlds), and all other written material we develop to assist you in development and operation, although these materials have not been registered with the United States Registrar of Copyrights.

There are no currently effective determinations of the USPTO, the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of our copyrighted materials. We are not required by any agreement to protect or defend copyrights or to defend you against claims arising from your use of patented or copyrighted items or to participate in your defense or indemnify you.

### **Confidential Operations Manual**

You must operate your Franchised Business according to the strict standards, methods, policies and procedures specified in the Operations Manual. The Operations Manual is our sole, exclusive and confidential property which we reveal to you in confidence and may only be used by you as provided in the Franchise Agreement. We may revise the contents of the Operations Manual and you must comply with each new or changed standard, at your own expense. You must make sure that the Operations Manual is kept current at all times. If there is any dispute as to the contents of the Operations Manual, the terms of the master copy maintained by us at our corporate office will be controlling. We may provide you with a hard copy of the Operations Manual or make our Operations Manual available electronically. You must take all necessary precautions to protect the security of all physical and electronic copies of the Operations Manual.

### **Confidential and Proprietary Information**

Any and all information, knowledge, know-how, techniques and data which we designate as confidential will be deemed confidential for purposes of your Franchise Agreement. Examples of confidential information include, without limitation: (1) site selection, construction plans and design specifications; (2) methods, formats, specifications, standards, systems, procedures, pricing and cost data, sales and marketing techniques; (3) recipes, formulas, ingredients and food preparation techniques; (4) knowledge of specifications for and suppliers of, and methods of ordering, certain products, ingredients, materials, equipment and supplies; (5) knowledge of the operating results and financial performance of other Feng Cha businesses; (6) the Operations Manual; (7) training materials and programs; (8) customer data; (9) all password protected portions of our Website, intranets and extranets and the information they contain (including the email addresses of our franchisees); and (10) specifics regarding the inner workings of computer software, applications or other technology used by our System.

The Franchise Agreement provides that you acknowledge that your knowledge of the operation of the Feng Cha System, including the specifications, standards and operating procedures of the System, is derived from information we disclose to you and that all this information is confidential and our trade secrets. You must require your owners, officers, directors, managers and any of their spouses to sign a personal Guaranty, which binds them to the confidentiality provision in the Franchise Agreement. You must inform your employees and others having access to confidential information of the obligation to maintain the information in confidence and subject to applicable law. All employees must sign a Confidentiality Agreement in a form satisfactory to us, giving us the right to enforce the agreement as a third-party beneficiary. All executed agreements must be forwarded to us to ensure compliance. You are responsible for assuring, before any person leaves your employment, such person returns to you all documents and materials containing our trade secrets and confidential information.

All data that you collect from customers of the Feng Cha business or through marketing is deemed to be owned exclusively by us and/or our affiliates. You must install and maintain security measures and devices necessary to protect the customer data from unauthorized access or disclosure, and you may not sell or disclose to anyone else any personal or aggregated information concerning any customers. You have the right to use the customer data only in connection with your Franchised Business, while the Franchise

Agreement is in effect. If you transfer the Franchised Business to a new owner, who will continue to operate it under an agreement with us, you may transfer the customer data to the new owner as part of the going concern value of the business.

All new products, items, services and other developments, whether they be of our original design or variations of existing services or techniques, or your original design or variations of existing services or techniques, and whether created by or for you or an employee will be deemed a work made for hire and we will own all rights in them. If they do not qualify as works made for hire, you must assign ownership to us under the Franchise Agreement. You will not receive any payment, adjustment or other compensation in connection with any new products, items, services or developments.

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

You (or, if you are an entity, your Operating Principal) must personally participate in the operation of your Franchised Business. The Operating Principal must be an equity owner in the Franchised Business (in an amount of at least 10%) and have the authority to bind you in all operational decisions regarding the franchise. We will have the right to rely on any statement, agreement or representation made by the Operating Principal. You may not change the Operating Principal without our prior written approval.

If you (or your affiliate) operate more than one Feng Cha Business, you will need a full-time General Manager to be responsible for the direct on-premises supervision of each Feng Cha Business at all times during the hours of operation as required by us. However, you are still responsible for the operations of your Feng Cha Business. At all times, you will keep us advised of the identity of your General Manager. If your General Manager's employment terminates for any reason, you must engage a suitable replacement as soon as possible, but in no event more than 60 days from the date of termination and you must provide suitable coverage in the interim. Your General Manager need not have any equity interest in the Franchised Business. You ~~will~~may disclose to your General Manager only the information needed to operate your Feng Cha business and the General Manager ~~will~~must be advised that any confidential information is our trade secret.

Both the franchisee (in the case of an individual), your Operating Principal (in the case of an entity) and the General Manager must attend and satisfactorily complete our initial training program.

All of your employees must execute the Confidentiality Agreement in the form attached as Exhibit 5 to the Franchise Agreement. If you are a legal entity, each of the following individuals must sign the Guaranty

to our Franchise Agreement: (i) each of your shareholders if you are a corporation; (ii) each of your partners if you are a general partnership; or (iii) each of your members and managers if you are a limited liability company. Spouses of the aforementioned are also required to sign the Guaranty.

If we determine in our sole judgment that the operation of your business is in jeopardy for if a default occurs, then in order to prevent an interruption in operation of the Franchised Business, we may operate your business for as long as we deem necessary and practical. In our sole judgment, we may deem you incapable of operating the Franchised Business if: (i) you are unable to pay your debts as they become due; (ii) you are ill or death; you have failed to make payments when due or have failed to remove any and all liens or encumbrances of every kind placed upon or against your business; or we determine that operational problems require that we operate your Franchised Business for a period of time that we determine, in our sole discretion, to be necessary to maintain the operation of the business as a going concern. We shall keep in a separate account all monies generated by the operation of your Feng Cha business, less our management fee and our expenses, including reasonable compensation and expenses for our representatives. You must

## **ITEM 16**

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

hold us and our representatives harmless from and against all actions occurring during the course of such temporary operation. You must pay all of our reasonable attorneys' fees and costs incurred. All royalty fees and other fees due under the Franchise Agreement shall remain payable during our period of operation and shall be paid out of the revenues from the Franchised Business.

You may only offer or sell products and services that are approved by us and must offer for sale certain products and services as designated by us. We may add, delete or alter approved products or services that you are required or allowed to offer in our sole discretion. There are no limits on our right to do so. You must discontinue selling and offering any products, services or items that we, in our sole discretion, disapprove in writing at any time. You may not conduct any other business or activity at the premises of the Feng Cha business without our written permission. You are not permitted to rent out the premises of the Feng Cha business or host any events at your Feng Cha business, which are not affiliated with Feng Cha and approved by us. You may only sell products at retail and may not engage in the wholesale or distribution of any product.

You must prepare all food items with our recipes and procedures for preparation contained in the Operations Manual or other written instructions, including the measurements of ingredients, and you must not deviate from our standards and specifications by the use or offer of non-conforming items or differing amounts of any item without first obtaining our written consent.

On a case-by-case basis, we may allow you or other franchisees to offer additional services, products or programs that are not otherwise part of the Feng Cha System. We will decide which franchisees can offer additional services and products based on test marketing, the franchisees' qualifications and operational history, differences in regional or local markets and other factors.

You may not create unapproved gift certificates or gift cards, and cannot create unapproved rewards or loyalty programs. Your Feng Cha business cannot offer free products or services unless approved by us. We may regulate procedures for online/electronic orders and registration, and we have the right to set restrictions on the pricing and sizes of all products that are sold or distributed.

We require you to limit your business to the operation of the Feng Cha business. If you are an entity, you must be a single purpose entity and you cannot operate any other business or sell any products or services, other than those approved in connection with your Feng Cha business, using your entity name.

REMAINDER ~~LEFT~~ INTENTIONALLY ~~LEFT~~ BLANK

## **THE FRANCHISE RELATIONSHIP**

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

### **ITEM 17**

### **RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the term of the franchise	Section 2.1	Term continues for 10 years from the date of the Franchise Agreement <del>unless terminated earlier, but will be extended to</del>
b. Renewal or extension of the term	Section 2.2	<del>align with lease expiration date provided lease term is no more than 10 years.</del> One <del>5</del> 10 year term, if you meet certain requirements.
c. Requirements for franchisee to renew or extend	Section 2.2	You may renew if you: (i) have timely notified us of your election to renew; (ii) have the right to lease the premises for an additional 5 years (or have secured substitute premises); (iii) have completed all maintenance and refurbishing required by us; (iv) are not in default of any agreement between you and us or our parent, affiliate or predecessor and have substantially complied with all agreements during their term; (v) have satisfied all monetary obligations owed to us and/or our parent, affiliate or predecessor; (vi) have executed our then-current form of Franchise Agreement and any associated renewal addendum; (vii) have satisfied our then-current training requirements for new franchisees; (viii) have paid the renewal fee and (ix) have executed a general release arising out of or related to the Franchise Agreement or any related agreement. If you seek to renew your franchise at the expiration of the initial term, you may be asked to sign a new franchise agreement that contains terms and conditions materially different from those in your previous franchise agreement but the fees on renewal will not be greater than what is listed in our then-current Franchise Agreement.
d. Termination by franchisee	Section 9.1	Subject to state law, you must give us 90 days' written notice to cure any default within 60 days of the event or circumstances) giving rise to the breach. You must be in material compliance. If we fail to cure any material breach within the 90 day cure period, you may terminate for that reason by written notice, except if the breach is not susceptible

Provision	Section in Franchise Agreement		Summary
			to cure within 90 days, but we take action within 90 days to begin curing the breach and act diligently to complete the corrective action within a reasonable time, we will be deemed to have timely cured the breach.
e. Termination by franchisor without cause	Not applicable	Not applicable	
f. Termination by franchisor with "cause"	Section 9.2.1	Each of your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination. See Item 17(g) and (h) for further description.	
g. "Cause" defined – curable defaults	Sections 9.2.1	We have the right to terminate the Franchise Agreement, (i) after a 10 day cure period if you fail to timely propose a qualified replacement General Manager (you may only operate during the cure period as long as you maintain adequate supervision of operations during the cure period); (ii) after a 15 day cure period upon your failure to pay any sums owed to us or our parent, affiliate or predecessor; or (ii) after a 30 day cure period upon (a) your failure to pay any sums owed to a third party other than us or our parent, affiliate or predecessor or (b) your failure to comply with any other provision not listed above and not listed in Section (h) below as a non-curable default.	

Provision	Section in Franchise Agreement	Summary
<p>h. “Cause” defined – defaults which cannot be cured</p>	<p>Section 9.2.2</p>	<p>We may terminate you for cause without opportunity to cure if you or your owners: (i) become insolvent; (ii) have a general assignment for benefit of creditors; (iii) have a petition or proceeding filed under federal bankruptcy laws or are adjudicated bankrupt or insolvent or there is a petition for reorganization; (iv) have failed to pay taxes or a levy or writ of attachment or execution or any other lien against you or your assets which is not released or bonded against within 60 days; (v) are dissolved; (vi) have a receiver or other custodian appointed for your business or have a levy against your business property; (vii) sell products or services at an unauthorized location or in an unauthorized forum; (viii) sell unauthorized products or services; (ix) fail to find an acceptable location within time required; (x) open the Feng Cha business before receiving written approval; (xi) abandon the Feng Cha business or lose the right to the Feng Cha business’ premises; (xii) are convicted of a felony or commit another crime that may have an adverse effect on the System or Proprietary Marks; (xiii) transfer any interest without our consent; (xiv) maintain false books or records; (xv) fail to comply with in-term covenants or fail to execute required covenants; (xvi) fail to transfer as required upon death or disability; (xvii) commits fraud or make a material misrepresentation or omission in an application for the franchise; (xviii) use the Proprietary Marks or Operations Manual in an unauthorized manner; (xix) commit 3 material events of default in any 12 month period; (xx) have 3 insufficient fund fees in any 12 month period; (xxi) fail to complete required training; (xxii) create or allow a threat or danger to the public health or safety in connection with the Franchised Business; (xxiii) breach applicable law; (xxiv) fail to obtain or maintain required insurance or (xxv) engage in dishonest or unethical behavior.</p>

Provision	Section in Franchise Agreement	Summary
i. Franchisee’s obligations on termination/non-renewal	Section 10.1	<p>Obligations include: You must stop operating the Franchised Business and using the Proprietary Marks and System and completely de-identify the business; cancel assumed names incorporating the Proprietary Marks; pay all amounts due to us or our parents, affiliates, or vendors; return the Operations Manual and all other proprietary materials and destroy any electronic or digital copies; furnish an itemized list of marketing materials bearing the Proprietary Marks; assign telephone numbers and Internet listings; comply with confidentiality and restrictive covenant requirements; pay liquidated damages (if applicable); at our option, sell or assign to us your rights in the Feng Cha Business’ premises and the equipment and fixtures used in the business; sign a general release (subject to state law); and permit us to make a final inspection of your financial records, books, and other accounting records.</p>
j. Assignment of contract by Franchisor	Section 8.6	We have the right to transfer or assign the Franchise Agreement to any person or entity without restriction.
k. “Transfer” by franchisee – defined	Section 8.3	Includes sale, assignment, conveyance, pledge, mortgage or other encumbrance of any interest in the Franchise Agreement, the Franchised Business or you, including any ownership restructuring of you or of any owners of you.
l. Franchisor approval of transfer by franchisee	Section 8.1	You must obtain our written consent before transferring any interest.
m. Conditions for franchisor approval of transfer	Section 8.3.2	<p>Conditions include: You must pay all amounts due us or our parents, affiliates or vendors; not otherwise be in default of any agreements with us or our affiliates; sign a transfer agreement; sign a general release; provide purchase agreement; and pay a transfer fee. Transferee must meet our criteria, complete training to our satisfaction, renovate as required by us, receive approval to take over possession of the Feng Cha Business location and sign then-current Franchise Agreement, at our option. The proposed transferee must satisfy any licensing requirements, have demonstrated to us that he or she meets our standards, possesses good</p>

Provision	Section in Franchise Agreement	Summary
		<p>moral character, business reputation and credit rating, and have the aptitude and adequate financial resources to operate a Feng Cha Business. You will also pay us 10% of the gross transfer price (excluding the price of real property), if we obtain the transferee for you.</p>
n. Franchisor’s right of first refusal to acquire franchisee’s business	Section 8.3.1	Within 60 days after notice, we have the option to purchase the transferred interest on the same terms and conditions if you propose to transfer any interest in the Franchise Agreement, the Franchised Business or the franchisee.
o. Franchisor’s option to purchase franchisee’s business	Section 10.1.7	Upon termination or expiration of the Franchise Agreement, we have the right to purchase certain assets of the Franchised Business.
p. Death or disability of franchisee	Section 8.2	Upon your death or disability, you shall designate an operator with the Franchised Business within 60 days and transfer your interest to an approved party within 120 days. This transfer is subject to the same terms and conditions as any other transfer.
q. Non-competition covenants during the term of the franchise	Section 7.4.1	You and your owners (and spouses) are prohibited from operating, being employed by, or having an interest in a business which primarily offers competing products and services as a Feng Cha business, without our prior written consent or involvement with a company that franchises competitive brands.
r. Non-competition covenants after the franchise is terminated or expires	Section 7.4.2	For 2 years, no involvement in any restaurant, business, or other venture that primarily offers or sells bubble tea blends coffees or teas, smoothies, or juices, and that is located or operating within a radius of 10 miles from your Franchised Business or within 10 miles of any other Feng Cha location.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
s.	Integration/merger clause	Section 12.1	Only the terms of the Franchise Agreement are binding (subject to applicable federal and/or state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. However, nothing in the Franchise Agreement is intended to disclaim the representations made in the Disclosure Document.
t.	Dispute resolution by arbitration or mediation	Section 12.2 and 12.5	Disputes must be mediated and arbitrated, except for permitted litigation, in the then-current county and state where our corporate headquarters is located currently Dallas County, Texas (subject to state law)
u.	Choice of forum	Section 12.23	The then-current county and state where our corporate headquarters is located—currently Dallas County, Texas (subject to state law)
v.	Choice of Law	Section 12.3	Texas law applies (subject to state law)

### THE MULTI-UNIT DEVELOPER RELATIONSHIP

	<b>Provision</b>	<b>Section in Multi-Unit Developer Agreement</b>	<b>Summary</b>
a.	Length of the term	4.1	Until the date you open the last of the Feng Cha businesses you are to establish under your Development Schedule, or by the end of a set term to complete the Development Schedule, whichever occurs first.
b.	Renewal or extension	No provision	There is no renewal right.
c.	Requirements for you to renew or extend	No provision	Not Applicable
d.	Termination by Multi-Unit Developer	No provision	Not Applicable, subject to state law
e.	Termination by Franchisor without cause	No provision	Not Applicable

	Provision	Section in Multi-Unit Developer Agreement	Summary
f.	Termination by Franchisor with cause	6.1	We have the right to terminate the Multi-Unit Developer Agreement with cause. Depending upon the reason for termination, we do not have to provide you an opportunity to cure. See this Item 17(g) and (h) for further description.
g.	"Cause" defined - curable defaults	6.5	Curable defaults have a 30 day cure period.
h.	"Cause" defined - non curable defaults	6.1; 6.2	We have the right to terminate the Multi-Unit Developer Agreement without providing you an opportunity to cure if: (i) you or any owner commits any criminal acts involving moral turpitude or other criminal acts which may affect the reputation of the goodwill of the Proprietary Marks; (ii) you or any owner are convicted or plea of guilty or nolo contendere of a felony; (iii) you or any owner misrepresents yourself in any way (including through omission of information) in connection with your development application; (iv) you or any owner files for bankruptcy or are adjudicated bankrupt; (v) insolvency proceedings are commenced against you or a receiver is appointed; (vi) you are the subject of a lien or execution is levied against assets; (vii) you become insolvent; (viii) you or your principals materially breach any other agreements with us or our parent, affiliate or predecessor; (ix) you or any owner or spouse uses the Confidential Information in an unauthorized manner or breaches any restrictive covenant with us; (x) you fail to adhere to the Development Schedule; and/or (xi) you or any owner commits an unauthorized transfer. You can maintain any existing Franchised Businesses that are established by a Franchise Agreement, as long as you comply with the terms of that Franchise Agreement.
i.	Your obligations on termination/non-renewal	6.3	You must stop selecting sites for Franchised Businesses, and you may not open any more Franchised Businesses.
j.	Assignment of contract by franchisor	7.1	We have the unrestricted right to sell, transfer, assign, and/or encumber all or any part of our interest in the Multi-Unit Developer Agreement.
k.	"Transfer" by franchisee – defined	7.2	A transfer of any ownership interests in the Multi-Unit Developer Agreement or in Developer or its owners.
l.	Franchisor's approval of transfer by franchisee	7.2	You may not change, sell, transfer, assign or encumber any interest in the Developer, <del>Developer</del> Developer Agreement or of its owners without our prior written consent.

	<b>Provision</b>	<b>Section in Multi-Unit Developer Agreement</b>	<b>Summary</b>
m.	Condition for Franchisor's approval of transfer	7.2	Approval to sell or transfer the Multi-Unit Developer Agreement may be conditioned upon the following: (i) satisfaction of all monetary obligations to us, our parent, affiliate or predecessor, or suppliers; (ii) the timely cure of all existing defaults under any agreement between us; (iii) execution of a transfer agreement and general release; (iv) providing us with a copy of the executed purchase agreement relating to the proposed transfer and (v) the transferee must have paid to us the transfer fee. The proposed transferee must sign an assignment and a guarantee and must have demonstrated to us that he or she meets our standards, possesses good moral character, business reputation and credit rating, has the aptitude and adequate financial resources to fulfill the obligations under the Multi-Unit Developer Agreement.
n.	Franchisor's right of first refusal to acquire franchisee's business	7.2; 7.3	If you propose to transfer or assign any of your interest in the Multi-Unit Developer Agreement or in the developer, you must first offer us the option to purchase the interests upon the same terms as those offered by the third party.
o.	Franchisor's option to purchase franchisee's business	No provision	Not applicable.
p.	Multi-Unit Developer's death or disability	7.4	Upon your death or disability, your representative must designate an operator who is acceptable to us to carry out your duties under the Multi-Unit Developer Agreement within 60 days and transfer your interest to an approved party within 90 days. This transfer is subject to the same terms and conditions as any other transfer.
q.	Non-competition covenants during the term of the Multi-Unit Developer Agreement	8.2	Neither you nor your partners, shareholders, members or managers, nor spouses may have any interest in any other business or venture that primarily offers or sells bubble tea blends coffees or teas, smoothies, or juices or involvement with a company that franchises competitive brands (a "Competitive Business").

	<b>Provision</b>	<b>Section in Multi-Unit Developer Agreement</b>	<b>Summary</b>
r.	Non-competition covenants after the Multi-Unit Developer Agreement is terminated or expires	8.3	The Multi-Unit Developer Agreement limits your right and the rights of your partners, shareholders, members, managers and spouses for 2 years following the date of the expiration and non-renewal, transfer or termination of the Multi-Unit Developer Agreement:  (i) to own, engage in, be employed or have any interest in any Competing Business within ten miles (or the maximum area allowed by law) of your Development Area or any Feng Cha business;  (ii) to solicit business for any competitive business purpose or to solicit employees of us, our affiliate or predecessor or other System franchisees; or  (iii) to own, maintain, engage in, be employed by, or have any interest in any company which grants franchises or licenses for any Competitive Business.
s.	Modification of the agreement	13	The Multi-Unit Developer Agreement may only be modified by written amendment signed by both parties.
t.	Integration/merger clauses	13	The Multi-Unit Developer Agreement is the entire agreement between the parties. Only the terms of the Multi-Unit Developer Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Multi-Unit Developer Agreement may not be enforceable. However, nothing in the Multi-Unit Developer Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	14.5; 14.3	Disputes must be mediated and arbitrated, except for permitted litigation, in the then-current county and state where our corporate headquarters is located currently Dallas County, Texas (subject to state law)
v.	Choice of forum	14.2	The then-current county and state where our corporate headquarters is located—currently Dallas County, Texas (subject to state law)
w.	Choice of law	14.2	Texas law applies (subject to state law)

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

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

**ITEM 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying, or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

~~We do not make any representations about a franchisee's future financial performance or the past financial performance of company owned or franchised outlets. We also~~ Gross Revenues

During the 2025 calendar year, we had 87 franchisees that operated during that period. The tables below represent Gross Revenues achieved during the 2025 calendar year by the 74 franchisees that operated during that e

<u>Average Gross Revenue</u>	<u>High</u>	<u>Low</u>	<u>Median</u>	<u># at or above average</u>	<u>% That Met or Exceeded Average</u>
<u>\$426,484</u>	<u>\$1,028,449</u>	<u>\$165,414</u>	<u>\$397,291</u>	<u>28</u>	<u>37.8%</u>

	<u># of Franchisees</u>	<u>Average Gross Revenues</u>	<u>High</u>	<u>Low</u>	<u>Median</u>	<u># at or above average</u>	<u>% That Met or Exceeded Average</u>
<u>Top 10%</u>	<u>8</u>	<u>\$737,212</u>	<u>\$1,028,449</u>	<u>\$587,480</u>	<u>\$683,284</u>	<u>3</u>	<u>37.5%</u>
<u>Top Quartile</u>	<u>19</u>	<u>\$622,236</u>	<u>\$1,028,449</u>	<u>\$511,996</u>	<u>\$558,034</u>	<u>6</u>	<u>31.6%</u>
<u>Second Quartile</u>	<u>18</u>	<u>\$441,139</u>	<u>\$500,670</u>	<u>\$397,969</u>	<u>\$431,740</u>	<u>8</u>	<u>44.4%</u>
<u>Third Quartile</u>	<u>18</u>	<u>\$363,359</u>	<u>\$396,613</u>	<u>\$332,993</u>	<u>\$361,800</u>	<u>8</u>	<u>44.4%</u>
<u>Bottom Quartile</u>	<u>19</u>	<u>\$276,651</u>	<u>\$332,334</u>	<u>\$165,414</u>	<u>\$282,798</u>	<u>11</u>	<u>57.9%</u>
<u>Bottom 10%</u>	<u>8</u>	<u>\$229,143</u>	<u>\$265,749</u>	<u>\$165,414</u>	<u>\$282,798</u>	<u>4</u>	<u>50%</u>

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Notes:

1. These results are unaudited.
2. “Gross Revenues” means the total selling price of all services and products and all income of every other kind and nature related to the Franchised Business, whether for cash or credit and regardless of collection in the case of credit, including any sales taxes collected and any implied or imputed Gross Revenues from business interruption insurance. Gross Revenues expressly excludes customer refunds or adjustments. Gift cards or similar program payments are currently included in Gross Revenues when the gift card or applicable credit is purchased, not upon redemption, however we reserve our right to change this in the future.

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

Written substantiation of the data used in preparing these sales figures will be made available to you upon reasonable request.

Other than the preceding financial performance representation, Cconnect, LLC does not make any financial performance representations. We 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 Johnny Gao at the Legal Department, 412 N. Bowser Rd., Richardson TX 75081 ~~or at (716) 430-8643, or,~~ the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1  
Systemwide Outlet Summary  
For years ~~2022~~, 2023, 2024, 2025

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change	
Franchised	<del>2022</del> 2023	2547	4772	+2225	
	20232024	4772	7278	+2506	
	20242025	7278	7887	+609	
Company-Owned*	<del>2022</del> 2023	0	0	0	
	20232024	0	01	0+1	
	20242025	01	1	+10	
<b>Total Outlets</b>	<del>2022</del> 2023	2547	4772	+2225	
	20232024	4772	7279	+2507	
	20242025	7279	7988	+709	

		<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Table No. 2				<u>2022</u>	<u>2023</u>
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)				<u>0</u>	<u>2</u>
California				<u>0</u>	<u>0</u>
For years <del>2022</del> , 2023, 2024, <u>2025</u>				<u>2</u>	<u>2</u>
State	Year	Number of Transfers		<u>20</u>	
Louisiana				<u>0</u>	
		2024		<u>1</u>	
		<u>2025</u>		<u>0</u>	
		<u>2023</u>		<u>0</u>	
		<u>2024</u>		<u>1</u>	
		<u>2025</u>		<u>0</u>	
<u>Missouri</u>		<u>2022</u>		<u>4</u>	
		<u>2023</u>		<u>0</u>	
		<u>2024</u>		<u>1</u>	
		<u>2025</u>		<u>0</u>	
Oklahoma		<u>2022</u>		<u>0</u>	
		<u>2023</u>		<u>1</u>	
		<u>2024</u>		<u>1</u>	
		<u>2022</u>		<u>0</u>	
		<u>2025</u>		<u>1</u>	
Texas		<u>2023</u>		<u>1</u>	
		<u>2024</u>		<u>1</u>	
		<u>2022</u>		<u>4</u>	
		<u>2025</u>		<u>3</u>	
<b>Total</b>		<b>2023</b>		<b>3</b>	
		<b>2024</b>		<b>2</b>	
Table No. 3				<u>2025</u>	<u>5</u>
Status of Franchised Outlets					
For years <del>2022</del> , 2023, 2024, <u>2025</u>					

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
	<u>2022</u>	<u>612</u>	<u>64</u>		0	0	0	<u>1216</u>

California	2023									
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	0	0	Outlets at End of the Year
	2023	1216	43	0	0	0	0	0	0	1612
	2024	1612	32	0	0	0	0	0	0	1214
	2025									
Colorado	2022	0	0	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0	0	0
Georgia	2022	0	1	0	0	0	0	0	0	1
	2023	1	0	0	0	0	0	0	0	1
	2024	1	0	0	0	0	0	0	0	1
	2025	1	0	0	0	0	0	0	0	1
Indiana	2022	0	0	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0	0	0
	2024	1	0	0	0	0	0	0	0	1
	2025	1	0	0	0	0	0	0	0	1
Kansas	2022	0	1	0	0	0	0	0	0	1
	2023	1	0	0	0	0	0	0	0	1
	2024	2	0	0	0	0	0	0	0	2
	2025	2	0	0	0	0	0	0	0	2
Louisiana	2022	0	0	0	0	0	0	0	0	0
	2023	1	0	0	0	0	0	0	0	1
	2024	1	0	0	0	0	0	0	0	1
	2025	1	0	0	0	0	0	0	0	1
Michigan	2022	0	1	0	0	0	0	0	0	1
	2023	1	0	0	0	0	0	0	0	1
	2024	2	0	0	0	0	0	0	0	2
	2025	2	0	0	0	0	0	0	0	2
	2022	1	0	0	0	0	0	0	0	1

Minnesota	<u>2023</u>										
State	Year	Outlets at Start of Year	Outlets Opened	1 Terminations	0 Non- Renewals	Reacquired by Franchisor	0 Ceased Operations - Other Reasons	0 Outlets at End of the Year	0	0	1
	<u>2024</u>		1	0		<u>01</u>	0	0	0	<u>10</u>	
	<u>2025</u>										
Missouri	<u>2022</u>		0	<u>01</u>		0	0	0	0	<u>01</u>	
	<u>2023</u>		<u>01</u>	<u>10</u>		0	0	0	0	1	
	<u>2024</u>		1	<u>01</u>		0	0	0	0	<u>12</u>	
	<u>2025</u>										
Nevada	<u>2022</u>		2	0		0	0	0	0	2	
	<u>2023</u>		2	0		<u>01</u>	0	0	0	<u>21</u>	
	<u>2024</u>		<u>21</u>	0		1	0	0	0	<u>10</u>	
	<u>2025</u>										
North Carolina	<u>2022</u>		<u>01</u>	<u>10</u>		0	0	0	0	1	
	<u>2023</u>		1	<u>02</u>		0	0	0	0	<u>13</u>	
	<u>2024</u>		<u>13</u>	<u>20</u>		0	0	0	0	3	
	<u>2025</u>										
Oklahoma	<u>2022</u>		<u>13</u>	<u>20</u>		0	0	0	0	3	
	<u>2023</u>		3	<u>01</u>		0	0	0	0	<u>34</u>	
	<u>2024</u>		<u>34</u>	<u>10</u>		0	0	0	0	4	
	<u>2025</u>										
South Carolina	<u>2022</u>		0	<u>01</u>		0	0	0	0	<u>01</u>	
	<u>2023</u>		<u>01</u>	<u>10</u>		0	0	0	0	1	
	<u>2024</u>		1	0		0	0	0	0	1	
	<u>2025</u>										
Texas	<u>2022</u>		<u>1523</u>	<u>815</u>		0	0	0	0	<u>2338</u>	
	<u>2023</u>		<u>2338</u>	<u>158</u>		0	0	0	0	<u>3846</u>	
	<u>2024</u>		<u>3846</u>	<u>810</u>		<u>01</u>	0	0	0	<u>4655</u>	
	<u>2025</u>										
	<u>2022</u>		0	<u>01</u>		0	0	0	0	<u>01</u>	

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year			
Washington	2022	0	0	0	0	0	0	0	0	0	1
	2023	0	0	0	0	0	0	0	0	0	1
	2024	0	0	0	0	0	0	0	0	0	1
Total	2022	0	2547	2125	0	0	0	0	0	0	4772
	2023	0	4772	2515	0	0	0	0	0	0	7278
	2024	0	7278	4513	0	0	0	0	0	0	7887
	2025	0									

\*If multiple events occurred affecting an outlet, this table reflects the event that occurred last in time. States not listed had no franchise activity to report.

Table No. 4  
Status of Company-Owned Outlets  
For years 2022, 2023, 2024, 2025

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year		
Texas	2022	0	0	0	0	0	0		
Total	2023	0	0	0	0	0	0		
	2024	0	0	0	0	0	0		
	2025	0	0	0	0	0	0		
Total	2022	0	0	0	0	0	0		
	2023	0	0	0	0	0	0		
	2024	0	0	0	0	0	0		
Total	2025	0	0	0	0	0	0		
	2026	0	0	0	0	0	0		
	2027	0	0	0	0	0	0		

Projected Openings as of December 31, <del>2024</del> 2025			
States	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Texas	113	0-116	0
California	2	0-2	0
Kansas	1	0-1	0
<b>TOTALS</b>	<b>114</b>	<b>0-114</b>	<b>0</b>

Attached as Exhibit E to this Disclosure Document is a list of all franchisees, including their address and telephone number (or their contact information if their Franchised Business is not yet open) as of the issuance date of this Disclosure Document.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the applicable agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document will be listed on Exhibit F to this disclosure document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

We had one prospect sign our Multi-Unit Developer Agreement in the 2025 fiscal year.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

No independent franchisee organization has asked to be included in this disclosure document.

Attached to this Disclosure Document as Exhibit A is our audited financial information as of December 31, ~~2022~~2023, December 31, ~~2023~~2024 and December 31, ~~2024~~ and our ~~audited~~ **ITEM 21** financial information as of ~~March 31~~, 2025.

**FINANCIAL STATEMENTS**

Our fiscal year end is December 31<sup>st</sup>.

Attached as Exhibits to this Disclosure Document are the following contracts and their attachments:

**ITEM 22**  
**CONTRACTS**

1. Franchise Agreement (Exhibit B)
  - 1 Search Area, ~~Accepted~~Approved Location and Territory
  - 2 Statement of Ownership Interests
  - 3 Personal Guaranty
  - 4 Collateral Assignment of Lease
  - 5 Confidentiality and Non-Disclosure Agreement
  - 6 General Form of Release
  - 7 Franchisee Disclosure Acknowledgment Statement
  - 8 Consent to Transfer
  - 9 Assignment and Assumption Agreement
  - 10 Telephone, Internet Websites and Listing Agreement
  - 11 Electronic Transfer Agreement.
2. Multi-Unit Developer Agreement (Exhibit C)
3. Multi-State Addendum (Exhibit H)

**ITEM 23**  
**RECEIPTS**

Two copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document. Please return one signed copy to us and retain the other for your records.

# Exhibit A

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## FINANCIAL STATEMENTS

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**Cannect, LLC**

# **Connect LLC**

## **Financial Statements**

*As of December 31, 2025 and 2024  
and for the years then ended*

Connect LLC

Financial Statements

As of December 31, 2025 and 2024 and for the years then ended

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## **Independent Auditor's Report**

To the Members  
Cannect LLC  
Richardson, Texas

### **Report on the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Cannect LLC (the "Company"), which comprise the balance sheets as of December 31, 2025 and 2024 and the related statements of operations, changes in members' deficit, and cash flows for the years then ended and related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024 and the results of its operations, changes in members' deficit and 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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 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 the Company's ability to continue as a going concern within one year from the date the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

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

**A+G LLP**

Dallas, Texas  
March 20, 2026

**Balance Sheets**

As of December 31,

**2025**

2024

**Assets**

## Current assets:

Cash and cash equivalents	\$ 214,016	\$ 161,002
Restricted cash	17,467	-
Unbilled revenue	107,712	186,210
Other receivables	-	75,000
Prepaid expenses	142,848	258,067
Deferred costs	12,739	-
Total current assets	<u>494,782</u>	<u>680,279</u>

Property and equipment, net	24,752	48,859
Intangible assets, net	1,984	2,984
Deferred costs	107,179	-

<b>Total assets</b>	<b>\$ 628,697</b>	<b>\$ 732,122</b>
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**Liabilities and Members' Deficit**

## Current liabilities:

Accrued expenses	\$ 109,611	\$ 278,128
Gift card payable	16,266	-
Deferred revenue	143,603	123,145
Current portion of long-term debt	-	24,689
Total current liabilities	<u>269,480</u>	<u>425,962</u>

Deferred revenue, net	<u>1,095,069</u>	1,168,766
Total liabilities	<u>1,364,549</u>	1,594,728

Members' deficit	(735,852)	(862,606)
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<b>Total liabilities and members' deficit</b>	<b>\$ 628,697</b>	<b>\$ 732,122</b>
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**Statements of Operations**

For the years ended December 31,

**2025**

2024

## Revenues:

Franchise fee revenue	<b>\$ 343,739</b>	\$ 981,841
Royalty and loyalty revenue	<b>1,029,950</b>	781,546
Brand development fund revenue	<b>222,094</b>	106,598
Technology fee revenue	<b>129,889</b>	102,340
Other revenue	<b>42,321</b>	120,541
Total revenues	<b>1,767,993</b>	2,092,866

## General and administrative expenses:

Depreciation and amortization	<b>11,401</b>	21,466
Advertising and marketing	-	3,135
Brand development fund expense	<b>110,133</b>	188,347
Area rep expense	<b>71,533</b>	-
Commission expense	<b>7,582</b>	-
Operating lease cost	-	45,000
Personnel cost	<b>983,732</b>	330,781
Professional fees	<b>290,910</b>	217,800
Other general and administrative expenses	<b>413,664</b>	213,052
Total general and administrative expenses	<b>1,888,955</b>	1,019,581

Income (loss) from operations

**(120,962)**

1,073,285

## Other income (expense):

Other income	<b>1,308</b>	21,293
Gain on sale of property and equipment	<b>3,309</b>	-
Interest expense	<b>(103)</b>	(913)
Termination expense	<b>(5,000)</b>	(854,000)
Total other income (expense)	<b>(486)</b>	(833,620)

**Net income (loss)****\$ (121,448)****\$ 239,665**

**Statements of Changes in Members' Deficit**

For the years ended December 31,	2025	2024
Balance at beginning of year	\$ (862,606)	\$ (983,894)
Net income (loss)	(121,448)	239,665
Contributions from members	248,202	1,076,685
Distributions to members	-	(1,195,062)
<b>Balance at end of year</b>	<b>\$ (735,852)</b>	<b>\$ (862,606)</b>

**Statements of Cash Flows**

For the years ended December 31,

**2025****2024****Operating Activities**

Net income (loss)	\$ (121,448)	\$ 239,665
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation and amortization	11,401	21,466
Gain on sale of property and equipment	(3,309)	-
Changes in operating assets and liabilities:		
Restricted cash	(17,467)	-
Unbilled revenue	78,498	3,738
Other receivables	75,000	(120,234)
Prepaid expenses	115,219	(75,000)
Deferred costs	(119,918)	(258,067)
Accrued expenses	(168,517)	-
Gift card payable	16,266	181,695
Deferred revenue	(53,239)	(787,066)
Net cash used by operating activities	<u>(187,514)</u>	<u>(793,803)</u>

**Investing Activities**

Proceeds from sale of property and equipment	23,545	-
Purchase of property and equipment	(6,530)	(1,807)
Purchase of intangible assets	-	(3,000)
Net cash provided (used) by investing activities	<u>17,015</u>	<u>(4,807)</u>

**Financing Activities**

Payments on long-term debt	(24,689)	(6,396)
Net advances to affiliate	-	(36,070)
Contributions from members	248,202	1,076,685
Distributions to members	-	(209,942)
Net cash provided by financing activities	<u>223,513</u>	<u>824,277</u>

Net increase in cash and cash equivalents	53,014	25,667
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Cash and cash equivalents, beginning of year	161,002	135,335
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Cash and cash equivalents, end of year	<u>\$ 214,016</u>	<u>\$ 161,002</u>
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**Supplemental Disclosure of Cash Flow Information**

Interest paid	\$ 103	\$ 913
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**Non-cash financing activities**

Distribution of balances due from affiliates to members	\$ -	\$ 985,120
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See accompanying notes and independent auditor's report.

## NOTES TO FINANCIAL STATEMENTS

**1. Organization and Operations****Description of Business**

Cannect LLC, a Texas limited liability company, was formed on November 9, 2016 and is located in Richardson, Texas. References in these financial statement footnotes to “Company”, “we”, “us”, and “our” refer to the business of Cannect LLC.

The Company is in the business of granting franchises for the establishment and operation of Feng Cha businesses offering bubble tea blends, coffee and teas, smoothies, juices, cakes, desserts and other related products, under the trademark “Feng Cha”.

During the year ended December 31, 2024, the Company owned the Feng Cha trademarks and other intellectual property. In April 2025, pursuant to an assignment and contribution agreement, the Company assigned the Feng Cha trademarks and other intellectual property to its affiliate, FC USA, LLC (“FC USA”). On April 30, 2025, subsequent to the assignment, the Company entered into a Trademark License Agreement (the “License”) with FC USA in which the Company licensed the Feng Cha trademarks and other intellectual property. The License grants the Company the right to use the Feng Cha trademarks and other intellectual property for the purpose of licensing them to franchisees of the Company in the United States for an initial period of thirty years. The License may be renewed for an unlimited number of terms of twenty years each, unless either party notifies the other party that it does not intend to renew for an additional term of at least one hundred and eighty days before the end of the then current term.

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

The table below reflects the status and changes in franchised outlets for the years ended December 31, 2025 and 2024.

**Franchised Outlets**

<u>Year</u>	<u>Start of Year</u>	<u>Opened</u>	Closed or Ceased Operations – <u>Other reasons</u>	<u>End of Year</u>
2024	72	15	(9)	78
2025	78	13	(4)	87

**Affiliate-owned Outlets**

<u>Year</u>	<u>Start of Year</u>	<u>Opened</u>	Closed or Ceased Operations – <u>Other reasons</u>	<u>End of Year</u>
2024	0	1	0	1
2025	1	0	0	1

**Going Concern**

Management has evaluated our ability to continue as a going concern as of December 31, 2025. Due to the liquidity position of the Company at December 31, 2025, we have concluded that there is not significant doubt about our ability to continue as a going concern.

## NOTES TO FINANCIAL STATEMENTS

**2. Significant Accounting Policies****Basis of Accounting**

The Company uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Under this method, revenue is recognized when earned and expenses are recognized as incurred.

**Use of Estimates**

The preparation of the financial statements and accompanying notes in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Estimates are used for the following, among others: revenue recognition, useful lives for amortization of long-live assets, deferred costs and deferred revenue. Actual results could differ from those estimates.

**Fair Value of Financial Instruments**

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's financial instruments consist primarily of cash and cash equivalents, unbilled revenue, other receivables, and accrued expenses. The carrying values of cash and cash equivalents, unbilled revenue, other receivables, and accrued expenses are considered to be representative of their respective fair values due to the short-term nature of these instruments.

Assets and liabilities that are carried at fair value are classified and disclosed in one of the following three categories:

**Level 1:** Quoted market prices in active markets for identical assets and liabilities.

**Level 2:** Observable market-based inputs or unobservable inputs that are corroborated by market data.

**Level 3:** Unobservable inputs that are not corroborated by market data

Non-recurring fair value measurements include the assessment of property and equipment and intangible assets for impairment. As there is no corroborating market activity to support the assumptions used, the Company has designated these estimates as Level 3.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered cash equivalents.

**Restricted Cash**

Restricted cash consists of funds related to gift cards. Funds collected by the Company for gift cards are maintained in separate restricted cash accounts to cover the expenditures required to be made under this program and is not available to be used for the normal recurring operations of the Company.

## NOTES TO FINANCIAL STATEMENTS

**2. Significant Accounting Policies (continued)****Deferred costs**

The Company capitalizes incremental contract costs associated with obtaining franchise contracts which include commissions to area representatives that would not have been incurred had the franchise sale not occurred. These balances are reported as deferred costs on the balance sheets and are amortized over the term of the related franchise agreements. Amortization is included as commission expense in the statements of operations.

**Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives of the respective asset:

	<u>Estimated Useful Life</u>
Furniture and fixtures	7 Years
Vehicles	5 Years
Computer and equipment	5 Years

Maintenance and repair costs are expensed in the period incurred. Expenditures for purchases and improvements that extend the useful lives of property and equipment are capitalized.

**Intangible Assets**

Intangible assets are stated at cost less accumulated amortization. Amortization is computed using the straight-line method over the following estimated useful life of the respective asset:

	<u>Estimated Useful Life</u>
Software	3 Years

**Impairment of Long-Lived Assets**

The Company assesses potential impairment of its long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that the Company considers important which could trigger an impairment review include, but are not limited to, significant under-performance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business, and significant industry or economic trends. When the Company determines that the carrying value of the long-lived assets may not be recoverable based upon the existence of one or more of the above indicators, the Company determines the recoverability by comparing the carrying amount of the asset to net future undiscounted cash flows that the asset is expected to generate. If the carrying value is not recoverable, an impairment is recognized in the amount by which the carrying amount exceeds the fair value of the asset. During the years ended December 31, 2025 and 2024, no impairment charges were recognized related to long-lived assets.

**Gift Card Liability**

The Company sells gift cards to its customers through its franchisees. The Company's gift cards do not have an expiration date and are not redeemable for cash except where required by law. Until redemption, outstanding customer balances are recorded as a liability. An obligation is recorded at the time of sale of the gift card and it is included in gift card payable on the Company's balance sheets. As of December 31, 2025 and 2024, the Company had liabilities of \$16,266 and \$0 in gift card payable, respectively. No gift card breakage has been recognized for the years ended December 31, 2025 and 2024.

## NOTES TO FINANCIAL STATEMENTS

**2. Significant Accounting Policies (continued)****Revenue Recognition****Franchise fee revenue**

The Company recognizes revenue in accordance with FASB ASC 606-10-25, *Revenue from Contracts with Customers*. In January 2021, the FASB issued ASU 2021-02, "Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient." ASU 2021-02 provides a practical expedient that simplifies the application of ASC 606 about identifying performance obligations and permits franchisors that are not public entities to account for pre-opening services listed within the guidance as distinct from the franchise license. The Company has adopted ASU 2021-02 and implemented the guidance on its revenue recognition policy.

The Company sells individual franchises. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective location(s). The Company also charges continuing royalty and other fees on a monthly basis based upon a percentage of franchisees' gross sales.

A franchise agreement establishes a Feng Cha business developed in one defined geographic area and provides for a 10-year initial term with the option to renew for one additional 5 or 10-year term as defined in each franchise agreement. Subject to the Company's approval, a franchisee may generally renew the franchise agreement upon its expiration. If approved, a franchisee may transfer a franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid by either existing or new franchisee, and the existing franchise agreement is terminated. A new franchise agreement is signed with the new franchisee with no franchise fee required.

Under the terms of our franchise agreements, the Company typically promises to provide franchise rights, pre-opening services such as site selection, training and ongoing services. The Company considers certain pre-opening activities and the franchise rights and related ongoing services to represent two separate performance obligations. The franchise fee revenue has been allocated to the two separate performance obligations using a residual approach. The Company has estimated the value of performance obligations related to certain pre-opening activities deemed to be distinct based on cost plus an applicable margin, and assigned the remaining amount of the initial franchise fee to the franchise rights and ongoing services. Revenue allocated to preopening activities is recognized when (or as) these services are performed, no later than the opening date. Revenue allocated to franchise rights and ongoing services is recognized on a straight-line basis over the contractual term of the franchise agreement as this ensures that revenue recognition aligns with the customer's access to the franchise right. Renewal fees are recognized over the renewal term of the respective franchise from the start of the renewal period. Transfer fees are recognized over the contractual term of the franchise agreement.

The Company enters into multi-unit developer agreements with certain franchisees. The development agreements generally provide the franchisee with the right to open a specified number of new Feng Cha business over a specified period of time. A franchise agreement is required for each Feng Cha business specified in the development agreement. The development agreements typically require the franchisee to pay an initial non-refundable fee upon execution of the agreement. The development fee is then applied proportionately to each franchise agreement.

The Company also enters in to area representative agreements. The area representative agreements generally provide the area representative the rights to develop the assigned territory, to receive franchise fee, royalty, and brand development fund revenue from franchisees developed by the area representative and require the area representative to provide ongoing assistance to those franchisees. In addition, the area representative agreements require the area representatives to own and operate a minimum number of the Feng Cha businesses. For each Feng Cha business developed by an area representative the area representative is required to pay the Company a fixed monthly loyalty fee as determined by the respective area representative agreement.

## NOTES TO FINANCIAL STATEMENTS

**2. Significant Accounting Policies (continued)****Revenue Recognition (continued)****Franchise fee revenue (continued)**

Company recognizes the initial upfront area representative fee on a straight-line basis over the term of the area representative agreement. During the year end December 31, 2024, the Company terminated nine area representative agreements. At December 31, 2024, the Company had two area representatives. In connection with these terminations, the Company recognized \$627,752 in franchise fee revenue and recognized \$854,000 related termination expense for the year ended December 31, 2024.

**Royalty and loyalty revenue**

Royalty revenue from Feng Cha businesses is based on five percent of gross revenues. Loyalty revenue consists of fixed monthly fees from area representatives. Royalty and loyalty revenue are recognized as earned.

**Brand development fund revenue**

The Company uses brand development fund to promote general brand recognition of the services. Funds are collected from franchisees and used to pay costs of maintaining, administering, directing, preparing, and producing advertising, including the cost of preparing and producing television, radio, magazine and newspaper advertising campaigns, the cost of direct mail and outdoor billboard advertising, the cost of public relations activities and advertising agencies, the cost of developing and maintaining an Internet website, and personnel and other departmental costs for advertising that Franchisor internally administers or prepares. Although brand development fund revenue is not a separate performance obligation distinct from the underlying franchise right, the Company is primarily responsible for the fulfillment and control of the brand fund services. As a result, the Company records brand development fund contributions in revenue and related brand development fund expenditures in expenses in the statement of operations. When brand development fund revenue exceeds the related brand development fund expenses in a reporting period, brand development fund expenses are accrued up to the amount of the brand development fund revenue recognized. Brand fund revenue is contributed by franchisees, generally monthly, which is one percent of gross sales generated by the Feng Cha businesses and is recognized as earned.

**Technology fee revenue**

Franchise agreements require the franchisees to pay a fixed monthly technology fee in connection with certain technology services necessary to operate the Feng Cha business. Technology fee revenue is recognized as earned.

**Other revenue**

Other revenue consists of termination fee revenue and other fee revenue and is recognized as earned.

**Advertising and marketing**

All costs associated with advertising and marketing are expensed in the period incurred.

**Compensated Absences**

The Company's personnel policy provides employees with regular leave for any approved personal reasons. Executive employees receive 15 days of paid time off per year. All other salary employees receive 12 days of paid time off per year, accruing at a rate of one paid time off day per month of active employment. Unused paid time off days can roll over to the next year without any restrictions. As of December 31, 2025 and 2024, the Company accrued an amount of \$18,998 and \$0 for any unused leave of absence, respectively. These amounts are included in accrued expenses on the balance sheets.

## NOTES TO FINANCIAL STATEMENTS

**2. Significant Accounting Policies (continued)****Leases**

The company accounts for leases under ASC 842. Lease arrangements are determined at the inception of the contract. Operating leases are included in operating lease right-of-use ("ROU") assets, operating lease liabilities and long-term operating lease liabilities on the balance sheet. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most leases do not provide an implicit rate, we use an incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU assets also includes any lease payments made and excludes lease incentives and initial direct costs incurred. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The Company determines whether an arrangement is a lease at inception. The Company has elected to apply the short-term lease exception to all leases with a term of one year or less. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term.

**Income Taxes**

The Company elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under these provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the members are liable for individual federal income taxes on the taxable income. The Company recognizes income tax related interest and penalties in interest expense and other general and administrative expenses, respectively.

The Company files income tax returns in the U.S. federal jurisdiction and the state jurisdictions in which it operates. The Company is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for years prior to 2022.

In accordance with FASB ASC 740-10, Income Taxes, the Company is required to disclose uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

The Company has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Management's determination of the taxable status of the entity, including its status as an S Corporation, a pass through entity, is a tax position that is subject to consideration of uncertainty. The Company believes it has complied with all regulations required to maintain its status as an S Corporation and more likely than not, this status would hold up under examination. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2025 and 2024.

**Recent Accounting Pronouncements**

We reviewed significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our financial statements as a result of future adoption.

## NOTES TO FINANCIAL STATEMENTS

**2. Significant Accounting Policies (continued)****Subsequent Events**

In accordance with FASB ASC 855, Subsequent Events, the Company has evaluated subsequent event through March 20, 2026, 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 these financial statements.

**3. Certain Significant Risks and Uncertainties**

The Company maintains its cash in six bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash or cash equivalents. The Company maintains its deposits in two financial institutions.

**4. Revenue and Related Contract Balances****Disaggregation of Revenue**

The following table disaggregates revenue by source for the years ended December 31:

	<u>2025</u>	<u>2024</u>
<b>Point in time:</b>		
Franchise fee revenue	\$ 224,692	\$ 764,011
Royalty and loyalty revenue	1,029,950	781,546
Brand development fund revenue	222,094	106,598
Technology fee revenue	129,889	102,340
Other revenue	42,321	120,541
Total point in time	<u>\$ 1,648,946</u>	<u>\$ 1,875,036</u>
<b>Over time:</b>		
Franchise fee revenue	119,047	217,830
Total revenues	<u>\$ 1,767,993</u>	<u>\$ 2,092,866</u>

**Contract Assets**

Contract assets consist of unbilled revenue. Unbilled revenue consists of franchise fee revenue, royalty and loyalty revenue, brand development fund revenue and termination fee revenue from franchisees for which a billing has not occurred.

**Contract Costs**

Contract costs consist of deferred costs resulting from commissions incurred when the franchise rights are sold to franchisees. The Company classifies these contract assets as deferred costs on the balance sheets. The following table reflects the change in contract assets for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Deferred costs – beginning of year	\$ -	\$ -
Expense recognized during the year	(7,582)	-
New deferrals	127,500	-
Deferred costs – end of year	<u>\$ 119,918</u>	<u>\$ -</u>

## NOTES TO FINANCIAL STATEMENTS

**4. Revenue and Related Contract Balances (continued)****Contract Costs (continued)**

The following table illustrates estimated expenses expected to be recognized over the remaining term of the associated franchise agreements as of December 31, 2025:

2026	\$	12,739
2027		12,739
2028		12,739
2029		12,739
2030		12,739
Thereafter		56,223
Total	\$	<u>119,918</u>

**Contract Liabilities**

Contract liabilities consist of deferred revenue resulting from initial franchise fees, renewal fees and transfer fees paid by franchisees. The Company classifies these contract liabilities as deferred revenue on the balance sheets. The following table reflects the change in contract liabilities for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Deferred revenue – beginning of year	\$ 1,291,911	\$ 2,078,977
Revenue recognized during the year	(343,739)	(981,841)
New deferrals, net of refunds	290,500	194,775
Deferred revenue – end of year	<u>\$ 1,238,672</u>	<u>\$ 1,291,911</u>

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2025:

2026	\$	143,603
2027		143,296
2028		138,869
2029		134,403
2030		130,871
Thereafter		547,630
Total	\$	<u>1,238,672</u>

**5. Property and Equipment**

The major classes of property and equipment consisted of the following at December 31:

	<u>2025</u>	<u>2024</u>
Furniture and fixtures	\$ 36,731	\$ 30,201
Vehicles	-	52,790
Computer and equipment	23,788	23,788
Less: accumulated depreciation	(35,767)	(57,920)
Property and equipment, net	<u>\$ 24,752</u>	<u>\$ 48,859</u>

For the years ended December 31, 2025 and 2024, depreciation expense was \$10,401 and \$21,450, respectively.

## NOTES TO FINANCIAL STATEMENTS

**6. Intangible assets**

The principal asset classifications of intangible assets, at cost, are as follows at December 31:

	<u>2025</u>	<u>2024</u>
Software	\$ 3,000	\$ 3,000
Less: accumulated amortization	(1,016)	(16)
Intangible assets, net	<u>\$ 1,984</u>	<u>\$ 2,984</u>

For the years ended December 31, 2025 and 2024, amortization expense was \$1,000 and \$16, respectively.

Future aggregate amortization expense is as follows:

Year ending December 31, 2026	\$ 1,000
Year ending December 31, 2027	984
Total	<u>\$ 1,984</u>

**7. Long-Term Debt**

Long-term debt consisted of the following at December 31:

	<u>2025</u>	<u>2024</u>
Note payable	\$ -	\$ 24,689
Less: current portion of long-term debt	-	(24,689)
Long-term debt, net	<u>\$ -</u>	<u>\$ -</u>

On June 30, 2022, the Company entered into a promissory note agreement with Tesla Motors Inc. in the amount of \$39,749. The loan bears interest at a rate of 3.24% per annum, requires minimum payments of monthly installments of principal and interest of approximately \$609. The loan is secured by this vehicle that the Company purchased. The loan matures in July 2028. In January 2025, the outstanding balance of the loan was paid off by the Company.

**8. Leases**

In January 2022, the Company entered into a lease agreement with its affiliate, Feng Cha USA LLC for office space in Richardson, Texas. In September 2024, the company terminated its operating lease with Feng Cha USA LLC.

The component of operating lease costs for the years ended December 31, 2025 and 2024 were as follow:

	<u>2025</u>	<u>2024</u>
Operating lease costs	\$ -	\$ 45,000

Supplemental cash flow information related to operating leases for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
<b>Operating cash flow information:</b>		
Cash paid for amounts included in the measurement of lease liabilities	\$ -	\$ 45,000

## NOTES TO FINANCIAL STATEMENTS

**9. 401(k) Savings Plan**

The Company maintains a 401(k) retirement savings plan (the "Plan") for the benefit of eligible employees. Under terms of this plan, eligible employees are able to make contributions of their wages on a tax-deferred basis. Employee contributions are matched by the Company in accordance with the Plan up to a maximum of 3% of employee earnings plus 50% of what is contributed, up to the next 2%. For the years ended December 31, 2025 and 2024, the Company's employer matching contribution was \$17,023 and \$10,166, respectively.

**10. Related Party Transactions****Transactions with affiliates**

In September 2024, the Company begin sharing office space with its affiliate, OFFO LLC, under a rent-free arrangement. This arrangement was not made on an arm's-length basis. At December 31, 2024, the Company distributed \$4,706, the balance due from OFFO LLC, to its members.

On December 31, 2024, the Company distributed \$9,000, the balance due from Feng Cha Flagship Store, LLC, to its members.

On December 31, 2024, the Company distributed \$75,020, the balance due from Catunnel, LLC, to its members.

On December 31, 2024, the Company distributed \$860,324, the balance due from Feng Cha USA LLC, to its members.

On December 31, 2024, the Company distributed \$36,070, the balance due from Feng Cha Lab LLC, to its members.

**11. Commitments and Contingencies****Litigation**

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of the management, all matters are of such nature, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

# **Cannect LLC**

## **Financial Statements**

*As of December 31, 2024 and for the year then ended*

Cannect LLC

Financial Statements

As of December 31, 2024 and for the year then ended

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## **Independent Auditor's Report**

To the Members  
Cannect LLC  
Richardson, Texas

### **Report on the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Cannect LLC (the "Company"), which comprise the balance sheet as of December 31, 2024 and the related statements of operations, changes in members' deficit, and cash flows for the year then ended and related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and the results of its operations, changes in members' deficit and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cannect 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 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 Cannect LLC's ability to continue as a going concern within one year from the date the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

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

**A+G LLP**

Dallas, Texas  
May 16, 2025

**Balance Sheet**

As of December 31,

2024

**Assets**

## Current assets:

Cash and cash equivalents	\$ 161,002
Unbilled revenue	186,210
Other receivables	75,000
Prepaid expenses	258,067
Total current assets	<u>680,279</u>

Property and equipment, net	48,859
Intangible assets, net	2,984

<b>Total assets</b>	<b>\$ 732,122</b>
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**Liabilities and Members' Deficit**

## Current liabilities:

Accrued expenses	\$ 278,128
Deferred revenue	123,145
Current portion of long-term debt	24,689
Total current liabilities	<u>425,962</u>

## Long-term liabilities:

Deferred revenue, net	1,168,766
Total liabilities	<u>1,594,728</u>

Members' deficit	(862,606)
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<b>Total liabilities and members' deficit</b>	<b>\$ 732,122</b>
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**Statement of Operations**

For the year ended December 31,

2024

## Revenues:

Franchise fee revenue	\$ 981,841
Royalty and loyalty revenue	781,546
Brand development fund revenue	106,598
Technology fee revenue	102,340
Other revenue	120,541
Total revenues	2,092,866

## General and administrative expenses:

Depreciation and amortization	21,466
Advertising and marketing	3,135
Brand development fund expense	188,347
Operating lease cost	45,000
Personnel cost	330,781
Professional fees	217,800
Other general and administrative expenses	213,052
Total general and administrative expenses	1,019,581

Income from operations	1,073,285
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## Other income (expense):

Other income	21,293
Interest expense	(913)
Termination expense	(854,000)
Total other income (expense)	(833,620)

<b>Net income</b>	<b>\$ 239,665</b>
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**Statement of Changes in Members' Deficit**

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Balance at December 31, 2023 as previously reported	\$ (785,053)
Restatement adjustment (Note 3)	(198,841)
Balance at December 31, 2023 as restated	<u>\$ (983,894)</u>
Net income	239,665
Contributions from members	1,076,685
Distributions to members	(1,195,062)
<b>Balance at December 31, 2024</b>	<b><u>\$ (862,606)</u></b>

**Statement of Cash Flows**

For the year ended December 31,

2024

**Operating Activities**

Net income	\$ 239,665
Adjustments to reconcile net income to net cash used by operating activities:	
Depreciation and amortization	21,466
Changes in operating assets and liabilities:	
Accounts receivable	3,738
Unbilled revenue	(120,234)
Other receivables	(75,000)
Prepaid expense	(258,067)
Accrued expenses	181,695
Deferred revenue	(787,066)
Net cash used by operating activities	<u>(793,803)</u>

**Investing Activities**

Purchase of property and equipment	(1,807)
Purchase of intangible assets	(3,000)
Net cash used by investing activities	<u>(4,807)</u>

**Financing Activities**

Payments on long-term debt	(6,396)
Net advances to affiliate	(36,070)
Contributions from members	1,076,685
Distributions to members	(209,942)
Net cash provided by financing activities	<u>824,277</u>

Net increase in cash and cash equivalents	25,667
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Cash and cash equivalents, beginning of year	135,335
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Cash and cash equivalents, end of year	<u>\$ 161,002</u>
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**Supplemental Disclosure of Cash Flow Information**

Interest paid	913
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**Non-cash financing activities**

Distribution of balances due from affiliates to members	985,120
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## NOTES TO FINANCIAL STATEMENTS

**1. Organization and Operations****Description of Business**

Cannect LLC, a Texas limited liability company, was formed on November 9, 2016 and is located in Richardson, Texas. References in these financial statement footnotes to “Company”, “we”, “us”, and “our” refer to the business of Cannect LLC.

The Company is in the business of granting franchises for the establishment and operation of Feng Cha businesses offering bubble tea blends, coffee and teas, smoothies, juices, cakes, desserts and other related products, under the trademark “Feng Cha”.

During the year ended December 31, 2024, the Company owned the Feng Cha trademarks and other intellectual property. In April 2025, pursuant to an assignment and contribution agreement, the Company assigned the Feng Cha trademarks and other intellectual property to its affiliate, FC USA, LLC (“FC USA”). On April 30, 2025, subsequent to the assignment, the Company entered into a Trademark License Agreement (the “License”) with FC USA in which the Company licensed the Feng Cha trademarks and other intellectual property. The License grants the Company the right to use the Feng Cha trademarks and other intellectual property for the purpose of licensing them to franchisees of the Company in the United States for an initial period of thirty years. The License may be renewed for an unlimited number of terms of twenty years each, unless either party notifies the other party that it does not intend to renew for an additional term of at least one hundred and eighty days before the end of the then current term.

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

The table below reflects the status and changes in franchised outlets for the year ended December 31, 2024.

<b>Franchised Outlets</b>				
<u>Year</u>	<u>Start of Year</u>	<u>Opened</u>	Closed or Ceased Operations – <u>Other reasons</u>	<u>End of Year</u>
2024	72	15	9	78

<b>Affiliate-owned Outlets</b>				
<u>Year</u>	<u>Start of Year</u>	<u>Opened</u>	Closed or Ceased Operations – <u>Other reasons</u>	<u>End of Year</u>
2024	0	1	0	1

**Going Concern**

Management has evaluated our ability to continue as a going concern as of December 31, 2024. Due to the positive net income for the year ended December 31, 2024 and the liquidity position of the Company at December 31, 2024, we have concluded that there is not significant doubt about our ability to continue as a going concern.

**2. Significant Accounting Policies****Basis of Accounting**

The Company uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). Under this method, revenue is recognized when earned and expenses are recognized as incurred.

## NOTES TO FINANCIAL STATEMENTS

**2. Significant Accounting Policies (continued)****Use of Estimates**

The preparation of the financial statements and accompanying notes in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Estimates are used for the following, among others: revenue recognition, useful lives for amortization of long-lived assets and deferred revenue. Actual results could differ from those estimates.

**Fair Value of Financial Instruments**

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's financial instruments consist primarily of cash and cash equivalents, unbilled revenue, other receivables, and accrued expenses. The carrying values of cash and cash equivalents, unbilled revenue, other receivables, and accrued expenses are considered to be representative of their respective fair values due to the short-term nature of these instruments.

Assets and liabilities that are carried at fair value are classified and disclosed in one of the following three categories:

**Level 1:** Quoted market prices in active markets for identical assets and liabilities.

**Level 2:** Observable market-based inputs or unobservable inputs that are corroborated by market data.

**Level 3:** Unobservable inputs that are not corroborated by market data

Non-recurring fair value measurements include the assessment of property and equipment and intangible assets for impairment. As there is no corroborating market activity to support the assumptions used, the Company has designated these estimates as Level 3.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered cash equivalents.

**Accounts Receivable**

The balance in accounts receivable consists of royalties and other fees due from franchisees and are stated at the amount the Company expects to collect. The Company maintains allowances for credit losses for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Past due balance over 90 days and other higher risk amounts are reviewed individually for collectability. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to an allowance. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for credit losses.

## NOTES TO FINANCIAL STATEMENTS

**2. Significant Accounting Policies (continued)****Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives of the respective asset:

	<u>Estimated Useful Life</u>
Furniture and fixture	7 Years
Vehicles	5 Years
Computer and equipment	5 Years

Maintenance and repair costs are expensed in the period incurred. Expenditures for purchases and improvements that extend the useful lives of property and equipment are capitalized.

**Intangible Assets**

Intangible assets are stated at cost less accumulated amortization. Amortization is computed using the straight-line method over the following estimated useful life of the respective asset:

	<u>Estimated Useful Life</u>
Software	3 Years

**Impairment of Long-Lived Assets**

The Company assesses potential impairment of its long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that the Company considers important which could trigger an impairment review include, but are not limited to, significant under-performance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business, and significant industry or economic trends. When the Company determines that the carrying value of the long-lived assets may not be recoverable based upon the existence of one or more of the above indicators, the Company determines the recoverability by comparing the carrying amount of the asset to net future undiscounted cash flows that the asset is expected to generate. If the carrying value is not recoverable, an impairment is recognized in the amount by which the carrying amount exceeds the fair value of the asset. During the year ended December 31, 2024, no impairment charges were recognized related to long-lived assets.

**Revenue Recognition****Franchise fee revenue**

The Company recognizes revenue in accordance with FASB ASC 606-10-25, *Revenue from Contracts with Customers*. In January 2021, the FASB issued ASU 2021-02, "Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient." ASU 2021-02 provides a practical expedient that simplifies the application of ASC 606 about identifying performance obligations and permits franchisors that are not public entities to account for pre-opening services listed within the guidance as distinct from the franchise license. The Company has adopted ASU 2021-02 and implemented the guidance on its revenue recognition policy.

The Company sells individual franchises. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective location(s). The Company also charges continuing royalty and other fees on a monthly basis based upon a percentage of franchisees' gross sales.

## NOTES TO FINANCIAL STATEMENTS

**2. Significant Accounting Policies (continued)****Revenue Recognition (continued)****Franchise fee revenue (continued)**

A franchise agreement establishes a Feng Cha business developed in one defined geographic area and provides for a 10-year initial term with the option to renew for one additional 5-year term. Subject to the Company's approval, a franchisee may generally renew the franchise agreement upon its expiration. If approved, a franchisee may transfer a franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid by either existing or new franchisee, and the existing franchise agreement is terminated. A new franchise agreement is signed with the new franchisee with no franchise fee required.

Under the terms of our franchise agreements, the Company typically promises to provide franchise rights, pre-opening services such as site selection, training and ongoing services. The Company considers certain pre-opening activities and the franchise rights and related ongoing services to represent two separate performance obligations. The franchise fee revenue has been allocated to the two separate performance obligations using a residual approach. The Company has estimated the value of performance obligations related to certain pre-opening activities deemed to be distinct based on cost plus an applicable margin, and assigned the remaining amount of the initial franchise fee to the franchise rights and ongoing services. Revenue allocated to preopening activities is recognized when (or as) these services are performed, no later than the opening date. Revenue allocated to franchise rights and ongoing services is recognized on a straight-line basis over the contractual term of the franchise agreement as this ensures that revenue recognition aligns with the customer's access to the franchise right. Renewal fees are recognized over the renewal term of the respective franchise from the start of the renewal period. Transfer fees are recognized over the contractual term of the franchise agreement.

The Company enters into multi-unit developer agreements with certain franchisees. The development agreements generally provide the franchisee with the right to open a specified number of new Feng Cha business over a specified period of time. A franchise agreement is required for each Feng Cha business specified in the development agreement. The development agreements typically require the franchisee to pay an initial non-refundable fee upon execution of the agreement. The development fee is then applied proportionately to each franchise agreement.

The Company also enters in to area representative agreements. The area representative agreements generally provide the area representative the rights to develop the assigned territory, to receive franchise fee, royalty, and brand development fund revenue from franchisees developed by the area representative and require the area representative to provide ongoing assistance to those franchisees. In addition, the area representative agreements require the area representatives to own and operate a minimum number of the Feng Cha businesses. For each Feng Cha business developed by an area representative the area representative is required to pay the Company a fixed monthly loyalty fee as determined by the respective area representative agreement.

Company recognizes the initial upfront area representative fee on a straight-line basis over the term of the area representative agreement. During the year end December 31, 2024, the Company terminated nine area representative agreements. At December 31, 2024, the Company had two area representatives. In connection with the terminations, the Company recognized \$627,752 in franchise fee revenue and recognized \$854,000 related termination expense.

## NOTES TO FINANCIAL STATEMENTS

**2. Significant Accounting Policies (continued)****Revenue Recognition (continued)****Royalty and loyalty revenue**

Royalty revenue from Feng Cha businesses is based on five percent of gross revenues. Loyalty revenue consists of fixed monthly fees from area representatives. Royalty and loyalty revenue are recognized as earned.

**Brand development fund revenue**

The Company uses brand development fund to promote general brand recognition of the services. Funds are collected from franchisees and used to pay costs of maintaining, administering, directing, preparing, and producing advertising, including the cost of preparing and producing television, radio, magazine and newspaper advertising campaigns, the cost of direct mail and outdoor billboard advertising, the cost of public relations activities and advertising agencies, the cost of developing and maintaining an Internet website, and personnel and other departmental costs for advertising that Franchisor internally administers or prepares. Although brand development fund revenue is not a separate performance obligation distinct from the underlying franchise right, the Company is primarily responsible for the fulfillment and control of the brand fund services. As a result, the Company records brand development fund contributions in revenue and related brand development fund expenditures in expenses in the statement of operations. When brand development fund revenue exceeds the related brand development fund expenses in a reporting period, brand development fund expenses are accrued up to the amount of the brand development fund revenue recognized. Brand fund revenue is contributed by franchisees, generally monthly, which is one percent of gross sales generated by the Feng Cha businesses and is recognized as earned.

**Technology fee revenue**

Franchise agreements require the franchisees to pay a fixed monthly technology fee in connection with certain technology services necessary to operate the Feng Cha business. Technology fee revenue is recognized as earned.

**Other revenue**

Other revenue consists of termination fee revenue and other fee revenue and is recognized as earned.

**Advertising and marketing**

All costs associated with advertising and marketing are expensed in the period incurred.

**Leases**

The company accounts for leases under ASC 842. Lease arrangements are determined at the inception of the contract. Operating leases are included in operating lease right-of-use ("ROU") assets, operating lease liabilities and long-term operating lease liabilities on the balance sheet. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most leases do not provide an implicit rate, we use an incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU assets also includes any lease payments made and excludes lease incentives and initial direct costs incurred. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The Company determines whether an arrangement is a lease at inception. The Company has elected to apply the short-term lease exception to all leases with a term of one year or less. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term.

## NOTES TO FINANCIAL STATEMENTS

**2. Significant Accounting Policies (continued)****Income Taxes**

The Company elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under these provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the members are liable for individual federal income taxes on the taxable income. The Company recognizes income tax related interest and penalties in interest expense and other general and administrative expenses, respectively.

The Company files income tax returns in the U.S. federal jurisdiction and the state jurisdictions in which it operates. The Company is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for years prior to 2021.

In accordance with FASB ASC 740-10, Income Taxes, the Company is required to disclose uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

The Company has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Management's determination of the taxable status of the entity, including its status as an S Corporation, a pass through entity, is a tax position that is subject to consideration of uncertainty. The Company believes it has complied with all regulations required to maintain its status as an S Corporation and more likely than not, this status would hold up under examination. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2024.

**Recent Accounting Pronouncements**

We reviewed significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our financial statements as a result of future adoption.

**Subsequent Events**

In accordance with FASB ASC 855, Subsequent Events, the Company has evaluated subsequent event through May 16, 2025, the date on which these financial statements were available to be issued. Except as disclosed in Notes 1 and 8, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

## NOTES TO FINANCIAL STATEMENTS

**3. Restatement**

In connection with the preparation of the Company's 2024 financial statements, errors were identified in the Company's 2023 financial statements as followings:

	Impact of correction of errors		
	As previously reported	Adjustments	As restated
<b>Balance Sheet</b>			
<b>December 31, 2023</b>			
Cash and cash equivalents	\$ 168,895	\$ (33,560)	\$ 135,335
Unbilled revenue	-	65,976	65,976
Total current assets	1,116,683	32,416	1,149,099
Property and equipment, net	112,102	(43,600)	68,502
Operating lease right-of-use asset	-	450,346	450,346
Total assets	1,233,785	439,162	1,672,947
Accrued expense	219,603	(123,170)	96,433
Deferred revenue	-	981,841	981,841
Current portion of long-term debt	-	6,396	6,396
Current portion of operating lease liability	-	35,328	35,328
Total current liabilities	219,603	900,395	1,119,998
Deferred revenue, net	1,761,500	(664,364)	1,097,136
Long-term debt, net of current portion	37,735	(13,046)	24,689
Operating lease liabilities, net of current portion	-	415,018	415,018
Total liabilities	2,018,838	638,003	2,018,838
Members' deficit	(785,053)	(198,841)	(983,894)
Total liabilities and members' deficit	1,233,785	439,162	1,672,947

**4. Certain Significant Risks and Uncertainties**

The Company maintains its cash in five bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash or cash equivalents. The Company maintains its deposits in two financial institutions.

**5. Revenue and Related Contract Balances****Disaggregation of Revenue**

The following table disaggregates revenue by source for the year ended December 31:

	<b>2024</b>
<b>Point in time:</b>	
Franchise fee revenue	\$ 764,011
Royalty and loyalty revenue	781,546
Brand development fund revenue	106,598
Technology fee revenue	102,340
Other revenue	120,541
Total point in time	\$ 1,875,036
<b>Over time:</b>	
Franchise fee revenue	217,830
Total revenues	\$ 2,092,866

## NOTES TO FINANCIAL STATEMENTS

**5. Revenue and Related Contract Balances (continued)****Contract Assets**

Contract assets consist of unbilled revenue. Unbilled revenue consists of franchise fee revenue, royalty revenue, brand development fund and termination fee revenue from franchisees for which a billing has not occurred.

**Contract Liabilities**

Contract liabilities consist of deferred revenue resulting from initial franchise fees, renewal fees and transfer fees paid by franchisees. The Company classifies these contract liabilities as deferred revenue on the balance sheet. The following table reflects the change in contract liabilities for the year ended December 31:

	<b>2024</b>
Deferred revenue – beginning of year	\$ 2,078,977
Revenue recognized during the year	(981,841)
New deferrals	194,775
Deferred revenue – end of year	<u>\$ 1,291,911</u>

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2024:

2025	\$ 123,145
2026	123,145
2027	122,837
2028	118,411
2029	114,422
Thereafter	689,951
Total	<u>\$ 1,291,911</u>

**6. Property and Equipment**

The major classes of property and equipment consisted of the following at December 31:

	<b>2024</b>
Furniture and fixture	\$ 30,201
Vehicles	52,790
Computer and equipment	23,788
Less: accumulated depreciation	(57,920)
Property and equipment, net	<u>\$ 48,859</u>

For the year ended December 31, 2024, depreciation expense was \$21,450.

**7. Intangible assets**

The principal asset classifications of intangible assets, at cost, are as follows at December 31, 2024:

	<u>Cost</u>	<u>Acc. Amort.</u>	<u>Net</u>
Software	\$ 3,000	\$ (16)	\$ 2,984

For the year ended December 31, 2024, amortization expense was \$16.

## NOTES TO FINANCIAL STATEMENTS

**7. Intangible assets (continued)**

Future aggregate amortization expense is as follows:

Year ending December 31, 2025	\$	1,000
Year ending December 31, 2026		1,000
Year ending December 31, 2027		984
Total	<u>\$</u>	<u>2,984</u>

**8. Long-Term Debt**

For the year ended December 31, 2024, the long-term debt consisted of the following:

		<u>2024</u>
Note payable	\$	24,689
Less: current portion of long-term debt		<u>(24,689)</u>
Long-term debt, net	<u>\$</u>	<u>-</u>

Future maturities of long-term obligations for the year following December 31, 2024 are as follows:

2025	\$	24,689
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On June 30, 2022, the Company entered into a promissory note agreement with Tesla Motors Inc. in the amount of \$39,749. The loan bears interest at a rate of 3.24% per annum, requires minimum payments of monthly installments of principal and interest of approximately \$609. The loan is secured by this vehicle that the Company purchased. The loan matures in July 2028. In January 2025, the outstanding balance of the loan was paid off by the Company.

**9. Leases**

In January 2022, the Company entered into a lease agreement with its affiliate, Feng Cha USA LLC for office space in Richardson, Texas. In September 2024, the company terminated its operating lease with Feng Cha USA LLC.

The component of operating lease costs for the year ended December 31, 2024 was as follows:

		<u>2024</u>
Operating lease costs	\$	45,000

Supplemental cash flow information related to operating leases for the year ended December 31, 2024:

		<u>2024</u>
<b>Operating cash flow information:</b>		
Cash paid for amounts included in the measurement of lease liabilities	\$	45,000

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**NOTES TO FINANCIAL STATEMENTS**

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**10. Related Party Transactions****Transactions with affiliates**

In September 2024, the Company begin sharing office space with its affiliate, OFFO LLC. At December 31, 2024 the Company distributed \$4,706, the balance due from OFFO LLC, to its members.

On December 31, 2024 the Company distributed \$9,000, the balance due from Feng Cha Flagship Store, LLC, to its members.

On December 31, 2024 the Company distributed \$75,020, the balance due from Catunnel, LLC, to its members.

On December 31, 2024 the Company distributed \$860,324, the balance due from Feng Cha USA LLC, to its members.

On December 31, 2024 the Company distributed \$36,070, the balance due from Feng Cha Lab LLC, to its members.

**11. Commitments and Contingencies****Litigation**

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of the management, all matters are of such nature, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

**12. 401(k) Savings Plan**

The Company maintains a 401(k) retirement savings plan (the "Plan") for the benefit of eligible employees. Under terms of this plan, eligible employees are able to make contributions of their wages on a tax-deferred basis. Employee contributions are matched by the Company in accordance with the Plan up to a maximum of 3% of employee earnings plus 50% of what is contributed, up to the next 2%. For the years ended December 31, 2024, the Company's employer matching contribution was \$10,166.

CANNECT, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2023

CANNECT, LLC  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023

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***ADAM J. BAKER***  
*Certified Public Accountant*

Independent Auditor's Report

To whom it may concern:

We have audited the accompanying financial statements of CANNECT, LLC (the Company), a nonprofit organization, which comprise the Balance Sheet as of December 31, 2023, and the related Income Statements, and Statement of Cash Flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CANNECT, LLC

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CANNECT, LLC as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Adam J Baker, CPA*

Adam J. Baker  
Certified Public Accountant  
Underwood, Minnesota

February 19, 2024

**CANNECT, LLC**  
**BALANCE SHEET**  
**AS OF DECEMBER 31, 2023**

	Dec 31, 23	Dec 31, 22
<b>ASSETS</b>		
Current Assets		
Checking/Savings		
Chase Checking 0707	\$ 53,389	\$ 113,312
Hancock Whitney 3037	79,314	64,367
Hancock Whitney 7413	1,058	30,001
Chase Saving Account - 2363	34,277	6,251
Petty Cash	857	857
Total Checking/Savings	168,895	214,788
Accounts Receivable	3,738	10,170
Other Current Assets		
Security Deposits	5,000	5,000
Note Receivable - Feng Cha Flagship Store Sale	9,000	9,000
Total Current Assets	186,633	238,958
Fixed Assets		
Accumulated Depreciation	(41,946)	(17,793)
Computer and Equipment	23,788	5,716
Furniture and Equipment	28,394	27,854
Vehicles	101,866	94,558
Total Fixed Assets	112,102	110,335
Other Assets		
Loan - Feng Cha USA, LLC	855,324	855,324
Loan - Catunnel	75,020	75,347
Loan - Offo	4,706	4,706
Total Other Assets	935,050	935,377
<b>TOTAL ASSETS</b>	<b>\$ 1,233,785</b>	<b>\$ 1,284,670</b>
<b>LIABILITIES &amp; EQUITY</b>		
Liabilities		
Current Liabilities		
Credit Cards		
Hancock Whitney 1172	\$ 233	\$ 233
Chase Ink 0570	13,642	(410)
Total Credit Cards	13,875	(177)
Other Current Liabilities		
Payroll Liabilities	125,491	62,189
Retirement Payable	80,237	80,237
Unearned Revenue - Royalty	-	2,917
Total Other Current Liabilities	205,728	145,343
Total Current Liabilities	219,603	145,166
Long Term Liabilities		
Loans Payable	37,735	37,735
Unearned Revenue - Franchise	1,761,500	1,704,000
Total Long Term Liabilities	1,799,235	1,741,735
Total Liabilities	2,018,838	1,886,901
Equity		
Member Draws - Yan Chen	(1,018,466)	(527,206)
Member Draws - Zhongming Gao	(402,564)	(392,564)
Partner Contribution	278,552	217,972
Retained Earnings	31,312	(118,651)
Net Income	326,114	218,218
Total Equity	(785,052)	(602,231)
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 1,233,786</b>	<b>\$ 1,284,670</b>

**CANNECT, LLC**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Jan - Dec 23</b>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
<b>Sales</b>	
App Fee (net of discounts and refunds)	76,481
Sales - Franchise	423,500
Sales - Location Identity	10,250
Sales - Royalty	457,137
Sales - Services	148,158
Other Income	24,266
<b>Total Sales</b>	1,139,792
<b>Total Income</b>	1,139,792
<b>Gross Profit</b>	1,139,792
<b>Expense</b>	
Advertising and Promotion	58,129
Automobile Expense	3,922
Bank Service Charges	2,465
Contractors	10,260
Depreciation Expense	24,153
Dues and Subscriptions	104,729
Employee Benefit	37,557
Employee Pension Expense	2,660
Insurance Expense	42,379
Job Supplies	2,385
<b>Meals and Entertainment</b>	
Entertainment	4,381
Meals and Entertainment - Other	6,435
<b>Total Meals and Entertainment</b>	10,816
Office Expense	21,093
Office Supplies	11,065
Parking and Toll	990
Payroll Expenses	336,534
Payroll Processing Fee	0
Payroll Tax	24,779
Pest Control	1,961
Postage and Delivery	1,296
<b>Professional and Legal Expense</b>	
Accounting Expense	11,834
Legal Expense	14,914
Professional Expense	6,528
<b>Total Professional and Legal Expense</b>	33,276
Reimbursements	15,019
Rent Expense	55,609
Repairs and Maintenance	3,049
Research and Development	639
Taxes and Licenses	225
Training	8,550
Travel Expense	6,830
Uniform	2,410
Utilities	6,432
<b>Total Expense</b>	829,212
<b>Net Ordinary Income</b>	310,580
<b>Other Income/Expense</b>	
<b>Other Income</b>	
Interest Income	2,006
Rebate	13,528
<b>Net Other Income</b>	15,534
<b>Net Income</b>	326,114

**CANNECT, LLC**  
**STATEMENT OF CASH FLOWS**  
**AS OF DECEMBER 31, 2023**

	<b>Jan - Dec 23</b>
<b>OPERATING ACTIVITIES</b>	
Net Income	\$ 326,114
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Receivable	(6,432)
Depreciation	24,153
Credit Card	14,052
Payroll Liabilities	92,919
<b>Net cash provided by Operating Activities</b>	<b>450,806</b>
<b>INVESTING ACTIVITIES</b>	
Accumulated Depreciation	24,153
Computers & Equipment	(18,072)
Furniture & Fixtures	(540)
Vehicles	(7,304)
Loan - Catunnel	327
<b>Net cash provided by Investing Activities</b>	<b>(1,436)</b>
<b>FINANCING ACTIVITIES</b>	
Unearned Revenue - Franchise	(54,583)
Member Draws - Yan Chen	(491,260)
Member Draws - Zhongming Gao	(10,000)
Partner Contribution	60,580
<b>Net cash provided by Financing Activities</b>	<b>(495,263)</b>
<b>Net cash increase for period</b>	<b>(45,893)</b>
Cash at beginning of period	214,788
<b>Cash at end of period</b>	<b>\$ 168,895</b>

**CANNECT, LLC**  
**Notes to Financial Statements**

**1. General and Summary of Significant Accounting Policies:**

**Nature of operations:** As used herein, the terms "CANNECT, LLC.," the "Company," or similar terms refer to CANNECT, LLC.

The Company is a franchisor management company that sells franchise (collecting franchise fee, manages franchise brand (monthly loyalty fee) and expands franchise.

**Basis of presentation:** The consolidated financial statements of the Company are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and include the accounts of all of its subsidiaries. All significant intercompany accounts and transactions have been eliminated. The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. Realized results could differ from those estimates and assumptions. Certain prior year amounts have been reclassified for consistency with the current year presentation.

**Cash and cash equivalents:** The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Uninsured cash balances:** The Company has not, and does not, plan to have cash balances which exceed federally insured amounts at various financial institutions.

**Revenue recognition:** In May 2014, the FASB issued ASU 2014-09, which amends ASC Topic 606, "Revenue from Contracts with Customers." The amendments in the ASU provide a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018 for private entities. The Company has adopted the guidance as of January 1, 2019 using the modified retrospective transition method. However, because adoption of this guidance did not change the timing or amount of the Company's recognition of revenue, there was no adjustment to retained earnings needed as part of adoption of the new standard.

Revenue from franchise sale is recognized upon services and procedures that the Company need to perform, and the acceptance of the franchise contract by the Company's customers. Revenue from franchise management is recognized upon services performed monthly.

**Property and equipment:** Property and equipment, including improvements that significantly add to the productive capacity or extend useful life, are recorded at cost. Maintenance and repairs are expensed currently. Property and equipment are depreciated over their useful lives using the straight-line method of depreciation. Software and computer equipment are amortized or depreciated over three to five years. Furniture and fixtures are depreciated over five to ten years. Equipment is depreciated over five to seven years. Leasehold improvements are depreciated over the lesser of the useful life, which ranges from three to ten years, or the remaining term of the lease. Building improvements are depreciated straight-line over ten to thirty-nine years. When property is sold or retired, the cost and related accumulated depreciation are removed from the balance sheet and any gain or loss is included in the income statement.

**Investment in other entities:** The Company has majority of ownership and controlling interest in other entities and the other entities' net income or loss were consolidated to the Company's net loss.

**Advertising costs:** Advertising costs are expensed when incurred.

**CANNECT, LLC**  
**Notes to Financial Statements**

**1. General and Summary of Significant Accounting Policies (Continued):**

**Income Taxes:** The Company, with the consent of its members, has elected under the Internal Revenue Code to be treated as a partnership. Under the election, the Company does not pay federal corporate income taxes on its taxable income. Instead, the members are liable for individual income taxes on their respective shares of corporate income. Accordingly, no provision has been made for federal income tax in the accompanying financial statements. Current state income tax will be provided for at applicable rates.

Deferred state income taxes are provided for the temporary differences between the carrying values of the Company's assets and liabilities for financial reporting purposes and their corresponding income tax basis.

The temporary differences reflected are attributable to unrealized holding gains derived from the difference of the fair value over amortized cost of marketable securities available for sale, as well as utilizing different depreciation methods for income tax purposes. The temporary difference is computed by applying current statutory rates to the taxable temporary difference of the asset in the financial statements.

**Use of estimates:** The preparation of the financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates have been made by management with respect to the timing and amount of future cash collections of the Company's finance receivables portfolios. Actual results could differ from these estimates making it reasonably possible that a change in these estimates could occur within one year.

**2. Property and Equipment, net:**

Property and Equipment at December 31, 2023, are as follows:

Computer and Equipment	\$23,788
Vehicles	\$101,866
Other	\$28,394
Less: Accumulated Depreciation	(\$41,946)
Net Property and Equipment	\$112,102

**3. Evaluation of Subsequent Events:**

The Company has evaluated subsequent events through February 19, 2024, the date which the financial statements were available to be issued. It has been determined that no events have occurred that would require adjustments to our disclosures in these financial statements.

# **Exhibit B**

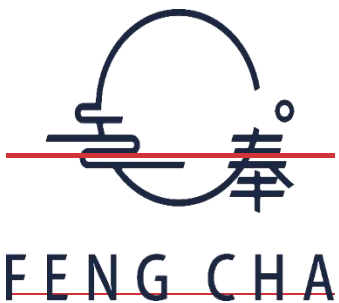
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## **FRANCHISE AGREEMENT**

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**Cannect, LLC**

**FENG CHA  
FRANCHISE AGREEMENT**





**FENG CHA**

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## **FENG CHA FRANCHISE AGREEMENT**

This agreement (the "Agreement") is made and entered into by and between CANNECT, LLC, a Texas limited liability company having its principal place of business at 412 N. Bowser Rd., Richardson TX 75081 ("Franchisor") and \_\_\_\_\_ with a principal address at \_\_\_\_\_ ("Franchisee") on the date this Agreement is executed by Franchisor below (the "Effective Date").

### **BACKGROUND**

**A.** Franchisor and/or its equity owners, parent, predecessor or affiliate, through the expenditure of considerable money, time and effort, have developed a system (the "Feng Cha System" or "System") for the establishment, development and operation of Feng Cha stores (each a "Feng Cha Store"). The System includes Franchisor's Proprietary Marks; IT platforms; recognized designs, decor and color schemes; distinctive specifications for furniture, fixtures, equipment, and wall, ceiling and display designs; know-how; training techniques; trade secrets; uniform specifications of products and services; menu items; proprietary products; recipes and ingredients; procedures for sanitation, food preparation techniques and storage; sales techniques and merchandising, marketing; advertising; inventory management systems; quality control procedures; and procedures for operation and management of System businesses pursuant to the Confidential Operations Manual provided by Franchisor and modified from time to time and other standards and specifications Franchisor otherwise provides.

**B.** The Feng Cha System is identified by various trade names, trademarks and service marks used by Franchisor and its franchisees including, without limitation, the trademark "Feng Cha" and other identifying marks and symbols that Franchisor uses now or may later use as part of the Feng Cha System (the "Proprietary Marks"). The rights to all the Proprietary Marks shall be owned exclusively by Franchisor, its equity owners, parent, predecessor or its affiliate. Franchisor intends to further develop and use the Proprietary Marks to identify to the public Franchisor's standards of quality and the services marketed under the Proprietary Marks.

**C.** Franchisor is engaged in the business of granting franchises to qualified individuals and business entities to use the System to operate a Feng Cha Store.

**D.** Franchisee has applied to Franchisor for a franchise to operate a Feng Cha Store using the System and Proprietary Marks and to receive the training, confidential information and other assistance Franchisor provides. Franchisor has approved Franchisee's application in reliance upon all of the representations made in the application.

**E.** By executing this Agreement, Franchisee acknowledges the importance of Franchisor's quality and service standards and agrees to operate Franchisee's business in accordance with those standards. Franchisee also acknowledges that adhering to the terms of this Agreement and implementing the System as Franchisor directs are essential to the operation of Franchisee's business, to the System, and to all Franchisor's franchisees.

In consideration of the mutual promises and commitments contained in this Agreement, together with other valuable consideration, the receipt and sufficiency of which is acknowledged, Franchisor and Franchisee agree as follows:

## 1. GRANT OF FRANCHISE

1.1. **Grant and Acceptance.** Franchisor grants to Franchisee, and Franchisee accepts, all subject to the terms of this Agreement, a franchise to establish and operate one Feng Cha Store using the Feng Cha System and the Proprietary Marks pursuant to this Agreement (the “Franchised Business” or the “Feng Cha Store”). Franchisee shall use the Proprietary Marks, participate in the promotional, advertising and educational programs that are made available to Franchisee, and have access to certain proprietary trade secrets, marketing expertise and business expertise of Franchisor, as they may be modified from time to time, in connection with the Franchised Business.

1.2. **Territory.** Franchisee shall ~~establish and operate the Franchised Business within the Territory identified in Exhibit 1 to this Agreement (the "Territory"). Provided Franchisee complies with the terms of this Agreement, not have an exclusive or designated territory.~~ Franchisor shall ~~not have the right to~~ own, operate, franchise or license any other Feng Cha Stores ~~within the Territory, except Franchisor reserves the right to do so at any locations including~~ in other channels of distribution and at Special Sites as described in Section 1.3. Franchisor and/or Franchisor’s affiliates, retain all ~~other~~ rights, including without limitation, the unrestricted rights: (i) in connection with a merger or acquisition, to own, operate, franchise or license, ~~both within and outside the Territory,~~ businesses operating under names other than the Proprietary Marks regardless of whether or not these other concepts offer products and services which are similar to or compete with those offered by the Franchised Business and regardless of location, and the right to convert those locations to Feng Cha Stores, (ii) the right to be acquired by (or merge or become affiliated with) any other business operating under names other than the Proprietary Marks, including a competing business with locations anywhere which may result in the required conversion of a Franchised Business; (iii) to distribute products and services as described in Section 1.3, ~~both within and outside the Territory;~~ (iv) to use, and to license others to use, the System for the operation and licensing of other Feng Cha Stores at any locations ~~outside of the Territory;~~ and (v) the right to own, operate, franchise or license, ~~both within and outside the Territory,~~ Feng Cha stores, cafes and food distributors or retailers or any other business operating under names other than the Proprietary Marks, regardless of whether or not these other concepts offer products and services which are similar to or competitive with those offered by the Franchised Business. Franchisee is not permitted to conduct any off-site services without Franchisor’s prior written consent.

1.3. **Special Sites and Other Channels of Distribution.** Franchisor and Franchisor’s, parent, predecessor and affiliate, reserve the unrestricted right to offer products and services (which may include, but are not limited to, branded and non-branded products, food, and videos), whether now existing or developed in the future, identified by the Proprietary Marks or other marks Franchisor and/or Franchisor’s parent, predecessor and/or affiliate, own or license, through any distribution method they may establish ~~other than a traditional Feng Cha store location,~~ and may franchise or license others to do so, ~~both within and outside the Territory,~~ regardless of whether the offering of products or services in the other channels of distribution compete with the Franchised Business. Such other channels of distribution include, but are not limited to, sales of products or services via retail establishments, mail order, catalog, via the internet, or any similar outlets or distribution methods. Additionally, Franchisor reserves the right to establish and operate Feng Cha Stores and/or offer products and services at “Special Site”, whether now existing or developed in the future, ~~both within and outside the Territory~~ (which Special Sites include but are not limited to: club stores, specialty stores, grocery stores, supermarkets, special events centers, parks,

stadiums, arenas, museums, art centers, military bases, airports, other public transportation facilities, government offices or institutions, department stores, shopping malls, health care facilities and other institutional food service facilities, hotels and motels, toll road or highway rest stops, colleges, universities, food concession stands, theaters, theme parks, amusement centers, truck stops, beaches, boardwalks and casinos, temporary events, and retail restaurant locations being sublet under a lease to a master concessionaire. This Agreement does not grant Franchisee any rights to distribute products through other channels of distribution or at Special Sites as described in this Section 1.3, and Franchisee has no right to share, nor does Franchisee expect to share, in any of the proceeds Franchisor and/or Franchisor's parent, predecessor, affiliate, or other franchisees or licensees or any other party receives in connection with the alternate channels of distribution or Special Sites. Franchisor and/or its affiliates will fulfill all orders placed through the retail portion of the Website and Franchisee will not be entitled to any portion of the profits received from this, ~~even if the customer's order is generated from or delivered in Franchisee's Territory,~~ unless Franchisor determines otherwise, in its sole discretion. Franchisee may not engage in the wholesale or distribution of any product.

## 2. TERM AND RENEWAL

2.1. **Term.** This Agreement grants rights to Franchisee for a period of 10 years and is effective when signed by Franchisor, but will be extended to align with lease expiration date provided least term is no more than 10 years.

2.2. **Renewal.** Franchisee shall have the right to renew this Agreement for one period of ~~5~~10 years if the following conditions have been met:

2.2.1. Franchisee has given Franchisor written notice of its election to renew the franchise not less than 6 months nor more than 13 months prior to the expiration of the current term;

2.2.2. Franchisee owns or has the right under a lease to occupy the premises of the Franchised Business for an additional 5 years and has presented evidence to Franchisor that Franchisee has the right to remain in possession of the premises of the Franchised Business for the duration of the renewal term; or, in the event Franchisee is unable to maintain possession of the premises of the Franchised Business, Franchisee has secured substitute premises ~~accepted~~approved by Franchisor by the expiration date of this Agreement, and the terms of any such lease are acceptable to Franchisor;

2.2.3. Franchisee has completed, no later than 30 days prior to the expiration of the then-current term and to Franchisor's satisfaction, all maintenance, refurbishing, renovating and remodeling of the premises of the Franchised Business and all of the equipment, fixtures, furnishings, interior and exterior signs as Franchisor shall require so that the premises reflect the then-current image of a Feng Cha store.

2.2.4. Franchisee is not in default of any provision of this Agreement or any other related agreement between Franchisee and Franchisor or its parent, predecessor and/or affiliate, either at the time Franchisee gives notice of its intent to renew or at any time through the last day of the then current term, and Franchisee has substantially complied with all of these agreements during their respective terms;

2.2.5. Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and/or its parent, predecessor and affiliate or otherwise pursuant to the Franchise Agreement;

2.2.6. Franchisee has executed, at the time of such renewal, Franchisor's then-current form of franchise agreement and renewal addendum, the terms of which may vary materially from the terms of this Agreement and may include, without limitation, higher royalty and advertising fees. The renewal franchise agreement, when executed, shall supersede this Agreement in all respects;

2.2.7. Franchisee, at its expense, has satisfied Franchisor's then-current training requirements for new franchisees as of the date of the renewal;

2.2.8. Franchisee has paid a renewal fee ~~to Franchisor equal to the greater of seventeen thousand five hundred dollars (\$17,500) or 50% of the then current Initial Franchise Fee; and equal to \$15,000.~~

2.2.9. Franchisee has executed a release of any and all claims against Franchisor and its parent, predecessor and affiliate, and their shareholders, members, officers, directors, agents, employees, attorneys and accountants arising out of or related to this Agreement or any related agreement. The release shall contain language and be of the form chosen by Franchisor, except the release shall not release any liability specifically provided for by any applicable state statute regulating franchising- ~~if such release is not legally permitted.~~ Franchisor's current form of release is attached to the Franchise Agreement as Exhibit 6.

~~2.2.10. As part of the process of renewing this Agreement, Franchisor reserves the right to re-evaluate the then-existing Territory according to certain demographics and Franchisor's then-current standards. A re-evaluation of the Territory may result in the renewal Territory being smaller or larger than the original Territory.~~

### 3. LOCATION

3.1. ~~A~~Accepted~~Approved~~ **Location.** Franchisee is granted a non-exclusive franchise, which permits the operation of a single Feng Cha Store ~~within the Territory~~ at the location identified in Exhibit 1 to this Agreement (the "~~A~~Accepted~~Approved~~ Location"). If the ~~A~~Accepted~~Approved~~ Location is not identified in Exhibit 1 when the parties execute this Agreement, Franchisee shall find a location and submit it to Franchisor for approval as required in Section 3.2. Franchisee shall not operate another business at the ~~A~~Accepted~~Approved~~ Location nor rent the ~~A~~Accepted~~Approved~~ Location to others. All events held at the ~~A~~Accepted~~Approved~~ Location must be affiliated with the Franchised Business. Franchisee is unrestricted as to the geographic area from which it may obtain business as a System franchisee; however, Franchisee may not make any sales from a location, other than the ~~A~~Accepted~~Approved~~ Location, without the Franchisor's prior written permission ~~nor may Franchisee directly solicit business from outside the Territory.~~ Franchisee shall not conduct any mail order, catalog or Internet business without the express approval of the Franchisor. Franchisee shall be permitted to provide delivery and catering services in connection with its ~~Restaurant~~Franchised Business under the terms and conditions outlined in the Operations Manual or otherwise, unless otherwise prohibited by Franchisor.

3.2. **Site Search; Purchase or Lease of Premises.** If the ~~A~~Accepted~~Approved~~ Location is not identified on Exhibit 1 when this Agreement is executed, then Franchisee is responsible for locating a site within the geographic site selection area described on Exhibit 1 (the "Search Area"). The Search Area is

delineated for the sole purpose of site selection and does not provide any territorial exclusivity or protection. Franchisee must find a location in the Search Area and submit it to Franchisor for approval as required in this Agreement. Franchisee shall use its best efforts to find a suitable location subject to Franchisor's procedures and guidelines. Franchisor must grant written authorization before Franchisee may proceed with any proposed location. Franchisor's recommendation or approval of any site only indicates that Franchisor believes that the site meets Franchisor's then acceptable criteria that have been established for Franchisor's own purposes. Criteria that have appeared effective with other sites and other locations might not accurately reflect the potential for all sites and locations. Franchisor is not responsible if a site and location fails to meet Franchisee's expectations. Franchisee acknowledges and agrees that its acceptance of the selection of the ~~Aceepted~~Approved Location is based on Franchisee's own independent investigation of the site's suitability for the Franchised Business.

If the ~~Aceepted~~Approved Location is not designated in Exhibit 1 at the time of execution of this Agreement, Franchisee must complete all steps to acquire a suitable location within 6 months after the date of execution of this Agreement. Within the 6 ~~months~~month period, Franchisee must: (i) find a suitable site, meeting Franchisor's specifications; (ii) submit a request for approval of the proposed site; and (iii) deliver all information and copies of proposed agreements to Franchisor. Upon receiving Franchisor's written approval for a site Franchisee must promptly enter into a lease or sublease for the site, meeting Franchisor's requirements, including the requirements listed in Section 3.3, or enter into an agreement to purchase the site. If Franchisee or its equity owner or affiliate purchases or owns the ~~Aceepted~~Approved Location, Franchisee (or its equity owner or affiliate) shall grant Franchisor an option to purchase or lease the site upon termination or expiration of this Agreement at the fair market value or fair market rent.

Franchisee shall provide Franchisor with any information Franchisor requests and a copy of the proposed lease or purchase agreement in connection with Franchisor's review. In order for Franchisor to ~~aceept~~approve any designation of the ~~Aceepted~~Approved Location in Exhibit 1 at the time of execution of this Agreement, Franchisee must have supplied Franchisor with all required information and copies of proposed agreements prior to the execution of this Agreement. Franchisee shall not sign any lease or purchase agreement for the ~~Aceepted~~Approved Location until this Agreement is fully executed by both parties and Franchisor has granted approval of the agreement in writing.

### 3.3. Lease or Purchase.

**3.3.1.** Any lease for the proposed location must contain certain provisions, including (i) a limitation that the premises shall be used only for a Feng Cha Store; (ii) a prohibition against assignment or subletting by Franchisee without Franchisor's prior written approval; (iii) permission for Franchisor to enter the premises and make changes to protect the Proprietary Marks; (iv) concurrent written notice to Franchisor of any default and the right (but not the obligation) for Franchisor to cure such default; (v) the right, at Franchisor's election, to receive an assignment of the lease upon the termination or expiration of the Franchise Agreement; and (vi) a prohibition against the lease being modified without Franchisor's prior written consent. In addition, prior to execution of the lease, Franchisor and Franchisee shall execute the Collateral Assignment of Lease which grants Franchisor the right, but not the obligation, to assume the lease upon Franchisee's default under the lease or this Agreement. Upon execution of the lease, Franchisor and lessor shall execute the Consent and Agreement of Lessor. The Collateral Assignment of Lease and Consent and Agreement of Lessor shall be in the forms attached as Exhibit 4 to this Agreement.

Franchisee shall deliver an executed copy of the lease to Franchisor within 15 days after the execution of the lease.

3.3.2 Franchisor's review of the lease or purchase agreement for the ~~Acepted~~

Approved

Location does not constitute Franchisor's opinion regarding the terms of the lease, purchase agreement or the viability of the location. ~~Aceptance~~Approval by the Franchisor of the lease or purchase agreement shall simply mean that the terms contained in the lease or purchase agreement, including general business terms, are acceptable to Franchisor. Franchisee acknowledges that it is not relying on Franchisor's lease or purchase agreement negotiations, lease or purchase agreement review or approval, or site approval and acknowledges that any involvement by Franchisor in lease negotiations is for the sole benefit of Franchisor. Franchisee acknowledges and understands that it has been advised to obtain its own competent counsel to review the lease or purchase agreement before Franchisee signs any lease or purchase agreement.

3.3.3 If Franchisee does not agree with any lease provisions that Franchisor has ~~accepted~~approved or negotiated, Franchisee may elect not to sign the lease, but Franchisee is required to find another suitable site for the ~~Acepted~~Approved Location within the required timeframe. If Franchisee rejects a site Franchisor approves because Franchisee does not agree with the lease provisions that Franchisor or its representatives have negotiated, Franchisor may permit another franchisee to enter into a lease for such site, whether on the terms Franchisee rejected, or other terms.

3.4. **Relocation.** In the event the lease term is shorter than the term of this Agreement and the lease cannot be renewed or extended, or Franchisee cannot continue to occupy the ~~Acepted~~Approved Location, Franchisee shall relocate the Franchised Business to a site mutually acceptable to Franchisee and Franchisor in accordance with Franchisor's specifications and subject to Section 3.2 and Section 3.3, in order to complete the balance of the term of this Agreement. Franchisee shall give Franchisor notice of Franchisee's intent to relocate, pay the \$5,000 relocation fee and must complete all steps to either enter into a lease or sublease or an agreement to purchase the site within 60 days after closing the Franchised Business at the original location. Franchisee must open the Franchised Business for business at the new location within 180 days of closing the original location. If Franchisee fails to comply with the terms of this Section 3.4, Franchisor may terminate this Agreement.

#### 4. FEES AND COSTS

4.1. **Initial Franchise Fee.** Franchisee shall pay Franchisor an initial franchise fee for the right to establish a single Feng Cha Store in the amount of ~~\$350~~,000 in cash, wire transfer or by certified check, at Franchisor's option, at the time of execution of this Agreement. The initial franchise fee is fully earned and is not refundable under any circumstances.

4.2. **Royalty Fee.**

**4.2.1. Royalty; Gross Revenues.** Franchisee shall pay to Franchisor a royalty fee equal to 5% of all monthly "Gross Revenues" of the Franchised Business. Royalty fees are due beginning when the Franchised Business begins to generate revenue and are currently payable on the fifth day of each month. "Gross Revenues" means the total selling price of all services and products and all income of every other kind and nature related to the Franchised Business, whether for cash or credit and regardless of collection

in the case of credit. Gross Revenue also includes fair market value for any product or service Franchisee receives in barter or exchange for products or services and all insurance proceeds that Franchisee receives for the loss of the ~~Restaurant~~ Feng Cha Store due to a casualty to or similar event at the Franchised Business (including business interruption insurance). The entire amount of the sale generated from service providers such as Uber Eats, GrubHub, Door Dash and similar companies is reportable as Gross Revenue. Gross ~~Revenues~~ Revenue expressly excludes taxes collected from customers and paid to the appropriate taxing authority and customer refunds or adjustments. Gift cards or similar program payments are currently included in Gross Revenues when the gift card or applicable credit is redeemed however Franchisor reserves the right to change this in the future.

**4.2.2. Payment; Reporting.** The Royalty Fee shall be paid by Franchisee via electronic fund transfer on the days outlined in section 4.2.1 or another day (or at another frequency) Franchisor specifies. Franchisee must provide monthly summaries of sales and services rendered during the preceding month, (hereinafter, “Report”), which Report shall accurately reflect all monies received or accrued, sales or other services performed during the relevant period and such other additional information as may be required by Franchisor as it deems necessary in its sole discretion to properly evaluate the progress of Franchisee. Franchisee shall provide the Report in the manner that Franchisor specifies no later than the first business day following the close of the reporting month, or at such time that Franchisor specifies. If Franchisee fails to submit any Report on a timely basis, Franchisor may withdraw from Franchisee’s operating account 120% of the last Royalty Fee debited. Any overpayments from the withdrawn amount shall be forwarded to Franchisee or credited to Franchisee’s account once reconciled; Franchisee shall pay any underpayments, with interest. Any payment Franchisee makes may be applied by Franchisor, at Franchisor’s option, to any of Franchisee’s past due indebtedness regardless of Franchisee’s written or orally expressed intention.

**4.2.3. Single Operating Account; EFT.** Franchisee shall make suitable arrangements for on time delivery of payments due to or collected by Franchisor under this Agreement. Franchisee shall designate one account at a commercial bank of its choice (the “Account”) for the payment of continuing periodic royalty, advertising contributions to the Fund (defined in Section 4.3.3.1) and any other amounts due Franchisor in connection with this Agreement and the Franchised Business. Franchisor shall have “view-only” access. In addition, Franchisee shall furnish the bank with authorizations necessary to permit Franchisor to make withdrawals from the Account by electronic funds transfer (a copy of a form acceptable to Franchisor is currently attached as Exhibit 11). Franchisee shall bear any expense associated with these authorizations and electronic funds transfers. Franchisee shall pay Franchisor its actual cost incurred for bank charges, plus Franchisor’s administrative fee (of up to \$50 per attempt) in Franchisor’s sole discretion if the electronic funds transfer attempt is unsuccessful in whole or in part, or rejected, or if Franchisee closes the operating account, or any check or other means of payment used is returned not paid.

**4.3. Advertising.** Franchisee agrees to actively promote the Franchised Business and to abide by all of Franchisor's advertising requirements. Franchisee shall comply with each of its advertising obligations provided in this Agreement notwithstanding the payment by other Feng Cha System franchisees of greater or lesser advertising obligations or default of these obligations by any other franchisees. Franchisee may not take part in any sales from a location other than the premises of the Franchised Business. With regard to advertising generally for the Franchised Business, Franchisee shall place or display at the Franchised Business premises (interior and exterior) only such signs, emblems, lettering, logos and display and advertising materials as Franchisor approves in writing from time to time. No outside solicitations are

permitted. All advertising, marketing and promotion by Franchisee of any type shall be conducted in a dignified manner, shall coordinate and be consistent with Franchisor's marketing plans and strategies and shall conform to the standards and requirements Franchisor prescribes. If Franchisor determines at any point that any advertising materials no longer conform to System requirements, Franchisor shall provide Franchisee with notice of the same, at which point Franchisee shall promptly discontinue such use. Except as may otherwise be ~~accepted~~approved in writing by Franchisor, Franchisee shall not use any advertising or promotional materials which Franchisor has not ~~accepted~~approved in writing. All materials must be ~~accepted~~approved by Franchisor before being ordered and Franchisor will retain exclusive rights to any and all materials requested to be produced by franchisees and has the right, without payment of any kind, to make these materials available for use by Franchisor and all other franchisees. Franchisee will have no rights in the materials other than Franchisor's permission ~~for use them to use them~~. Franchisor may require that Franchisee utilize Franchisor's designated marketing agency, at Franchisee's cost.

**4.3.1. Grand Opening Marketing.** Beginning after the Feng Cha Store's soft opening and for a period of approximately 60 days post opening of the Franchised Business (unless a different timeframe is designated by Franchisor), Franchisee shall expend between \$4,000-\$6,000 on grand opening advertising and promotion for the Franchised Business. Franchisor shall make such expenditure in accordance with Franchisor's written requirements and specifications. Franchisor must approve of the grand opening marketing campaign before it is conducted. Franchisee shall keep detailed records of all expenditures and provide these records to Franchisor within 15 days if Franchisor requests them.

**4.3.2. Minimum Promotional Expenditure; Local Advertising and Marketing.** Franchisee must conduct paid local advertising and marketing and must spend at least 1% of monthly Gross Revenue on such local advertising and marketing (the "Minimum Promotional Expenditure"). Franchisor reserves the right to adjust this amount (not to exceed 2% of monthly Gross Revenue), as needed, upon 30 days advanced written notice. However, in the event Franchisee is in the bottom 25% of System average unit volume, as determined by Franchisor's review of financial information, Franchisee's required local advertising spend shall be 2% of Franchisee's monthly Gross Revenue and shall remain as such until Franchisor advises otherwise. Franchisee must report quarterly advertising and marketing expenditures to Franchisor by the 10th day after the end of each quarter, or at times, on forms, and in a manner Franchisor determines. Franchisor must approve all promotional materials before use. Franchisee must not advertise or use the Proprietary Marks in any fashion on the Internet, World Wide Web or via other means of advertising through telecommunication without Franchisor's express written consent. Franchisee must provide any proposed promotional materials to Franchisor at least 30 days before placement deadline. Franchisor is not contractually obligated to accept or reject any materials submitted within the 30 days, but will attempt to do so. Franchisee may not use the materials unless Franchisor gives approval in writing. Any materials submitted for review will become Franchisor's property, and there will be no restriction on Franchisor's use or distribution of these materials. Franchisee may be required to include certain language and/or contact information for the Franchisor in its advertisements. The Minimum Promotional Expenditure is in addition to amounts owed to the Fund or to any Cooperative.

#### **4.3.3. Brand Development Fund.**

4.3.3.1 Franchisor has the right to establish, administer and control the Brand Development Fund (the "Fund"). Franchisee agrees to contribute to the Fund in an amount of 1% of Franchisee's Gross Revenues via electronic fund transfer or as otherwise directed by Franchisor, currently

required to be paid monthly, beginning when the Franchised Business begins making sales. Franchisor reserves the right to change the pay day or frequency. Franchisor can increase the brand development fund payment to a maximum of 2% upon 30 days' notice to Franchisee. Franchisee agrees to expend and/or contribute all advertising fees required under this Agreement notwithstanding the actual amount of contribution by other franchisees of Franchisor, or of default of this obligation by any other franchisees. Franchisor may maintain contributions to the Fund in a separate bank account or hold them in Franchisor's general account and account for them separately. Franchisor may establish separate entities to administer the Fund and the Fund contributions. Franchisor intends the Fund to be of perpetual duration, but Franchisor maintains the right to terminate the Fund or to create new Fund accounts or merge accounts. Franchisor shall not terminate the Fund until all money in the Fund has been expended for advertising and/or marketing purposes or returned to contributors on the basis of their respective contributions. The money contributed to the Fund shall not be considered to be trust funds. Franchisor and any designee shall not have to maintain the money in the Fund in interest bearing accounts or obtain any level of interest on the money and Franchisor does not owe any fiduciary obligation for administering the Fund.

4.3.3.2 Franchisor has the right to use Fund contributions, at its discretion, to meet any and all costs of maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations, and/or promotional programs and materials, either in house or via a third party, and any other activities which Franchisor believes will enhance the image of the Feng Cha System, including the costs of preparing and conducting radio, television, electronic and print advertising campaigns in any local, regional or national medium; utilizing networking and social media sites, such as Facebook, X, LinkedIn, YouTube, Instagram, TikTok, Threads, Pinterest and on-line blogs and forums; creating and/or maintaining a presence in virtual worlds; developing, maintaining, and updating a World Wide Web or Internet site for System Franchised ~~Business~~Businesses; direct mail advertising; deploying social networking promotional initiatives through online media channels; marketing surveys; employing advertising and/or public relations agencies to provide assistance; purchasing promotional items; conducting and administering in-store promotions and "mystery shopper" program(s) which may include call recording; implementation and use of Client Relationship Management software and solutions; and providing promotional and other marketing materials and services to the businesses operating under the System. Franchisor is not required to spend any amount of Fund contributions in the area in which the Franchised Business is located. Franchisor's decisions in all aspects related to the Fund shall be final and binding. Franchisor may charge the Fund for the costs and overhead, if any, Franchisor incurs in activities reasonably related to the creation, implementation and administration of the Fund and the advertising and marketing programs for franchisees. These costs and overhead include the proportionate compensation of Franchisor's employees who devote time and render services in the conduct, formulation, development and production of advertising, marketing and promotion programs or who administer the Fund. At Franchisee's written request, Franchisor shall provide unaudited fiscal year end accounting for the applicable Fund expenditures when available. Franchisee may have to purchase advertising materials produced by the Fund, by Franchisor or by its parent, predecessor or affiliate, and Franchisor, or its parent, predecessor or affiliate, may make a profit on the sale. The Fund may spend more or less than the total annual Fund contributions in a given fiscal year and may borrow funds to cover deficits. Fund contributions not spent in the fiscal year in which they accrue, will be carried over for use during the next fiscal year. Locations owned by Franchisor's affiliates will ~~also~~ contribute to the Fund.

4.3.3.3 The advertising and promotion Franchisor conducts is intended to maximize general public recognition and patronage of System businesses and the Feng Cha brand in the

manner that Franchisor determines to be most effective. Franchisor will benefit from contacts by new franchisee candidates through its Website, and its franchise opportunity information and application pages will be present within the site, however, Franchisor does not otherwise anticipate that any part of contributions to the Fund will be used for advertising that is principally a solicitation for the sale of additional franchises. Franchisor reserves the right to include a message or statement in any advertisement indicating that franchises are available for purchase and related information. Franchisor is not obligated to ensure that the expenditures from the Fund are proportionate or equivalent to Franchisee's contributions or that the Franchised Business or any Feng Cha Store shall benefit directly or pro rata or in any amount from the placement of advertising.

4.3.3.4 From time to time, Franchisor may, in its sole discretion, establish special promotional campaigns applicable to the Feng Cha System franchisees as a whole or to specific advertising market areas. If Franchisee participates, or is required to participate, in any special promotional programs, Franchisee shall be required to pay for the development, purchase, lease, installation and/or erection of all materials necessary to such promotional campaigns, including but not limited to posters, banners, signs, photography or give-away items. Franchisee may not offer any special promotional programs without Franchisor's prior written consent. Additionally, Franchisee shall be required to offer any and all discounts mandated by Franchisor to customers designated by Franchisor to receive same and comply with the requirements of any gift card, gift certificate, customer loyalty or retention, or special promotional program that Franchisor implements for all or part of the System and shall sign the forms and take the other action that Franchisor requires for Franchisee to participate in such programs. Franchisee must honor all gift cards presented regardless of where or how the gift card was originally purchased and must follow the gift card policy in the Manual, including any rules regarding repayment of unredeemed amounts upon non-renewal or termination. Franchisee may not create unapproved gift cards, gift certificates, rewards or loyalty programs. Franchisee cannot offer free products or services unless approved by Franchisor.

4.3.4 **Website Requirements.** Franchisee shall not develop, own or operate any website (or establish any other online presence, including a presence in virtual worlds, or post to any social media platform, including but not limited to, Facebook, X, LinkedIn, YouTube, Instagram, TikTok, Threads and Pinterest) using the Proprietary Marks or otherwise referring to the Franchised Business or the products or services sold under the Feng Cha System (each the "Website") without Franchisor's prior written approval. All content on a Website is deemed to be advertising and must comply with the requirements Franchisor establishes for websites in the Confidential Operations Manual or otherwise. Franchisor has the right, but not the obligation, to establish and maintain a Website, which may promote the Proprietary Marks and /or Feng Cha System and/or the businesses operating under the Feng Cha System. Franchisor may, in its sole discretion, host and give Franchisee access to a separate web page for the Franchised Business on its website(s) ("Location Micro-Site"). Any electronic materials Franchisee proposes to use must be accepted approved in advance by Franchisor before publication to any site. Franchisee shall establish electronic links to Franchisor's website(s) or any other website Franchisor designates. ~~Franchisor has the right, but not the obligation, to establish and maintain a Website, which may promote the Proprietary Marks and /or Feng Cha System and/or the businesses operating under the Feng Cha System.~~ Franchisor will have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. Franchisor will also have the right to discontinue operation of the Website at any time without notice to Franchisee. Franchisee's webpage Location Micro-Site may be removed and all mention of the Franchised Business location may be removed from Franchisor's website and/or social media accounts anytime Franchisee is found to not be in

compliance with the System or anything required under this Agreement. Access will be reinstated only once violations are deemed cured, in Franchisor's sole discretion. Currently, Franchisor does not charge any fee for franchisees for the use of its Website, but reserves the right to do so. Upon the expiration, termination or non-renewal of this agreement, Franchisee will assign any permitted website domain or social media account used in connection with the Franchised Business to Franchisor. Franchisee does not have any responsibility for designing or hosting the Website. Franchisor reserves the right to provide password protected access to conduct all business-related e-mail operations through the private portion of the Location Micro-Site. Franchisee may only use the Website and Internet presence provided by Franchisor.

**4.3.5 Advertising Cooperatives.** Franchisor reserves the right to create a regional advertising cooperative and require Franchisee to contribute an amount determined by the cooperative, up to 2% of Franchisee's monthly Gross Revenues. Amounts contributed to a cooperative will be in addition to amounts required to be spent on local advertising and marketing. Franchisor has the right to draft Franchisee's bank account for the advertising cooperative contribution and to pass those funds on to the respective cooperative. The cooperative members are responsible for the administration of their respective advertising cooperative, as stated in the by-laws that Franchisor approves. The by-laws and governing agreements will be made available for review by the cooperative's franchisee members. Franchisor may require a cooperative to prepare annual or periodic financial statements for review. Each cooperative will maintain its own funds; however, Franchisor has the right to review the cooperative's finances, if it so chooses. The Franchised Business may not benefit directly or proportionately to its contribution to the Cooperative. Franchisor reserves the right to approve all of a cooperative's marketing programs and advertising materials and any expenditures. On 30 days written notice to affected franchisees, Franchisor may terminate or suspend a cooperative's program or operations. Franchisor may form, change, dissolve or merge any advertising cooperative. Franchisor's affiliate owned businesses may but will have no obligation to participate in any such advertising cooperatives.

**4.4 Initial Training Fee.** Prior to initial training, Franchisee shall pay Franchisor ~~an~~an amount equal to \$10,000 ~~plus for~~ the ~~Franchisor's~~ costs for ~~its trainers' airfare or other transportation, lodging and meal costs in~~ delivering in-person training as well as in delivering the follow-up on-site support (estimated at 7 days) when the Franchised Business is under its soft opening.

**4.5 Technology Fee.** Franchisee acknowledges and agrees that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable, but unpredictable, changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, new standards for the implementation of technology in the Feng Cha System; and Franchisee agrees that he or she will abide by those standards established by Franchisor as if this Agreement were periodically revised by Franchisor for that purpose. Franchisor reserves the right to require Franchisee to pay to Franchisor, its affiliate, or approved vendor, its then-current technology fee (of up to \$350) which may be used towards costs in relation to establishing and maintaining software, subscriptions, hosting and other technology related items. Franchisor reserves the right to increase the Technology Fee upon 30 days written notice. This fee is in ~~additional~~addition to fees paid direct to third party vendors.

**4.6 Step-in-Rights.** If Franchisor determines in its sole judgment that the operation of the Franchised Business is in jeopardy due to Franchisee or an owner's death, disability or for any other reason, including occurrence of a default, then in order to prevent an interruption of the Franchised Business which

would cause harm to the System and thereby lessen its value, Franchisee authorizes Franchisor to operate the Franchised Business for as long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies which Franchisor may have under this Agreement. In Franchisor's sole judgment, it may deem Franchisee incapable of operating the Franchised Business if, without limitation, Franchisee fails to make payments when due or fails to remove any and all liens or encumbrances of every kind placed upon or against the business; or if Franchisor determines that operational problems require that it operate the Franchised Business for a period of time that it determines, in its sole discretion, to be necessary to maintain the operation of the business as a going concern. Franchisor shall receive its then current fee for same and the reasonable compensation and expenses of its representatives to assist with operating the Franchised Business. Franchisor reserves the right to change its fee upon 30 days written notice. In addition, Franchisee will also be required to pay Franchisor's expenses (including reasonable attorney's fees incurred) and fees due under this agreement, such as royalties. In the event Franchisor exercises these rights, Franchisee agrees to hold Franchisor and its representatives harmless for all actions occurring during the course of such temporary operation. Nothing contained herein shall prevent Franchisor from exercising any other right which it may have under this Agreement, including, without limitation, termination.

**4.7 On-Site Evaluation.** On-site evaluations are performed as Franchisor deems necessary or in response to reasonable request for site approval. ~~Franchisee will be responsible for the transportation, room and board and miscellaneous expenses incurred by Franchisor's personnel during these visits.~~

**4.8 Non-Compliance and Prohibited Products.** Franchisee shall be responsible to pay Franchisor's \$100 per day fee if Franchisee fails any compliance inspection, or otherwise is confirmed to be non-compliant with this agreement or with the operations manual, which will continue to accrue until the deficiency is corrected. Additionally, Franchisee shall be responsible to pay Franchisor's \$300 fee for each day of use or offering of unauthorized products or services (including unauthorized ingredients, menu items, services, or use of unauthorized third-party vendors for goods or services) if Franchisee continues to sell or purchase an unauthorized product or service after receiving notice to stop.

**4.9 Addendum Fee.** Franchisee shall be responsible to pay Franchisor's \$500 fee for modifications or changes to this agreement that necessitate an addendum.

**4.10 Re-Examination Fee.** Franchisee shall be responsible to pay Franchisor's \$100 fee plus the inspector's travel costs (inclusive of a reasonable fee for the driving or commuting time to and from Franchisee's store and inclusive of any required round trip airfare, lodging, ground transportation, and per diem meals) in the event Franchisee fails an on-site inspection performed by Franchisor or its designee and a reinspection ~~is~~ performed.

**4.11 Collection Costs, Attorneys' Fees, Interest Late Fee.** Any late payment or underpayment of the Royalty Fee, advertising contributions and any other charges or fees due Franchisor or its parent, predecessor or affiliate from Franchisee shall bear interest from the due date until paid at the ~~greater~~ lesser of 1.5% interest per month or the highest lawful interest rate which may be charged for commercial transactions in the state in which the Franchised Business is located ~~(but in no event more than the maximum amount permitted by law).~~ If Franchisor engages an attorney to collect any unpaid amounts under this Agreement or any related agreement (whether or not formal judicial proceedings are initiated), Franchisee shall pay all reasonable attorneys' fees, court costs and collection expenses incurred by Franchisor. If

Franchisee is in breach or default of any non-monetary material obligation under this Agreement or any related agreement, and Franchisor engages an attorney to enforce its rights (whether or not formal judicial proceedings are initiated), Franchisee shall pay all reasonable attorneys' fees, court costs and other expenses incurred by Franchisor. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement and the claim in the action is denied or the action is dismissed, Franchisor may recover its reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against the same.

4.12 **Audit.** Franchisee shall maintain accurate business records, reports, correspondence, accounts, books and data relating to Franchisee's operation of the Franchised Business. At any time during normal business hours, Franchisor or its designee may enter the Franchised Business or any other premises where these materials are maintained and inspect and/or audit Franchisee's business records and make copies to determine if Franchisee is accurately maintaining same. Alternatively, upon request from Franchisor, Franchisee shall deliver these materials to Franchisor or its designee. If any audit reveals that Franchisee has understated Gross Revenues by 2% or more, or if Franchisee has failed to submit complete Reports and/or remittances to Franchisor for any 2 reporting periods within a 12 month period, or Franchisee does not make these materials available, Franchisee shall pay the reasonable cost of the audit and/or inspection, including the cost of auditors and attorneys, incurred by Franchisor, together with amounts due for royalty and other fees as a result of such understated Gross Revenues, including interest from the date when the Gross Revenues should have been reported, no later than fourteen (14) days after the completion of such audit.

4.13 **Financial Records and Reports.** Franchisee shall maintain for at least 5 fiscal years from their production, or any longer period required by law, complete financial records for the operation of the Franchised Business in accordance with generally accepted accounting principles and shall provide Franchisor with: (i) the Gross Revenue records, which Franchisor may access on a regular basis through the point of sale system or other equipment used in connection with the recording of Franchisee's Gross Revenues; (ii) annual financial reports and operating statements in the form specified by Franchisor on the date specified by Franchisor (Franchisor reserves the right to require that it receive reports prepared by a certified public accountant or state licensed public accountant, within 60 days after the close of each fiscal year of Franchisee); (iii) state and local sales tax returns or reports within 15 days after their timely completion; (iv) federal, state and local income tax returns for each year in which the Franchised Business is operated, within 60 days after their timely completion; and (v) such other reports as Franchisor may from time to time require, in the form and at the time prescribed by Franchisor, for which Franchisor may require preparation by a certified public accountant. To assist Franchisee in recording and keeping accurate and detailed financial records for reports and tax returns, Franchisor, at its discretion, may specify the form in which the business records are to be maintained, provide a uniform set of business records to be used by Franchisee, and specify the type of point of sale system or other equipment and software to be used in connection with the recording of Gross Revenues. Franchisor may obtain Gross Revenues and other information from Franchisee by modem or other similar means, from a remote location, without the need for consent, at the times and in the manner as Franchisor specifies, in Franchisor's sole discretion. Franchisee will keep its books and records related to this business separate from any other business owned by Franchisee or its principals. Any such separate business will be conducted by a separate entity. In the event the Franchisee fails to submit the required financial statements on timely basis, at franchisee's expense, the Franchisor shall have the right to hire an independent CPA to prepare and submit the required financial statements when due.

4.14 **Taxes on Payments to Franchisor.** In the event any taxing authority, wherever located, shall impose any tax, levy or assessment on any payment made by Franchisee to Franchisor, Franchisee shall, in addition to all payments due to Franchisor, pay such tax, levy or assessment, which will enable Franchisor to receive the payment in full.

4.15 **No Right of Set Off.** Franchisee has no right to offset or withhold payments of any kind owed or to be owed to Franchisor, or its parent, predecessor or affiliate, against amounts purportedly due as a result of any dispute of any nature or otherwise, except as authorized by an award from a court of competent jurisdiction.

## 5. FRANCHISOR SERVICES

### 5.1. Site Selection.

**5.1.1. Site Selection Assistance.** Franchisor or its designated suppliers may assist Franchisee in identifying potential locations that meet Franchisor's standards and criteria, including size, layout and other physical characteristics. Franchisee must acquire an acceptable site within 6 months from the effective date of this Agreement. This assistance provided by Franchisor or its designees does not relieve Franchisee of the primary obligation to locate and open a suitable site in the required timeframe.

**5.1.2. Site Selection Approval.** Franchisor or its designated suppliers shall review and ~~accept~~approve or reject sites proposed by Franchisee for the location of the Franchised Business. Final site selection must be acceptable to both Franchisor and Franchisee. Upon the selection of a mutually acceptable site, Franchisor or its designee shall review Franchisee's proposed lease or purchase agreement for the premises. Neither Franchisor's ~~acceptance~~approval of a site nor approval of a proposed lease or purchase agreement constitutes a representation that the Franchised Business shall be successful.

5.2. **Layout.** Franchisor shall provide Franchisee with a copy of a floor plan designed for a prototypical Feng Cha store. Franchisee shall construct and equip the Franchised Business in accordance with Franchisor's then-current approved specifications and standards pertaining to design and layout of the premises, and to equipment, signs, fixtures, furnishings, location and design and accessory features. Franchisee must hire an architect ~~accepted~~approved by Franchisor to prepare plans and make any necessary changes to the standard floor plan design. The architect must certify that the architectural renderings, plans, and specifications comply with the Americans with Disabilities Act (the "ADA"), the architectural guidelines under the ADA, and all applicable state and local codes for accessible facilities before approval will be granted for the final plans. Franchisee shall bear the cost and responsibility of compliance with state or local ordinances, including but not limited to architectural seals, zoning and other permits. All costs of and connected with the construction, leasehold improvements, equipment, furnishings, fixtures, and signs are the responsibility of Franchisee. The layout, design and appearance (the "trade dress") of the Franchised Business shall meet Franchisor's approval and conform to Franchisor's standards and specifications as set forth in the Confidential Operations Manual, and Franchisee may not alter the trade dress without Franchisor's consent.

### 5.3. Training.

**5.3.1 Initial Training.** Franchisor shall provide, either itself or through its designee, an initial training program to be held in the greater Dallas Texas area, at the Franchised Location or another location designated by Franchisor, or virtually, at the times Franchisor shall designate, at Franchisor's discretion. Initial training is provided at no cost for up to three attendees (consisting of Franchisee or Franchisee's Operating Principal and General Manager). Franchisor shall schedule an initial training program, at Franchisor's convenience, between the time Franchisee signs this Agreement and the time Franchisee is scheduled to open the Franchised Business. Franchisee must first complete an orientation, delivered via online portal (with a required 90% completion score). Franchisee, or if Franchisee is a business entity, Franchisee's Operating Principal, and Franchisee's General Manager must attend and complete the initial training program to Franchisor's satisfaction at least thirty (30) days prior to the opening of the Franchised Business. Franchisee shall be responsible for the personal expenses, including transportation to and from the training site and lodging, meals, and salaries during training, for individuals attending training. If initial training is otherwise required for Franchisee or any equity owner, General Manager, or other employee, Franchisee shall pay Franchisor's then-current tuition (up to a maximum of \$1,000 per person per day, plus expenses) for each person to attend the initial training program. Franchisee (or Franchisee's Operating Principal) and General Manager must satisfactorily complete initial training. If Franchisee (or Franchisee's Operating Principal) or Franchisee's General Manager do not satisfactorily complete the initial training program, the individuals who have not passed must, at Franchisee's cost, do remedial training. If the individuals attending remedial training are still unable to pass the final exam a second time Franchisor may terminate this Agreement. Franchisor may, but is not required to, allow Franchisee to provide training to replacement personnel but such training may not occur unless Franchisor provides advanced written consent. Additionally, Franchisee must make arrangements to ensure that Franchisee's owners and all employees hold all certifications required by Franchisor from time to time from organizations designated by Franchisor, in its discretion, which may include ServSafe Manager Training (or similar, in Franchisor's sole discretion).

**5.3.2 On-Site Training; Remedial Training.** Franchisor shall provide other on-going assistance as Franchisor deems appropriate and advisable. Subject to availability of personnel and at the request of Franchisee, or in the event Franchisor deems it necessary, Franchisor shall make available corporate personnel to provide additional on-site assistance at Franchisee's location and may charge Franchisee its then-current tuition (up to a maximum of \$1,000 per person per day) plus the travel, lodging and meal costs for Franchisor's trainers. If remedial training occurs offsite, Franchisee must pay Franchisor's then-current fee (up to a maximum of \$1,000 per person per day) plus transportation expenses, lodging, meals and salary for all attendees.

**5.3.3 Refresher Courses; Supplemental Training.** Franchisor reserves the right to offer refresher courses and supplemental training programs, and continuing education courses which, in Franchisor's sole discretion, may be optional or mandatory, from time to time, to Franchisee, its equity owners (if Franchisee is a business entity), its General Manager, instructors and/or its employees. In addition to paying Franchisor's then-current cost for tuition (up to a maximum of \$1,000 per person per day), Franchisee shall be responsible for the personal expenses, including transportation to and from the training site and lodging, meals, and salaries during training, for individuals attending any refresher or supplemental training.

**5.4. Continuing Consultation and Advice.** In addition to the assistance rendered Franchisee prior to opening, Franchisor shall provide Franchisee continuing consultation and advice as Franchisor

deems advisable during the term of this Agreement regarding client procurement, sales and marketing techniques, inventory, personnel development and other business, operational and advertising matters that directly relate to the operation of the Franchised Business. Such assistance may be provided by telephone, facsimile, email, postings to Franchisor's intranet, periodically through on-site assistance by appropriate personnel of Franchisor, and/or other methods. Franchisor reserves the right to delegate any or all of its obligations under this Agreement to a third party of its choosing. Franchisor is not obligated to perform services set forth in this Agreement to any particular level of satisfaction, but as a function of Franchisor's experience, knowledge and judgment. Franchisor does not represent or warrant that any other services will be provided, other than as set forth in this Agreement.

**5.5. Confidential Operations Manual.** Franchisor shall loan or otherwise provide access by Franchisee to one copy of a specifications, operations and procedures manual, and one copy of other books, binders, videos or other electronic media, intranet postings and other materials, and appropriate revisions as may be made from time to time, referred to collectively as the "Confidential Operations Manual". Franchisee shall operate the Franchised Business in strict compliance with the Confidential Operations Manual. From time to time Franchisor may, through changes in the Confidential Operations Manual or by other notice to Franchisee, change any standard or specification or any of the Proprietary Marks applicable to the operation of the Franchised Business or change all or any part of the System, and Franchisee shall take all actions, at Franchisee's expense, to implement these changes. Franchisor may vary the standards and specifications to take into account unique features of specific locations or types of locations, special requirements and other factors Franchisor considers relevant in its sole discretion. The Confidential Operations Manual shall be confidential and at all times remain the property of Franchisor. Franchisee shall not make any disclosure, duplication or other unauthorized use of any portion of the Confidential Operations Manual. The provisions of the Confidential Operations Manual constitute provisions of this Agreement as if fully set forth in this Agreement. Franchisee shall ensure that its copy of the Confidential Operations Manual is current and up-to-date. If there is a dispute relating to the contents of the Confidential Operations Manual, the master copy maintained by Franchisor at its principal office shall be controlling. Franchisor may elect to provide the Confidential Operations Manual solely through Franchisor's website(s) and/or intranets or other electronic means without any need to provide Franchisee with a paper copy or other physical format. Franchisor may release the Confidential Operations Manual in sections at varying times.

**5.6. Annual Franchise Meeting.** Franchisor reserves the right to hold a conference of all franchisees, which will not be held more frequently than annually. Franchisor may designate that attendance at a franchisee conference by Franchisee, Franchisee's Operating Principal, General Manager and/or certain personnel is mandatory. ~~Failure to attend shall result in the payment to Franchisor of its then current fee of up to \$1,000 per person. Franchisor reserves the right to charge a fee for the franchisee conference of up to \$1,000 per person, and~~ Franchisee must pay all expenses incurred by all attendees on its behalf, including travel, lodging, meals, applicable wages and meeting materials.

## 6. FRANCHISE SYSTEM STANDARDS

**6.1. Opening for Business.** Franchisee must open the Franchised Business for business within twelve (12) months after the execution of this Agreement. Franchisee shall not open the Franchised Business for business until Franchisee has complied with Franchisor's requirements for opening, and Franchisor has granted Franchisee written permission to open. Franchisor's opening requirements include:

(i) Franchisee must have paid the initial franchise fee and other amounts then due to Franchisor, or its affiliate; (ii) the Franchised Business complies with Franchisor's standards and specifications; (iii) all required personnel have satisfactorily completed Franchisor's pre-opening training requirements; (iv) Franchisee has obtained all applicable licenses and permits; (v) Franchisee has provided Franchisor with copies of all required insurance policies and evidence of coverage and premium payment and (vi) Franchisor has provided its written approval. If the Franchised Business is not opened for business within twelve (12) months from the date of this Agreement, Franchisor may terminate this Agreement.

**6.2. Compliance with Standards.** Franchisee acknowledges that its obligations under this Agreement are reasonable, necessary and desirable for the operation of the Franchised Business and the Feng Cha System. Franchisee shall adhere to Franchisor's standards and specifications as set forth in this Agreement and the Confidential Operations Manual, including, but not limited to, specifications of product quality and uniformity and equipment compatibility among individual Feng Cha franchisees, inventory requirements and any revisions or amendments. Franchisee shall purchase only products and services, including Feng Cha branded products, inventory, supplies, furniture, fixtures, equipment, signs, software and logo-imprinted products, which Franchisor approves, including purchasing from approved suppliers or a designated sole supplier for any items. Franchisor and its parent, predecessor or affiliate may be an approved supplier or designated sole supplier for any purchases of products or services, and may obtain revenue from Franchisee and make a profit. Franchisee must purchase or obtain these products and services through Franchisor or a supplier approved by Franchisor at the then-current costs. If Franchisor designates itself or its affiliate as the sole supplier of an item no other vendor may be used. Franchisee may designate a third-party vendor as a sole supplier of items which originate from Franchisor or its affiliate. Purchase of these items from the third-party vendor is required and, in that case, only those items that originate from Franchisor or its affiliate may be used at the Franchised Business. Franchisee cannot be a supplier to other franchisees without Franchisor's written approval. Franchisee may not install any fixtures, furnishings, equipment, décor items, signs, games, vending machines or other items that do not comply with our specifications, without or written consent. If Franchisor has not designated an approved supplier for a particular product or service, Franchisee shall purchase these products and services only from suppliers that meet Franchisor's standards and specifications. Franchisor is not liable for the actions of any supplier or vendor. Franchisee may request approval of a supplier, product or item under Franchisor's published procedures, which include inspection of the facilities and testing of product samples. Franchisor may charge its then-current fee (\$500 per request or up to \$2,000 if a request involves more than one supplier, product or item of equipment) for making a determination on the proposed supplier, product or item as well as require reimbursement of its testing and evaluation costs, regardless of whether the supplier, product or item are ultimately approved. Franchisee may also be responsible for reimbursing costs for evaluations if Franchisee is found to be offering unapproved items. Franchisor reserves the right, at its option, to re-inspect the facilities and products of any approved supplier, and to revoke approval if the supplier fails to continue to meet any of Franchisor's criteria. Franchisor may receive fees and other payments from suppliers and others in connection with Franchisee's purchases and may use the fees for Franchisor's own purposes. Franchisee may only offer and sell the products and services that Franchisor periodically specifies and may not offer or sell at the Franchised Business, the ~~Accepted~~Approved Location or any other location any products or services Franchisor has not authorized. Franchisee must discontinue selling and offering for sale any products or services that Franchisor at any time disapproves. Franchisee agrees at all times to operate and maintain the Franchised Business according to each and every System standard, as Franchisor periodically modifies and supplements them. System standards may regulate any aspect of the Franchised Business's operation and maintenance, including requirements on the music played in the

Franchised Business. Franchisor may impose its then-current fine for each incident of Franchisee's non-compliance. Franchisor may recommend or mandate pricing for products and services to be sold at the Franchised Business (subject to state law).

### **6.3. Operations.**

**6.3.1.** Franchisee shall keep the Franchised Business open as specified by Franchisor in the Confidential Operations Manual and must keep the Franchised Business opened for the minimum hours and days as required.

**6.3.2.** Franchisee shall maintain the Franchised Business in a clean, safe and attractive manner, and in accordance with all applicable requirements of law and the Confidential Operations Manual. Franchisee and its employees shall give prompt, courteous and efficient service to the public and shall otherwise operate the Franchised Business so as to preserve, maintain and enhance the reputation and goodwill of the Feng Cha System.

**6.3.3.** Franchisee shall at all times maintain and employ working capital as Franchisor may reasonably deem necessary to enable Franchisee to properly and fully carry out and perform all of its duties, obligations and responsibilities under this Agreement and to operate the business in a businesslike, proper and efficient manner.

**6.3.4.** Franchisee shall operate the Franchised Business in conformity with the highest ethical standards and sound business practices and in a manner which shall enhance the Feng Cha Proprietary Marks and brand and the Feng Cha System. Franchisee shall employ a sufficient number of qualified, competent people to satisfy the demand for its products and services as well as other office personnel. Franchisee shall be solely responsible for all employment decisions and functions, including hiring, firing, discipline, supervision, setting terms of employment and compensation and implementing a training program for employees of the Franchised Business in accordance with training standards and procedures Franchisor specifies in order for Franchisee to conduct the business of the Franchised Business at all times in compliance with Franchisor's requirements. Franchisee shall never represent or imply to prospective employees that they shall be or are employed by Franchisor. Franchisee must communicate clearly with its employees in its employment agreements, employee manuals, human resources materials, written and electronic correspondence, pay checks and other materials that Franchisee (and only Franchisee) is their employer, and Franchisor is not their employer and does not engage in any employer-type activities, for which only Franchisee is responsible.

**6.3.5.** Franchisee acknowledges that proper management of the Franchised Business is extremely important. Franchisee (or its Operating Principal) is responsible for the management, direction and control of the Franchised Business. If Franchisee is an entity, Franchisee must appoint and maintain throughout the Term an "Operating Principal", who must be an equity owner of at least 10% of the Franchised Business. The Operating Principal is identified on Exhibit 2 to this Agreement. The Operating Principal shall have the authority to bind Franchisee in all operational decisions regarding the Franchised Business. Franchisor shall have the right to rely on any statement, agreement or representation made by the Operating Principal. The Operating Principal cannot be changed without Franchisor's prior written approval.

Franchisee must hire a General Manager to be responsible for the direct on-premises supervision of the Franchised Business at all times during the hours of operation. Franchisee's General Manager must furnish full-time attention and best efforts to the management of the Franchised Business. However, Franchisee is still responsible for the operations of the Franchised Business and its obligations under the Franchise Agreement. Franchisee may not change the General Manager of the Franchised Business without Franchisor's prior approval. Franchisor must be given notice if a General Manager resigns or is otherwise terminated within seventy-two hours and Franchisee must engage a suitable replacement as soon as possible, but in no event more than 60 days from the date of termination and Franchisee must provide suitable coverage in the interim.

At all times, Franchisee will keep Franchisor advised of the identity of the General Manager. The General Manager need not have any equity interest in the franchise. Franchisee will disclose to the General Manager only the information needed to operate the Franchised Business and the General Manager will be advised that any confidential information is Franchisor's trade secret.

**6.3.6.** Franchisee shall maintain the Franchised Business and the ~~Accepted~~Approved Location in "like new" condition, normal wear and tear excepted, and shall repaint, redecorate, repair or replace equipment, fixtures and signage as necessary to comply with the standards and specifications of Franchisor. Franchisee shall, at its expense, redecorate, repair and replace furniture, equipment, décor, software, wiring, fixtures and signs as necessary to maintain the highest degree of safety and sanitation at the Franchised Business and any parking lot in first class condition and repair and as Franchisor may direct. Not more than once every 5 years, Franchisor may require Franchisee to perform a refresh at the Franchised Business, making cosmetic adjustments and replacements as Franchisor may require. Once every 10 years Franchisor may require a larger scale extensive renovation of the Franchised Business at Franchisee's expense to conform to Franchisor's then-current public image and trade dress. This extensive renovation may include structural changes, remodeling and redecorating. Franchisee must also purchase any additional or replacement furniture, indoor and outdoor equipment, software, wiring, fixtures and signs Franchisor specifies.

**6.3.7.** Franchisee shall fully participate in all required national buying or vendor programs.

**6.3.8.** Franchisee authorizes the release of all supplier records to Franchisor without notice to Franchisee. Franchisee grants Franchisor the right to communicate with suppliers without notice to Franchisee, and to obtain and examine all records of any supplier relating to Franchisee's purchases from the supplier.

**6.3.9.** Franchisee shall follow all methods of operating and maintaining the Franchised Business that Franchisor determines to be useful to preserve or enhance the efficient operation, image or goodwill of the Proprietary Marks and Feng Cha stores.

**6.3.10.** If Franchisor permits Franchisee to provide off-site services, Franchisor anticipates that Franchisee's employees will use their personal vehicles to provide any off-site services from the Franchised Business, such as catering or delivery. Franchisor reserves the right to require Franchisee to have temporary signage placed on each vehicle. Franchisor expects that all vehicles will be kept clean, in good working order and properly insured. Franchisee must have each person providing those services

comply with all laws, regulations and rules of the road and use due care and caution operating and maintaining the motor vehicles.

**6.3.11.** Franchisor will respond to requests to remove certain products from the required products list within 30 days from the date the request is received. All decisions will be made in Franchisor's sole discretion.

**6.3.12.** Franchisee shall promptly notify Franchisor by telephone and in writing of all (i) food related illness, (b) safety or health violation, (c) claims exceeding one thousand dollars, and (d) any other material claims against or losses suffered by Franchisee relating to customer service. Franchisor reserves the right to refund customers in certain instances, in its discretion, at Franchisee's expense and may further require Franchisee to reimburse Franchisor for its out-of-pocket expenses as a result of Franchisor or its designee resolving a customer complaint because Franchisee did not do so.

**6.3.13.** Franchisee shall not make any changes to any products required by Franchisor for use including changing the containers, packaging, labeling, promotional materials, advertising, cartons or the like without Franchisor's prior written approval, which may be withheld in the sole discretion of the Franchisor.

**6.3.14.** Franchisee shall meet and maintain the highest level of health standards and ratings applicable to the operation of the Franchised Business. Franchisee shall furnish to Franchisor, a copy of all inspection reports, warnings, citations, certificates and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Franchised Business.

**6.4. Applicable Laws.** Franchisee shall investigate, keep informed of and comply with all applicable federal, state and local laws, ordinances and regulations regarding the construction, operation or use of the Franchised Business. If these legal requirements impose a greater standard or duty than Franchisor requires in the Confidential Operations Manual or elsewhere, Franchisee must comply with the greater standard or duty and notify Franchisor in writing promptly after Franchisee becomes aware of the discrepancy. Franchisee shall abide by all applicable laws pertaining to privacy of information collected or maintained regarding customers or other individuals ("Privacy") and shall comply with Franchisor's standards and policies pertaining to Privacy. If there is a conflict between Franchisor's standards and policies pertaining to Privacy and applicable law, Franchisee shall: (i) comply with the requirements of applicable law; (ii) immediately give Franchisor written notice of said conflict; and (iii) promptly and fully cooperate with Franchisor and its counsel as it may request to assist in a determination regarding the most effective way, if any, to meet the standards and policies pertaining to Privacy within the bounds of applicable law.

**6.5. Trade Secrets and Confidential Information.** The System is unique and the Confidential Operations Manual, Franchisor's trade secrets, copyrighted materials, methods and other techniques and know-how are the sole, exclusive and confidential property of Franchisor, and are provided or revealed to Franchisee in confidence ("Confidential Information"). Franchisee agrees to maintain a list of the names, addresses and contact information of all customers of the Franchised Business. The list will be Franchisor's sole and exclusive property and will be part of the Confidential Information. Franchisee agrees to maintain the confidentiality of the list and may not disclose the customer list or its contents to any person or entity other than Franchisor, except as may be required by law or court order. Franchisee shall use the

Confidential Information only for the purposes and in the manner authorized in writing by Franchisor, and its use shall inure to the benefit of Franchisor. Franchisor's trade secrets consist of, without limitation, (i) site selection, construction plans and design specifications; (ii) methods, formats, specifications, standards, systems, procedures, pricing and cost data, sales and marketing techniques; (iii) recipes, formulas, ingredients and food preparation techniques; (iv) knowledge of specifications for and suppliers of, and methods of ordering, certain products, ingredients, materials, equipment and supplies; (v) knowledge of the operating results and financial performance of other Feng Cha stores; (vi) the Confidential Operations Manual; (vii) training materials and programs; (viii) customer names, contact information and data; (ix) all password-protected portions of the Website, intranets and extranets and the information they contain (including the email addresses of System franchisees); and (x) specifics regarding the inner workings of computer software, applications or other technology used by the System. Franchisee shall inform all employees before communicating or divulging any Confidential Information to them of their obligation of ~~confidenee-confidentiality~~. In addition, subject to applicable law, Franchisee shall obtain a written agreement, in form and substance satisfactory to Franchisor, from Franchisee's employees, landlord, contractors, and any other person having access to the Confidential Operations Manual or to whom Franchisee needs to disclose any Confidential Information, that they shall maintain the confidentiality of the Confidential Information and they shall recognize Franchisor as a third-party beneficiary with the independent right to enforce the covenants either directly in Franchisor's own name as beneficiary or acting as agent. Franchisee hereby appoints Franchisor as its agent with respect to the enforcement of these covenants. An example of a written agreement currently considered satisfactory for employees is the Confidentiality Agreement attached as Exhibit 5. Franchisee shall be liable to Franchisor for the actions of any such individuals with respect to the Confidential Information. All executed agreements must be forwarded to Franchisor to ensure compliance. Franchisee shall retain all written Confidentiality Agreements with Franchisee's business records for the time period specified in the Confidential Operations Manual. Franchisee shall enforce all covenants and shall give Franchisor notice of any breach or suspected breach of which Franchisee has knowledge.

Franchisee shall not contest, directly or indirectly, Franchisor's ownership of or right, title or interest in Franchisor's trade secrets, methods or procedures or contest Franchisor's right to register, use or license others to use any of such trade secrets, methods and procedures. Franchisee, including its officers, directors, shareholders, partners, and employees, and any spouses, heirs, successors and assigns, are prohibited from using and/or disclosing any Confidential Information in any manner other than as permitted by Franchisor in writing.

All data that Franchisee collects from customers of the Franchised Business or through marketing is deemed to be owned exclusively by Franchisor and/or its parent, predecessor or affiliate. Franchisee must install and maintain security measures and devices necessary to protect the customer data from unauthorized access or disclosure, and may not sell or disclose to anyone else any personal or aggregated information concerning any customers. Franchisee has the right to use the customer data only in connection with the Franchised Business, while the Franchise Agreement is in effect. If Franchisee transfers the Franchised Business to a new owner, who will continue to operate the Franchised Business under an agreement with Franchisor, Franchisee may transfer the customer data to the new owner as part of the going concern value of the business.

#### 6.6. **Proprietary Marks.**

**6.6.1. Ownership.** Nothing in this Agreement assigns or grants to Franchisee any right, title or interest in or to the Proprietary Marks, it being understood that all rights relating to the Proprietary Marks are reserved by Franchisor and the owner of the Proprietary Marks who has licensed the Proprietary Marks to Franchisor (“Licensor”), except for Franchisee's license to use the Proprietary Marks only as specifically and expressly provided in this Agreement. Franchisee's use of the Proprietary Marks shall inure to the benefit of Franchisor and its parent, predecessor and affiliate, and Franchisee shall not at any time acquire any rights in the Proprietary Marks. Franchisee may not sublicense the Proprietary Marks. Franchisee shall not challenge the title or rights of Franchisor or its parent, predecessor or affiliate in and to the Proprietary Marks, or do any act to jeopardize or diminish the value of the Proprietary Marks. All goodwill associated with the Proprietary Marks and Franchisor and its parent, predecessor and affiliate's copyrighted material, including any goodwill that might be deemed to have arisen through Franchisee's activities, inures directly and exclusively to the benefit of Franchisor and its parent, predecessor and affiliate. Franchisee shall execute from time to time any and all other or further necessary papers, documents, and assurances to effectuate the intent of this Section 6.6.1 and shall fully cooperate with Franchisor and its parent, predecessor and affiliate and any other franchisees of Franchisor in securing all necessary and required consents of any state agency or legal authority to the use of any of the Proprietary Marks. Franchisor reserves the right to add, change or substitute the Proprietary Marks for use in identifying the System and the businesses operating under its System if the current Proprietary Marks no longer can be used, or if Franchisor, in its sole discretion, determines that substitution of different Proprietary Marks shall be beneficial to the System. Franchisee shall bear the cost and expense of all changes.

**6.6.2. Protection.** Franchisee shall promptly notify Franchisor of any infringement of, or challenge to, the Proprietary Marks, and Franchisor shall in its discretion take the action it deems appropriate. Franchisee must not communicate with any person other than legal counsel and Franchisor in connection with any infringement challenge or claim. Franchisor shall indemnify and hold Franchisee harmless from any suits, proceedings, demands, obligations, actions or claims, including costs and reasonable attorneys' fees, for any alleged infringement under federal or state trademark law arising solely from Franchisee's use of the Proprietary Marks in accordance with this Agreement or as otherwise set forth by Franchisor in writing if Franchisee has promptly notified Franchisor of such claim and cooperated in the defense of any claim. If Franchisor undertakes the defense or prosecution of any litigation pertaining to any of the Proprietary Marks, Franchisee agrees to execute any and all documents and do such acts and things as, in the opinion of counsel for Franchisor, are necessary to carry out such defense or prosecution.

**6.6.3. Advertising.** All advertising shall prominently display the Proprietary Marks and shall comply with any standards for use of the Proprietary Marks established by Franchisor as set forth in the Confidential Operations Manual or otherwise. Franchisor reserves the right to approve all signs, stationery, business cards, forms, and other materials and supplies bearing the Proprietary Marks. Franchisee shall use the Proprietary Marks, including without limitation trade dress, color combinations, designs, symbols, and slogans, only in the manner and to the extent specifically permitted by this Agreement, the Confidential Operations Manual or by prior written consent of Franchisor.

**6.6.4. Franchisee's Name.** Franchisee agrees not to use the Proprietary Marks or any part of a Proprietary Mark in its corporate name. The corporate and all fictitious names under which Franchisee proposes to do business must be approved in writing by Franchisor before use. Franchisee shall use its corporate name either alone or followed by the initials "D/B/A" and the business name of Feng Cha

Franchisee shall register at the office of the county in which the Franchised Business is located or such other public office as provided for by the laws of the state in which the Franchised Business is located as doing business under such assumed business name.

**6.6.5. Independent Status.** All stationery, business cards and contractual agreements into which Franchisee enters shall contain Franchisee's corporate or fictitious name and a conspicuously displayed notice that Franchisee operates the Franchised Business as an independently owned and operated franchise of Franchisor. Franchisee shall prominently display, by posting a sign within public view on or in the premises of the Franchised Business, a statement that clearly indicates that the Franchised Business is independently owned and operated by Franchisee.

**6.6.6. Authorized and Unauthorized Use.** At Franchisor's direction, Franchisee shall use the Proprietary Marks in conjunction with the symbol "SM," "TM" or "®", as applicable, in order to indicate the registered or unregistered status of the Proprietary Marks. Franchisee shall not use any of the Proprietary Marks in connection with the offer or sale of any unauthorized products or services or in any other manner not explicitly authorized in writing by Franchisor.

**6.6.7. Franchisor's Use of Marks.** Franchisor, its parent, predecessor and affiliate may use and register the Proprietary Marks as they deem advisable in their discretion including without limitation, developing and establishing other systems using the same or similar Proprietary Marks alone or in conjunction with other marks and granting licenses and/or franchises in connection with the same or similar Proprietary Marks without providing any rights to Franchisee.

**6.6.8. Electronic Mail and Domain Names.** Franchisee shall not use the Proprietary Marks, or any abbreviation, variation or other name associated with the Feng Cha System or Franchisor as part of any e-mail address, domain name, and/or other identification in any electronic medium, without the prior written approval of Franchisor.

**6.7. Inspection.** At any time, without prior notice, Franchisor or its representatives or agents shall have the right to enter upon the premises of the Franchised Business and shall have unfettered access to the Franchised Business and premises, for any reason, in Franchisor's sole discretion, that Franchisor deems necessary, including, but not limited to the right to inspect Franchisee's records, interview Franchisee's employees and customers, and observe the manner in which Franchisee operates the Franchised Business. Franchisee shall allow Franchisor or its representatives or agents to make extracts from or copies of any records and to take samples of any products sold at the Franchised Business at no charge and immediately remove any unauthorized products without any payment or other liability to Franchisee. In addition to any other remedies Franchisor may have, Franchisor may require Franchisee to reimburse Franchisor for the cost of the inspection and testing if (i) a supplier being utilized is found to be one Franchisor has not previously approved; or (ii) any sample taken by Franchisor fails to conform to Franchisor's specifications. Additionally, in the event the Feng Cha Store fails any inspection by Franchisor Franchisee will be required to pay Franchisor's \$500 re-inspection fee, as well as Franchisor's expenses, including travel, lodging, meals and wages for Franchisor's representatives performing the re-inspection. Franchisee shall allow Franchisor or its representatives or agents to take photographs, videos or any electronic record of the Franchised Business. Franchisor shall have the exclusive right to use any photograph, video, electronic record or other material prepared in connection with an inspection and to identify the Franchised Business and Franchisor shall not have any obligation to obtain further

authorization, or to compensate Franchisee in any manner, in connection with the use of these materials for advertising, training or other purposes. Failure or refusal to grant Franchisor unfettered access shall be deemed a default. Franchisee may also request an inspection be performed if Franchisor has not performed one in the prior twelve months and, in such case, Franchisee will pay for all expenses, including travel, lodging, meals and wages for Franchisor's representatives performing the inspection.

**6.8. Changes to the System.** Franchisor may, from time to time, change the standards and specifications applicable to operation of the Franchised Business, including standards and specifications for inventory, products, services, supplies, signs, fixtures, furnishings, technology and equipment, by written notice to Franchisee or through changes in the Confidential Operations Manual. Franchisor also may from time to time eliminate and introduce new services and products. Franchisee shall immediately cease use of any products or cease offering products or services discontinued by Franchisor. Franchisee may incur an increased cost to comply with such changes, and Franchisee shall accept and implement such changes at its own expense as if they were part of the Feng Cha System when this Agreement was executed, including discontinuing or modifying the use of or substituting any of the Proprietary Marks.

**6.9. Authorized Products, Services, Supplies, and Equipment.**

**6.9.1.** Franchisee shall offer and sell all products and render all services that Franchisor prescribes and only those products and services that Franchisor prescribes. Franchisee may not offer any services of the Franchised Business outside the Franchised Business' premises without express consent from Franchisor. Franchisee shall have the right to suggest new products or other developments to Franchisor for use in Franchisee's and other franchisees' Franchised Businesses. Franchisee shall have no right to offer any products to its customers or use any new developments until Franchisor has had the opportunity to test the new products or developments and provide Franchisee written approval for their use and standards and specifications with respect to their use. All new products and developments relating to the operation of a Franchised Business or the System, including ancillary service or product offerings, whether they are of Franchisee's original design or variations of existing products or System techniques, shall be deemed works made for hire and Franchisor shall own all rights in them. If these products and developments do not qualify as works made for hire, by signing this Agreement Franchisee assigns to Franchisor ownership of any and all rights in these developments and the goodwill associated with them. Franchisee shall receive no payment or adjustment from Franchisor in connection with any new products or developments.

**6.9.2.** Franchisee shall use in the operation of the Franchised Business only such products, supplies and equipment as are specified by Franchisor in the Confidential Operations Manual, or otherwise in writing by Franchisor. Franchisee acknowledges and agrees that these may be changed periodically by Franchisor and that Franchisee is obligated to conform to the requirements as so changed.

**6.9.3.** Franchisor shall have the exclusive right in its sole discretion to vary from the authorized products in establishing the authorized product line for the Franchised Business. Complete and detailed uniformity under many varying conditions may not always be possible or practical and Franchisor reserves the right and privilege, at its sole discretion, to vary not only the products but other standards for any System franchisee based upon the customs or circumstances of a particular site or location, density of population, business potential, population of trade area, existing business practices, or any condition which Franchisor deems to be of importance to the operation of that franchisee's business.

**6.9.4.** Franchisee shall at all times use and maintain only such products, equipment, supplies and services as Franchisor specifies, which Franchisee shall obtain before opening the Franchised Business. As any products, equipment, supplies or services may become obsolete or inoperable, Franchisee shall replace the same with such products, equipment, supplies and services as are then being used in new Feng Cha Stores at the time of replacement.

**6.9.5.** Franchisee acknowledges that Franchisor reserves the right to develop a point of sale (POS) system and a backroom computer system for use in connection with the System. Franchisee shall acquire computer hardware equipment, software, maintenance contracts, telecommunications infrastructure products and credit card processing equipment and support services as Franchisor reasonably requires in connection with the operation of the Franchised Business and all additions, substitutions and upgrades Franchisor shall specify. Franchisee shall have thirty (30) days to comply with any changes to hardware or software. Franchisee's computer system must be able to send and receive email and attachments on the Internet and provide access to the World Wide Web and otherwise support Franchisor's then-current information technology system. Franchisee must use any Feng Cha supplied e-mail address in all business communications with customers, vendors or suppliers. Franchisor owns all Feng Cha e-mail addresses and has full access to all communications sent and received using those addresses. Franchisor shall have the right to access information through the Point of Sale system related to operation of the Feng Cha Franchised Business, from a remote location, at such times and in such manner as Franchisor shall require, in its sole discretion and shall have the right to disclose the information and data contained therein to a third party and/or the System. Franchisee may also be required to install a camera system at the Franchised Business and, upon request, must provide Franchisor with access to evaluate an event and/or the facility. All Franchisee employees must sign documentation acknowledging that they may be recorded and/or may be subject to monitoring and agreeing to same.

**6.9.6.** Franchisee acknowledges that the quality and consistency of the products and services offered to Franchisee's customers are essential conditions of this Agreement. Accordingly, Franchisee shall purchase all products, packaging, equipment, and other specified items exclusively in accordance with Franchisor's standards and specifications as provided in Section 6.2. Franchisor is not obligated to approve or consider for approval any item or supplier not specified by it. Franchisor may derive income through markups of the prices charged for products, ingredients, services and kitchen equipment it or its affiliates supply, whether directly or indirectly.

**6.10. Pending Actions.** Franchisee shall notify Franchisor, in writing, within five (5) days of the commencement of any action, suit or proceeding and of the issuance of any order, suit or proceeding of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of Franchisee or the Franchised Business.

**6.11 Media.** Franchisee is prohibited from speaking with the media and/or responding to requests for comment, without Franchisor's express written permission. Only Franchisor may handle public relations on behalf of Feng Cha. Franchisee must notify Franchisor immediately of all customer complaints and of any potential crisis situations involving the Franchised Business, including but not limited to any accident or injury that occurs on the property operated by the Franchised Business.

**6.12 Customer Service.** Every detail of the quality of customer service, customer relations,

appearance and demeanor of Franchisee and its employees and/or independent contractors, equipment and materials used by Franchisee in the Franchised Business is important to Franchisor and to other Feng Cha Stores. Franchisee must cooperate with Franchisor by maintaining its high standards in the operation of the Franchised Business and must give prompt, courteous and efficient service to all customers. The Franchised Business will in all dealings with its customers, suppliers and the public adhere to the highest standards of honesty, fair dealing and ethical conduct. Any complaints Franchisee receives from a customer must be handled by Franchisee or its General Manager. Franchisor may perform customer surveys via any method Franchisor deems appropriate and may require Franchisee to participate in any survey program, at Franchisee's cost.

## 7. ACKNOWLEDGMENTS OF FRANCHISEE.

7.1. **Independent Contractor Status.** Franchisee is an independent contractor, responsible for full control over the management and daily operation of the Franchised Business, and neither Franchisor nor Franchisee is the agent, principal, partner, employee, employer or joint venturer of the other. Franchisee shall not act or represent itself, directly or by implication, as an agent, partner, employee or joint venturer of Franchisor, nor shall Franchisee incur any obligation on behalf of or in the name of Franchisor.

7.2. **Indemnification.** Franchisee shall defend, indemnify and hold Franchisor and its parents, predecessors, affiliates, and any of its/their respective officers, directors, managers, members, partners, shareholders, independent contractors and employees (the "Indemnified Parties") harmless from all fines, suits, proceedings, claims, demands, liabilities, injuries, damages, expenses, obligations or actions of any kind (including costs and reasonable attorneys' fees) arising in whole or in part from Franchisee's ownership, operation or occupation of the Franchised Business, performance or breach of its obligations under this Agreement, breach of any warranty or representation in this Agreement or from the acts or omissions of Franchisee, its employees or agents, including its advertising of the Franchised Business, except as otherwise provided in this Agreement. Franchisor and any Indemnified Party shall promptly give Franchisee written notice of any claim for indemnification under this Section 7.2. Any failure to give the notice shall not relieve Franchisee of any liability under this Agreement except to the extent the failure or delay causes actual material prejudice. Franchisor shall have the right to control all litigation and defend and/or settle any claim against Franchisor or other Indemnified Parties affecting Franchisor's interests, in any manner Franchisor deems appropriate. Franchisor may also retain its own counsel to represent Franchisor or other Indemnified Parties and Franchisee shall either advance or reimburse Franchisor's costs, at Franchisor's discretion. Franchisor's exercise of this control over the litigation shall not affect its rights to indemnification under this Section 7.2. Franchisee may not consent to the entry of judgment with respect to, or otherwise settle, an indemnified claim without the prior written consent of Franchisor or of the applicable Indemnified Parties. Franchisor and the other Indemnified Parties do not have to seek recovery from third parties or otherwise attempt to mitigate losses to maintain a claim to indemnification under this Section 7.2. The provisions of this Section 7.2 shall survive the termination or expiration of this Agreement.

7.3. **Payment of Debts.** Franchisee understands that it alone, and not Franchisor, is responsible for selecting, retaining and paying its employees; the payment of all invoices for the purchase of inventory and goods and services for use in the Franchised Business; and determining whether, and on what terms, to obtain any financing or credit which Franchisee deems advisable or necessary for the conduct and operation of the Franchised Business.

#### 7.4. Noncompetition.

**7.4.1. During the Term of This Agreement.** During the term of this Agreement, neither Franchisee, its equity owners nor any spouse of Franchisee or its equity owners shall, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any other business of a character and concept similar to the Franchised Business and which primarily offers competing products and services as a Feng Cha store (a “Competing Business”); provided, however, that this Section shall not apply to Franchisee's operation of any other Franchised Business.

During the term of this Agreement, neither Franchisee, its equity owners nor any spouse of Franchisee or its equity owners shall, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation solicit business from customers of Franchisee's Franchised Business for any competitive business purpose.

During the term of this Agreement, neither Franchisee, its equity owners nor any spouse of Franchisee or its equity owners shall, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership, corporation or other entity own, maintain, engage in, be employed by, or have any interest in any company which grants franchises or licenses for any business competing in whole or in part with Franchisor.

**7.4.2. After the Term of This Agreement.** For a period of 2 years after the expiration and nonrenewal, transfer or termination of this Agreement, (or the maximum period allowed by law, if shorter), regardless of the cause, neither Franchisee, its equity owners nor any spouse of Franchisee or its equity owners shall, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any Competing Business within a radius of 10 miles (as the crow flies) of the Franchised Business, or any other Feng Cha store in operation or under construction, or of any site for which Franchisee has knowledge that a lease has been signed or discussions are under way for a Feng Cha store; provided, however, Franchisee may continue to operate any other Franchised Business for which Franchisee and Franchisor have a current franchise agreement.

For a period of 2 years (or the maximum period allowed by law, if shorter) after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its equity owners nor any spouse of Franchisee or its equity owners shall, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation solicit business from clients of Franchisee's former Franchised Business for any competitive business purpose nor solicit any employee of Franchisor or any other Feng Cha System franchisee to discontinue his employment with Franchisor or any other System franchisee.

For a period of 2 years (or the maximum period allowed by law, if shorter) after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its equity owners nor any spouse of Franchisee or its equity owners shall, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership, corporation or other entity own, maintain, engage in, be employed by, or have any interest in any company which grants franchises or licenses for any business competing in whole or in part with the Feng Cha System.

**7.4.3. Intent and Enforcement.** It is the intent of the parties that the provisions of this Section 7.4 shall, to the fullest extent permissible under applicable law, be judicially enforced; accordingly, any reduction in scope or modification of any part of the noncompetition provisions contained in this Agreement shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 7.4 by Franchisee, any of its equity owners or any spouse of Franchisee or any of its equity owners, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. In the event of the actual or threatened breach of this Section 7.4, Franchisor's harm shall be irreparable and Franchisor shall have no adequate remedy at law to prevent the harm. Franchisee acknowledges and agrees on its own behalf and on behalf of the persons who are liable under Section 7.4 that each has previously worked or been gainfully employed in other fields and that the provisions of Section 7.4 in no way prevent any of these persons from earning a living. Franchisee further acknowledges and agrees that the provisions of Section 7.4 shall be tolled during any default of this Agreement.

**7.4.4. Publicly-Owned Entity.** This Section 7.4 shall not apply to any ownership by Franchisee or any other person subject to Section 7.4 of a beneficial interest of less than 1% in the outstanding securities or partnership interests in any publicly-held entity.

**7.4.5. Non-Disparagement.** During the term of this Agreement and for a period of 2 years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause Franchisee agrees not to disparage Franchisor, its parents, affiliate or any of their current and former employees, officers or directors. During the term of the Agreement, Franchisee also agrees not to do or perform any act harmful, prejudicial or injurious to Franchisor or the Feng Cha System.

**7.5. Telephone.** Franchisee shall obtain at its own expense a new telephone number and listing, to be listed under the Feng Cha name and not under Franchisee's corporate, partnership, or individual name, to be used exclusively in connection with Franchisee's operation of the Franchised Business. Upon the expiration and nonrenewal, transfer or termination of this Agreement for any reason, Franchisee shall terminate its use of such telephone number and listing and assign same to Franchisor or its designee and Franchisee shall execute Franchisor's form of Telephone, Internet Websites and Listings Agreement (a copy of Franchisor's current form is attached as Exhibit 10). The Franchised Business shall be serviced by a suitable telephone system approved by Franchisor. Franchisee shall answer the telephone in the manner set forth by Franchisor in the Confidential Operations Manual or otherwise.

**7.6. Insurance.** At all times during the term of this Agreement and at its own expense, Franchisee shall obtain and keep in force at a minimum the insurance required by Franchisor in the Confidential Operations Manual or otherwise, and deductibles, if any, may only be permitted in amounts as approved by Franchisor. The policies must contain certain clauses approved by Franchisor and must be "occurrence" coverage rather than "claims made" coverage, unless otherwise expressly agreed by Franchisor. If the lease for the Franchised Business requires Franchisee to purchase additional insurance or insurance with higher limits than those Franchisor specifies, the lease insurance requirements shall control. All insurance policies shall contain a separate endorsement ~~using~~ providing coverage at least as broad as ISO form forms CG2033 and CG2029 or equivalent (no blanket additional insured language is acceptable) naming Franchisor, its officers, directors, managers, members, limited partners, general partners, shareholders, parents, affiliates, independent contractors and employees as additional insureds, and shall expressly provide that any interest of an additional insured shall not be affected by Franchisee's breach of

any policy provisions or any negligence on the part of an additional insured. All policies shall also include a waiver of subrogation in favor of the additional insureds. All insurance must be written by an insurance carrier with an A. M. Best and Standard and Poor's rating of at least "A" or better. All policies shall be written by an insurance carrier ~~accepted~~approved in writing by Franchisor. Franchisor may require that Franchisee obtain coverage from a carrier it designates. Franchisor's ~~acceptance~~approved of an insurance carrier does not constitute Franchisor's representation or guarantee that the insurance carrier shall remain a going concern or capable of meeting claim demands during the term of the insurance policy. Defense costs cannot erode policy limits. No insurance policy shall be subject to cancellation, termination, nonrenewal or material modification, except upon at least 30 days' prior written notice from the insurance carrier to Franchisor. Upon Franchisor's request, and at least annually, Franchisee shall provide Franchisor with a currently issued certificate of insurance evidencing coverage in conformity with the provisions of this Section 7.6. If Franchisee fails to comply with at least the minimum insurance requirements set forth by Franchisor, Franchisor may obtain the insurance and keep the insurance in force and effect and Franchisee shall pay Franchisor, on demand, the cost of the premium plus Franchisor's administrative fee in the amount of 25% of the premium cost in connection with obtaining the insurance. Franchisor may also choose to terminate the Franchise Agreement for failure to obtain required insurance. Franchisor may increase or otherwise modify the minimum insurance requirements upon 30 days prior written notice to Franchisee, and Franchisee shall comply with any such modification. Franchisee's obligation to obtain the required policies in the amounts specified is not limited in any way by any insurance Franchisor maintains. Franchisee's obligation to maintain the insurance does not relieve Franchisee of any liability under the indemnity provisions of Section 7.2. If Franchisee will be engaging in any construction, renovation or build-out of the premises for the Franchised Business, either Franchisee or Franchisee's third party contractor must have in force for the duration of said project, Commercial General Liability insurance and Worker's Compensation and Employer's Liability insurance in the amounts required by Franchisor as well as Builder's Risk insurance in an amount approved by Franchisor.

7.7. **Publicity.** Franchisee shall permit Franchisor or its designee, at Franchisor's expense, to enter upon the premises of the Franchised Business, both interior and exterior, for the purpose of taking or making photographs, slides, drawings, or other such images ("pictures") of the Franchised Business. Franchisee agrees that Franchisor may use the pictures for publicity and other legal purposes without any remuneration to Franchisee in connection with the use of the pictures. Franchisor also reserves the right to require Franchisee to place a "franchises available" sign at a location Franchisor designates at the Franchised Business.

7.8. **Distribution.** Franchisor or its affiliates may distribute products identified by the Proprietary Marks or other marks owned or licensed by Franchisor or its affiliates through any distribution method which periodically may be established or licensed by Franchisor or its affiliates and may franchise or license others to do so, except as otherwise set forth in this Agreement.

7.9. **Image.** The Feng Cha System has been developed to deliver products and services which distinguish Feng Cha Stores from other businesses which offer similar products and services. Therefore, Franchisor requires Franchisee to offer products and services and operate the Franchised Business in such a manner which shall serve to emulate and enhance the image intended by Franchisor for the Feng Cha System. Each aspect of the Feng Cha System is important not only to Franchisee but also Franchisor, its parent, predecessor and affiliate, and other Feng Cha franchisees in order to maintain the highest operating standards, achieve system wide uniformity and increase the demand for the products sold and services

rendered by Feng Cha System franchisees, Franchisor and its parent, predecessor and affiliate. Franchisee shall comply with the standards, specifications and requirements set forth by Franchisor in order to uniformly convey the distinctive image of a Feng Cha Store.

## 8. SALE OR TRANSFER

8.1. **Consent to Transfer.** Franchisee's rights under this Agreement are personal, and if Franchisee is an individual, Franchisee shall not change, sell, transfer, assign or encumber its percentage of ownership interest in this Agreement or the Franchised Business, without the prior written consent of Franchisor. Any unauthorized transfer by Franchisee shall constitute a material breach of the Agreement and shall be voidable by Franchisor. If Franchisee is an entity, Section 8.3 shall govern.

8.2. **Death or Disability.** In the event of the death, disability or incapacity of any individual Franchisee or officer or director or member of an incorporated Franchisee or limited liability company or partner of a partnership Franchisee, should the decedent's or disabled or incapacitated person's executor, heir or legal representative, or the business entity, as the case may be, wish to continue as Franchisee under this Agreement, such person shall apply for Franchisor's consent, execute the then-current franchise agreement, and complete the training program to Franchisor's satisfaction, as applicable, as in any other case of a proposed transfer of Franchisee's interest in this Agreement. Such assignment by operation of law shall not be deemed a violation of this Agreement, provided the heirs or legatees or business entity meet the conditions imposed by this Agreement and are acceptable to Franchisor.

If Franchisee is a business entity, this Agreement shall continue in effect upon the death of the largest equity owner, provided that the active management of the business entity shall remain stable and reasonably satisfactory to Franchisor in its sole discretion.

Franchisee's executor, heir or legal representative shall have 60 days from the date of death, disability or incapacity to designate an operator that is acceptable to Franchisor and within 120 days must execute Franchisor's then-current franchise agreement or transfer the franchise rights and business upon the terms and conditions set forth in this Agreement (except that the term shall be the balance of Franchisee's term). At the conclusion of the balance of the term, the new franchisee may exercise any or all of the then applicable renewal rights.

8.3. **Entity Ownership Changes.** A transfer requiring the prior written consent of Franchisor shall be deemed to occur upon any sale, transfer, assignment or encumbrance of Franchisee's interest in this Agreement or the Franchised Business. Additionally, a transfer requiring consent shall be deemed to occur (i) if Franchisee is a corporation or limited liability company, upon any change, assignment, sale, pledge or transfer of any of the voting stock or membership interests of Franchisee including any ownership restructuring of Franchisee or of any owners of Franchisee; or (ii) if Franchisee is a partnership, upon the change, assignment, sale, pledge or transfer of any partnership ownership, including an ownership restructuring of Franchisee or of any owners of Franchisee. Franchisee shall notify Franchisor of any change in stock ownership, membership interests or partnership ownership interests in Franchisee while this Agreement is in effect which shall result in a change, sale, transfer or assignment within the meaning of this Section 8.3. A transfer as a result of the death, disability or incapacity of a partner, shareholder or member in accordance with Section 8.2, or a transfer to an inter vivos trust where the transferring Franchisee, partner, shareholder or member is the only grantor beneficiary other than a spouse, shall not be

a violation of this Agreement or a ground for termination; any such ownership change shall not be subject to Franchisor's right of first refusal under Section 8.3.1. Any unauthorized transfer by Franchisee shall constitute a material breach of the Agreement and shall be voidable by Franchisor..

**8.3.1. Right of First Refusal.** If Franchisee or its equity owners propose to transfer or assign any of Franchisee's interest in this Agreement or in the business conducted under this Agreement or in Franchisee to any third party (other than as specifically excluded herein) in connection with a bona fide offer from such third party, Franchisee or its equity owners shall first offer to sell to Franchisor, Franchisee's or its equity owners' offered interest. Franchisee or its equity owner shall obtain from the third party offeror an earnest money deposit (of at least 15% of the offering price) and deliver to Franchisor a statement in writing, signed by the offeror and by Franchisee, of the terms of the offer. In the event of Franchisee's insolvency or the filing of any petition by or against Franchisee under any provisions of any bankruptcy or insolvency law, an amount and terms of purchase shall be established by an appraiser chosen by the bankruptcy court or by the chief judge of the federal district court of Franchisee's district and Franchisee or Franchisee's legal representative shall deliver to Franchisor a statement in writing incorporating the appraiser's report. Franchisor shall then have 30 days from its receipt of either statement to accept the offer by delivering written notice of acceptance by Franchisor or its nominee to Franchisee or its equity owner. The acceptance shall be on the same terms as stated in the statement delivered to Franchisor; provided, however, Franchisor or its nominee shall have the right to substitute equivalent cash for any noncash consideration included in the offer. If the parties cannot agree within a reasonable time on the equivalent cash for any noncash consideration, Franchisor shall designate an independent appraiser and the appraiser's determination shall be binding. If Franchisor or its nominee elects not to accept the offer within the 30 day period, Franchisee or its equity owner shall be free for 90 days after such period to complete the transfer described in the statement delivered to Franchisor, but only with the prior written consent of Franchisor and subject to the conditions for approval set forth in Section 8.3.2. Franchisee and its equity owners shall affect no other sale or transfer of this Agreement or Franchisee's interest in this Agreement or the business conducted under this Agreement or the interest in Franchisee, without first offering or reoffering the same to Franchisor in accordance with this Section 8. If in Franchisor's opinion there is a material change in the terms of the offer, the offer shall be deemed a new proposal and Franchisee or its equity owner shall be required to grant Franchisor or its nominee a right of first refusal with respect to such offer.

**8.3.2. Conditions for Approval.** Franchisor may condition its approval of any proposed sale, assignment, encumbrance or transfer of the Franchised Business or of Franchisee's interest in this Agreement or of the interest in Franchisee or its owners upon satisfaction of the following requirements:

8.3.2.1. All of Franchisee's accrued monetary obligations to Franchisor, its parent, predecessor or affiliate and any supplier for the Franchised Business have been satisfied;

8.3.2.2. All existing defaults under the Franchise Agreement or any other agreements with Franchisor have been cured within the period permitted for cure;

8.3.2.3. Franchisee (and its equity owners if Franchisee is a business entity), has executed a general release under seal, in a form satisfactory to Franchisor of any and all claims against Franchisor and its parent, predecessor and affiliate and their officers, directors, partners, shareholders, agents, employees, attorneys and accountants in their corporate and individual capacities; provided, however, the release shall not release any liability specifically provided for by any applicable state statute

regulating franchising;

8.3.2.4. Franchisee has provided Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules;

8.3.2.5. The transferee has demonstrated to Franchisor's satisfaction that it meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations of this Agreement; however, transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business, chain or network which is similar in nature or in competition with Franchisor or any Feng Cha Store, except that the transferee may be an existing franchisee of Franchisor;

8.3.2.6. The transferee has executed Franchisor's then-current Franchise Agreement, at Franchisor's option;

8.3.2.7. Franchisee has complied, to Franchisor's satisfaction, or Franchisee or the transferee have agreed to comply with and have made arrangements satisfactory to the Franchisor to comply with all obligations to remodel, refurbish, and improve the Franchised Business as required by this Agreement to conform to Franchisor's then-current standards and trade dress;

8.3.2.8. Franchisee or transferee has paid Franchisor a transfer fee equal to ~~the greater of \$17,500 or 50% of our then-current initial franchise fee.~~ \$15,000. In the event Franchisor introduces the buyer to Franchisee, Franchisor reserves the right to charge an additional 5% of the purchase price.

8.3.2.9. The transferee or the Operating Principal, and its General Manager shall complete Franchisor's training program to Franchisor's satisfaction at the transferee's own expense within the time frame set forth by Franchisor; and

8.3.2.10. Franchisee acknowledges and agrees that the post-termination provisions of this Agreement shall survive the transfer of the Franchised Business.

8.3.2.11. Franchisor, Franchisee, Transferee and any Guarantors enter into Franchisor's then-current form of Transfer Agreement. Franchisor's current form of Transfer Agreement is attached hereto and Exhibit 8.

8.3.2.12. The Transferee demonstrates it has received approval from the landlord to take over possession of the Franchised Business' lease.

**8.4. Transfer to a Corporation or Limited Liability Company.** If Franchisee is one or more individuals or a partnership, Franchisee may do a one-time assignment of its rights under this Agreement to a corporation or limited liability company for convenience of ownership, provided:

**8.4.1.** The corporation or limited liability corporation is newly organized and its activities

are confined to operating the Franchised Business;

**8.4.2.** Franchisee owns 100% of the outstanding shares of the corporation or interests in the limited liability company, and if Franchisee is more than one individual each individual shall have the same proportionate ownership interest in the new entity that he or she had in this Agreement and the Franchised Business prior to the transfer, otherwise the transfer may be considered a regular transfer subject to payment of a transfer fee;

**8.4.3.** The corporation or limited liability company agrees in writing to assume all of Franchisee's obligations under this Agreement in a form acceptable to Franchisor (a copy of Franchisor's current form agreement is attached as Exhibit 9);

**8.4.4.** All stockholders of the corporation, or members and managers of the limited liability company, and any spouses, personally guarantee prompt payment and performance by the corporation or limited liability company, as applicable, of all its obligations to Franchisor under the Agreement and agree to all covenants, including all non-competition covenants set forth in Section 7.4;

**8.4.5.** Each stock certificate of the corporate franchisee shall have conspicuously endorsed upon its face a statement, in a form satisfactory to Franchisor, that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement; the operating agreement of any limited liability company and any membership certificates shall contain a similar limitation; and

**8.4.6.** Franchisee shall promptly provide Franchisor a copy of, as applicable: (i) the transferee corporation's Articles of Incorporation, Bylaws, resolutions including, without limitation, the resolutions of the Board of Directors authorizing entry into this Agreement; or (ii) the limited liability company's certificate of organization; and all other governing documents.

Franchisee is not required to pay Franchisor a transfer fee with respect to a transfer in accordance with this Section 8.4. However, Franchisor may seek reimbursement of its expenses in connection with a transfer under this Section 8.4.

## **8.5. Secured Interests and Securities.**

**8.5.1.** Franchisee shall not grant, and shall not permit a transfer in the nature of a grant, of a security interest in this Agreement.

**8.5.2.** If Franchisee is a corporation, it shall maintain stop transfer instructions against the transfer on its records of any securities with voting rights subject to the restrictions of this Section 8 and shall issue no such securities upon the face of which the following printed legend does not legibly and conspicuously appear:

The transfer of this stock is subject to the terms and conditions of a Franchise Agreement between [Franchisor] and the corporation dated \_\_\_\_\_, 20\_\_\_\_. Reference is made to the Franchise Agreement and to the Articles of Incorporation and Bylaws of this

corporation.

8.6. **Transfer by Franchisor.** Franchisor may sell, transfer, assign and/or encumber all or any part of its interest in itself or the Franchise Agreement.

## 9. BREACH AND TERMINATION

9.1. **Termination by Franchisee.** Franchisee may terminate this Agreement for cause if Franchisor is in breach of any material provision of this Agreement, by giving Franchisor written notice within 60 days of the event or circumstances giving rise to the breach. Franchisee must be in material compliance with this Agreement. The notice shall state specifically the nature of the breach and allow Franchisor 90 days after receipt of the notice to correct the breach. Franchisee's failure to give timely written notice of any breach shall be deemed to be a waiver of Franchisee's right to complain of that breach. If Franchisor fails to cure any material breach within the 90 day cure period, Franchisee may terminate this Agreement for that reason by providing written notice to Franchisor, except if the breach is not susceptible to cure within 90 days, but Franchisor takes action within 90 days to begin curing the breach and acts diligently to complete the corrective action within a reasonable time, Franchisor shall be deemed to have timely cured the breach. Franchisee's termination will be effective only if Franchisee signs all documentation that Franchisor requires, including a release.

9.2. **Termination by Franchisor.** If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers a notice of termination, Franchisor has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any services or products for which Franchisor is a supplier, whether directly or indirectly. Franchisor may terminate this Agreement under the following circumstances:

**9.2.1. With Cause and With Opportunity to Cure.** If Franchisee is in breach of any material provision of this Agreement not listed in Section 9.2.2, by giving Franchisee written notice of the event or circumstances giving rise to the breach. The notice will state specifically the nature of the breach and allow Franchisee the following amount of time to correct the breach after receipt of notice:

(i) 10 days if the failure relates to Franchisee's failure to retain a qualified replacement General Manager in the time period required;

(ii) 15 days if the failure relates to Franchisee's failure to make any payment of money to Franchisor or its parent, predecessor or affiliate; and

(iii) 30 days if the failure relates to Franchisee's failure to make any payment of money to any other third party (other than Franchisor or its parents, predecessors or affiliates) or for any other breach not listed in this Section 9.2.1 or in Section 9.2.2.

If Franchisee fails to cure any material breach within the applicable cure period, Franchisor may terminate this Agreement for that reason by providing written notice to Franchisee.

**9.2.2. With Cause and Without Opportunity to Cure.** Franchisor may terminate this

Agreement upon written notice without giving Franchisee opportunity to cure for any of the following breaches or defaults:

(i) **Criminal Acts.** If Franchisee or any owner of Franchisee is convicted of or pleads guilty or no contest to a felony or commits any criminal acts involving moral turpitude or other criminal acts which may affect the reputation of the Franchised Business, the System or goodwill of the Proprietary Marks.

(ii) **Fraud.** If Franchisee or any owner of Franchisee commits fraud in the operation of the Franchised Business.

(iii) **Misrepresentation.** If Franchisee or any owner of Franchisee misrepresents anything in any way (including through omission of information) in connection with the franchise application.

(iv) **Voluntary Bankruptcy.** If Franchisee or any owner of Franchisee makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated a bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, consents to or acquiesces in the appointment of a trustee or receiver for Franchisee or the Franchised Business or has a levy against Franchisee's business property.

(v) **Involuntary Bankruptcy.** If proceedings are commenced to have Franchisee or any owner of Franchisee adjudicated as bankrupt or to seek a reorganization of Franchisee under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for Franchisee or the Franchised Business without Franchisee's consent, and the appointment is not vacated within 60 days.

(vi) **Taxes and Liens.** If taxes are not paid when due or a levy or writ of attachment or execution or any other lien is placed against Franchisee, any partner of Franchisee if Franchisee is a partnership, or any guarantor of Franchisee under Section 14 or any of their assets which is not released or bonded against within 60 days.

(vii) **Insolvency.** If Franchisee, any partner of Franchisee, or the majority equity owner of Franchisee is insolvent.

(viii) **Repeated Breaches.** If Franchisor sends Franchisee 3 or more written notices to cure any defaults in any 12 month period.

(ix) **Breach of Other Agreements.** If Franchisee or any owner of Franchisee materially breaches any other agreement with: Franchisor, its parent, predecessor or affiliate.

(x) **Intentional Underreporting or Misstatement.** If Franchisee or any owner intentionally underreports or misstates any information required to be reported to Franchisor under this Agreement, including but not limited to Gross Revenues required to be reported under this Agreement or otherwise maintains false books or records.

(xi) **Abandonment.** If Franchisee voluntarily or otherwise abandons the Franchised Business. The term "abandon" means conduct of Franchisee which indicates a desire or intent to discontinue the Franchised Business in accordance with the terms of this Agreement and shall apply in any event if Franchisee fails to operate the Franchised Business as a Feng Cha store for a period of 3 or more consecutive days without the prior written approval of Franchisor.

(xii) **Failure to Open Franchised Business or Open Without Authorization.** If Franchisee fails to open the Franchised Business during the time periods set forth in this Agreement or opens without obtaining the required approvals.

(xiii) **Public Health and Safety.** If a threat or danger to public health or safety results from the maintenance or operation of the Franchised Business or any violation of health or safety law occurs at the Franchised Business.

(xiv) **Restrictive Covenants.** Upon any violation of any restrictive covenants set forth in this Agreement (including those regarding confidentiality and competition) or failure to execute any required covenants.

(xv) **Failure to Locate an ~~Acepted~~Approved Location.** If Franchisee fails to locate a suitable ~~Acepted~~Approved Location in the time period required.

(xvi) **Insurance.** If Franchisee fails to maintain required insurance coverage.

(xvii) **Unauthorized Transfer or Failure to Transfer.** If a transfer occurs without meeting the requirements set forth in Section 8 of this Agreement or if a transfer does not occur as required following an event of death or disability.

(xviii) **Failure to Complete Training.** If Franchisee or any required employee fails to complete training to Franchisor's satisfaction.

(xix) **Loss of Occupancy.** If Franchisee loses the right to occupy the Franchised Business premises.

(xx) **Dissolution.** If Franchisee is an entity and becomes dissolved.

(xxi) **Proprietary Marks.** If Franchisee or any owner uses the Proprietary Marks in an unauthorized manner.

(xxii) **Breach of Law.** If Franchisee or its owners breaches any applicable law in relation to the operation of the Franchised Business.

(xxiii) **Insufficient Funds.** If there are 3 or more insufficient funds fees in any 12 months period.

(xxiv) **Unauthorized Sales.** If Franchisee sells unauthorized products or services or sells products or services at an unauthorized location or in an unauthorized forum.

(xxv) **Unethical Behavior.** If Franchisee or Franchisee's owners engage in dishonest or unethical behavior.

9.3. **Nonwaiver.** Franchisor's delay in exercising or failure to exercise any right or remedy under this Agreement or Franchisor's acceptance of any late or partial payment due under this Agreement or any other agreement between Franchisor and Franchisee or Franchisor's consent to a transfer of any interest in Franchisee shall not constitute a waiver of any of Franchisor's rights or remedies against Franchisee.

9.4. **Liquidated Damages.** If Franchisor terminates this Agreement for Cause, or in the event Franchisee terminates this Agreement early, Franchisee must pay, within 15 days after the effective date of termination, liquidated damages equal to the average monthly Royalty Fees and Brand Development Fund Fees owed to Franchisor during the 12 months of operation preceding the effective date of termination (or the period of operation if less than 12 months) multiplied by: (a) 24 (being the number of months in two full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is higher. The liquidated damages provision only covers Franchisor's damages from the loss of cash flow from the Royalty Fees and Brand Development Fund contribution. It does not cover any other damages, including damages to Franchisor's reputation with the public and damages arising from a violation of any provision of this Agreement other than the Royalty Fee and Brand Development Fund contribution Sections. Franchisee and each of its principals agree that the liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fees and Brand Development Fund contribution Sections.

## 10. RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION

10.1. **Franchisee's Obligations.** Upon termination of this Agreement by either Franchisor or Franchisee, regardless of the cause, and upon expiration and nonrenewal or transfer of this Agreement, Franchisee shall:

**10.1.1.** Cease immediately all operations under this Agreement;

**10.1.2.** Pay immediately to Franchisor all unpaid fees and pay Franchisor, its parent, predecessor or affiliate and any supplier for the Franchised Business all other monies owed them;

**10.1.3.** Discontinue immediately the use of the Proprietary Marks;

**10.1.4.** Immediately return the Confidential Operations Manual to Franchisor and all other manuals and Confidential Information loaned to Franchisee by Franchisor and immediately cease to use the Confidential Information (all electronically stored copies should be deleted once returned to Franchisor);

**10.1.5.** Immediately cease using all telephone numbers and listings used in connection with the operation of the Franchised Business and direct the telephone company and/or internet provider to transfer all such numbers and listings to Franchisor or its designee or, if Franchisor so directs, to disconnect the numbers;

**10.1.6.** Promptly surrender all stationery, printed matter, signs, advertising materials and other items containing the Proprietary Marks as directed by Franchisor and all items which are a part of the trade dress of the Feng Cha System;

**10.1.7.** Sell to Franchisor or its designee, at Franchisor's option, (i) all inventory in useable form bearing the Proprietary Marks and (ii) any furnishings, equipment, seating, tables, desks signs or fixtures Franchisor elects to purchase at the original purchase price thereof or at its then-current value if less than the original purchase price, in Franchisor's judgment, within 15 days following the date of termination or expiration;

**10.1.8.** If Franchisor elects to assume Franchisee's lease, immediately vacate the premises or, if Franchisor does not elect, immediately change the appearance of the premises inside and outside, including trade dress, signs, furnishings and fixtures, so that they no longer resemble a Feng Cha Store and to protect the Proprietary Marks, including any changes Franchisor specifically requests. If Franchisee fails to make the modifications or alterations, Franchisor will have the right to re-enter the premises and do so and charge Franchisee its costs plus a reasonable administrative fee in its sole discretion;

**10.1.9.** Cease to hold itself out as a franchisee of Franchisor;

**10.1.10.** Take action necessary to amend or cancel any assumed name, business name or equivalent registration which contains any trade name or other Proprietary Mark licensed by Franchisor and furnish Franchisor evidence satisfactory to Franchisor of compliance with this obligation within 30 calendar days after the termination, expiration or transfer of this Agreement;

**10.1.11.** Permit Franchisor to make final inspection of Franchisee's financial records, books, and other accounting records within 6 months of the effective date of termination, expiration, or transfer; and

**10.1.12.** Comply with the post-termination covenants set forth in Section 7.4, all of which shall survive the transfer, termination or expiration of this Agreement.

**10.1.13.** Sign a release (subject to state law)

**10.1.14.** Pay liquidated damages as required under this agreement (if applicable).

**10.2. Power of Attorney.** Franchisor is hereby irrevocably appointed as Franchisee's attorney-in-fact to execute in Franchisee's name and on Franchisee's behalf all documents necessary to discontinue Franchisee's use of the Proprietary Marks and the Confidential Information.

## 11. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be either personally delivered; sent by nationally recognized overnight courier (Ex: FedEx); sent by certified or registered mail, return receipt requested; or sent by email (provided that the sender also sends a copy by certified or registered mail or recognized overnight courier contemporaneously) to the respective parties at

the following addresses unless and until a different address has been designated by written notice to the other party. Notwithstanding the foregoing, Franchisee's knowledge of a change in Franchisor's principal place of business shall be deemed adequate designation of a change and notice shall be sent to Franchisor's new address.

Franchisee: \_\_\_\_\_  
\_\_\_\_\_

Franchisor: 412 N. Bowser Rd.  
Richardson TX 75081

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of email, upon confirmation of receipt (or confirmation of delivery via contemporaneous methods required above, whichever occurs first) or, in the case of overnight courier, on the next business day after mailing, or in the case of registered or certified mail, three (3) business days after the date and time of mailing.

## 12. INTERPRETATION

**12.1. Amendments.** THIS AGREEMENT, INCLUDING ANY EXHIBITS AND ADDENDA, CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES REGARDING THE SUBJECT MATTER OF THIS AGREEMENT AND SUPERSEDES ALL PRIOR UNDERSTANDINGS OR AGREEMENTS, WHETHER ORAL, OR WRITTEN, PERTAINING TO ANY RIGHTS OR OBLIGATIONS IN THIS AGREEMENT. THIS AGREEMENT MAY NOT BE CHANGED, EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. HOWEVER, FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR MAY MODIFY ITS STANDARDS, SPECIFICATIONS AND CONFIDENTIAL OPERATIONS MANUAL AS FRANCHISOR, IN ITS SOLE DISCRETION, DEEMS NECESSARY. FRANCHISOR WILL ALSO HAVE THE RIGHT TO UNILATERALLY REDUCE THE SCOPE OF ANY COVENANTS OF FRANCHISEE CONTAINED IN THIS AGREEMENT UPON NOTICE TO FRANCHISEE, WHEREUPON FRANCHISEE WILL COMPLY WITH THE REDUCED COVENANTS, AS MODIFIED. NOTHING IN THIS AGREEMENT IS INTENDED TO DISCLAIM ANY INFORMATION CONTAINED IN THE FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT.

**12.2. Mediation.** Except for actions which the Franchisor may bring in any court of competent jurisdiction (a) for monies owed, (b) for injunctive or other extraordinary relief, or involving the possession or disposition of, or other relief relating to, real property, the Marks or the Confidential Information, the parties agree to submit any claim, controversy or dispute between Franchisor or any of its affiliates (and their respective shareholders, officers, directors, agents, representatives and/or employees) and Franchisee (and Franchisee's agents, representatives and/or employees, as applicable) arising out of or related to (i) this Agreement or any other agreement between Franchisor and Franchisee or their respective affiliates, (ii) Franchisor's relationship with Franchisee, (iii) the validity of this Agreement or any other agreement between Franchisor and Franchisee or their respective affiliates, or (iv) any System standard, to mediation prior to bringing such claim, controversy or dispute in a court or before any other tribunal. The mediation shall be conducted by either an individual mediator or a mediator appointed by a mediation services organization or body experienced in the mediation of disputes between franchisors and franchisees, as

agreed upon by the parties and, failing such agreement, within a reasonable period of time (not to exceed fifteen (15) days) after either party has notified the other of its desire to seek mediation, by the American Arbitration Association in accordance with its rules governing mediation. Mediation shall be held within twenty (20) miles of Franchisor's then-current headquarters. The costs and expense of mediation, including the compensation and expenses of the mediator (but excluding attorneys' fees and costs incurred by either party), shall be borne by the parties equally. Failure to timely pay the costs and expenses of mediation, including the compensation and expenses of the mediator, by either party shall constitute a material breach of this Agreement. If the parties are unable to resolve the claim, controversy or dispute within ninety (90) days after the mediator has been chosen, then, unless such time is extended by written agreement of the parties, either party may institute litigation. Nothing herein shall require the need for legal process prior to Franchisor taking any enforcement actions permitted under this Agreement, including termination.

**12.3. Choice of Law and Selection of Venue.** Except as otherwise set forth in Section 12.5 this Agreement shall be governed by the laws of the State of Texas and any action at law or equity instituted against either party to this Agreement shall be commenced only in the then-current State and County where Franchisor's corporate headquarters is located. Franchisee hereby irrevocably consents to the personal jurisdiction of the courts in the then-current State or County where Franchisor's corporate headquarters is located, as set forth above.

**12.4. Injunctive Relief.** Nothing in this Agreement shall prevent Franchisor from obtaining injunctive relief against actual or threatened conduct that shall cause it loss or damages, in any appropriate forum under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions.

**12.5. Arbitration.** Except as set forth in Section 12.4 above, the rights and obligations of the parties hereto, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement, will be submitted to arbitration at the office of the American Arbitration Association ("AAA") responsible for administering claims filed in the then-current County and State where Franchisor's corporate headquarters is located, in accordance with the Commercial Arbitration Rules of the AAA to the extent such rules are not inconsistent with the provisions of this arbitration provision. The Federal Arbitration Act shall govern the interpretation and enforcement of this provision and the proceedings hereunder. To the extent state law is applicable under the Federal Arbitration Act, the law of the state of Texas shall apply. The statute of limitations of the state of Texas shall be strictly enforced.

The following shall supplement and, in the event of a conflict, shall govern any dispute submitted to arbitration. The parties shall select one arbitrator from the panel provided by the AAA. In selecting the arbitrator from the list provided by the AAA, the Franchisor and Franchisee shall make the selection by the striking method. The arbitrator shall apply the Federal Rules of Evidence at the hearings. The prevailing party shall be entitled to recover from the non-prevailing party all costs of arbitration, including, without limitation, the arbitrator's fee, attorneys' fees, interest, and costs of investigation. Arbitration shall take place in the then-current County and State where the Franchisor's corporate headquarters is located.

The arbitrator shall have no authority to amend or modify the terms of the Agreement, except as provided for herein. The Franchisor and Franchisee further agree that, unless such a limitation is prohibited by applicable law, neither the Franchisor nor Franchisee shall be liable for punitive or exemplary damages, and the arbitrator shall have no authority to award the same. To the extent permitted by applicable law, no

issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between the Franchisor and Franchisee. Judgment upon the award of the arbitrator may be submitted for confirmation to the applicable United States District Court or the Courts of the then-current County and State where Franchisor's corporate headquarters is located, and, if confirmed, may be subsequently entered in any court having competent jurisdiction. This agreement to arbitrate shall survive any termination or expiration of this Agreement.

12.6. **Construction of Language.** The language of this Agreement shall be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Franchisee, their obligations and liabilities shall be joint and several. Headings are for reference purposes and do not control interpretation. The BACKGROUND Section at the beginning of this Agreement contains contractual terms that are not mere recitals.

12.7. **Successors.** References to Franchisor or Franchisee include their successors, assigns or transferees, subject to the limitations of this Agreement.

12.8. **Severability.** If any provision of this Agreement is deemed invalid or inoperative for any reason, that provision shall be deemed modified to the extent necessary to make it valid and operative or, if it cannot be so modified, it shall then be severed, and the remainder of that provision shall continue in full force and effect as if this Agreement had been signed with the invalid portion so modified or eliminated; provided, however, that if any part of this Agreement relating to payments to Franchisor or its parent, predecessor or affiliate or protection of the Proprietary Marks, or the Confidential Information, including the Confidential Operations Manual and Franchisor's other trade secrets, is declared invalid or unenforceable, then Franchisor at its option may terminate this Agreement immediately upon written notice to Franchisee.

12.9. **No Right to Offset.** Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or its parent, predecessor or affiliate or as an offset against any amount Franchisor or any of its parent, predecessor or affiliate may owe or allegedly owe Franchisee under this Agreement or any related agreements.

12.10. **Force Majeure.** Neither Franchisor, its parent, predecessor or affiliate nor Franchisee shall be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if its failure to perform its obligations is not the fault nor within the reasonable control of the person due to perform but results from, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders. Any delay resulting from any such cause shall extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or shall excuse performance, in whole or in part, as Franchisor deems reasonable, provided however, in the event that any such delay (i) extends any deadline to open or (ii) prevents the operation of the Franchised Business, in excess of ninety (90) days, Franchisor may, at its option, terminate this Agreement. Nothing herein shall extend the timing for the payment of fees owed by Franchisee to Franchisor nor excuse payment.

12.11. **Rights Cumulative.** No right or remedy under this Agreement shall be deemed to be exclusive of any other right or remedy under this Agreement or of any right or remedy otherwise provided

by law or and equity. Each right and remedy will be cumulative.

**12.12. PARTIES. THE SOLE ENTITY AGAINST WHICH FRANCHISEE MAY SEEK DAMAGES OR ANY REMEDY UNDER LAW OR EQUITY FOR ANY CLAIM IS FRANCHISOR OR ITS SUCCESSORS OR ASSIGNS. THE SHAREHOLDERS, MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS AND REPRESENTATIVES OF FRANCHISOR AND OF ITS PARENT, PREDECESSOR OR AFFILIATES SHALL NOT BE NAMED AS A PARTY IN ANY LITIGATION OR OTHER PROCEEDINGS COMMENCED BY FRANCHISEE IF THE CLAIM ARISES OUT OF OR RELATES TO THIS AGREEMENT.**

**12.13. LIMITATION OF LIABILITY. TO THE EXTENT PERMITTED BY LAW, IN NO EVENT SHALL FRANCHISOR BE LIABLE FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL, PUNITIVE OR ANY OTHER DAMAGES THAT ARE NOT DIRECT DAMAGES, REGARDLESS OF THE NATURE OF THE CLAIM FOR DAMAGES.**

**12.14. JURY TRIAL WAIVER. FRANCHISOR AND FRANCHISEE, RESPECTIVELY, WAIVE ANY RIGHT EITHER MIGHT HAVE TO TRIAL BY JURY ON ANY AND ALL CLAIMS ASSERTED AGAINST THE OTHER. FRANCHISOR AND FRANCHISEE, RESPECTIVELY, EACH ACKNOWLEDGE THAT THEY HAVE HAD A FULL OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL CONCERNING THIS WAIVER, AND THAT THIS WAIVER IS INFORMED, VOLUNTARY, INTENTIONAL AND NOT THE RESULT OF UNEQUAL BARGAINING POWER.**

**12.15. FRANCHISOR AND FRANCHISEE AGREE THAT LITIGATION OR ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE OR MULTIPLE PLAINTIFF, BASIS UNLESS PROHIBITED BY LAW.**

**12.16. FRANCHISOR APPROVAL AND DISCRETION. TO THE EXTENT THAT FRANCHISOR'S CONSENT OR APPROVAL IS REQUIRED OR ANY DECISION IS SUBJECT TO THE DISCRETION OF THE FRANCHISOR, AND WHENEVER FRANCHISOR EXERCISES A RIGHT, PRESCRIBES AN ACT OR THING, OR OTHERWISE MAKES A CHOICE OR USES DISCRETION, THE PARTIES AGREE THAT FRANCHISOR HAS THE WHOLLY UNRESTRICTED RIGHT TO MAKE DECISIONS AND/OR TAKE (OR REFRAIN FROM TAKING) ACTIONS. FRANCHISOR WILL NOT BE REQUIRED TO CONSIDER FRANCHISEE'S INDIVIDUAL INTERESTS OR THE INTERESTS OF ANY OTHER PARTICULAR FRANCHISEE(S), EVEN IF A PARTICULAR DECISION/ACTION MAY HAVE NEGATIVE CONSEQUENCES FOR FRANCHISEE, A PARTICULAR FRANCHISEE OR GROUP OF FRANCHISEES.**

**FRANCHISEE ACKNOWLEDGES AND AGREES THAT THE ULTIMATE DECISION-MAKING RESPONSIBILITY WITH RESPECT TO THE SYSTEM MUST BE, AS A PRACTICAL BUSINESS MATTER, VESTED SOLELY IN FRANCHISOR, SINCE FRANCHISEE, FRANCHISOR AND ALL OTHER FRANCHISEES HAVE A COLLECTIVE INTEREST IN WORKING WITHIN A FRANCHISE SYSTEM WITH THE UNRESTRICTED FLEXIBILITY TO QUICKLY ADJUST TO CHANGING BUSINESS CONDITIONS, INCLUDING COMPETITIVE CHALLENGES, NEW REGULATORY DEVELOPMENTS AND EMERGING BUSINESS**

**OPPORTUNITIES. FRANCHISEE UNDERSTANDS AND AGREES THAT FRANCHISOR HAVING SUCH RIGHTS ARE CRITICAL TO ITS ROLE AS FRANCHISOR AND TO OBTAIN THE PARTIES GOALS FOR CONTINUING IMPROVEMENT OF THE FENG CHA SYSTEM.**

12.17. **Execution.** This Agreement becomes valid when signed and accepted by Franchisor. This Agreement may be signed in counterparts, each of which when taken together shall form one valid and effective agreement which may be electronically signed, and any digital or electronic signatures (including pdf or electronically imaged signatures provided by DocuSign or any other nationally recognized digital signature provider) will be treated the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and delivery of any such electronic signature, or a signed copy of this Agreement, may be made by email or other electronic transmission.

### **13. REPRESENTATIONS**

13.1. **RECEIPT.** THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF THIS AGREEMENT, WITH ALL BLANKS COMPLETED AND WITH ANY AMENDMENTS AND EXHIBITS, AT LEAST 7 CALENDAR DAYS PRIOR TO EXECUTION OF THIS AGREEMENT. IN ADDITION, THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF FRANCHISOR'S UNIFORM FRANCHISE DISCLOSURE DOCUMENT AT LEAST 14 CALENDAR DAYS PRIOR TO THE EXECUTION OF THIS AGREEMENT OR FRANCHISEE'S PAYMENT OF ANY MONIES TO FRANCHISOR, REFUNDABLE OR OTHERWISE.

13.2. **EXECUTION OF AGREEMENT.** EACH OF THE UNDERSIGNED PARTIES WARRANTS THAT IT HAS THE FULL AUTHORITY TO SIGN AND EXECUTE THIS AGREEMENT. IF FRANCHISEE IS A PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY, THE PERSON EXECUTING THIS AGREEMENT ON BEHALF OF THE BUSINESS ENTITY WARRANTS TO FRANCHISOR, BOTH INDIVIDUALLY AND IN HIS CAPACITY AS PARTNER, OFFICER, MEMBER OR MANAGER, THAT ALL OF THE EQUITY OWNERS OF FRANCHISEE, AS APPLICABLE, HAVE READ AND APPROVED THIS AGREEMENT, INCLUDING ANY RESTRICTIONS WHICH THIS AGREEMENT PLACES UPON RIGHTS TO TRANSFER THEIR INTEREST IN THE BUSINESS ENTITY.

13.3. **ANTI-TERRORISM LAW COMPLIANCE.** FRANCHISEE AND ITS EQUITY OWNERS AGREE TO COMPLY WITH, AND TO ASSIST FRANCHISOR, TO THE FULLEST EXTENT POSSIBLE IN FRANCHISOR'S EFFORTS TO COMPLY WITH ANTI-TERRORISM LAWS (DEFINED BELOW). IN CONNECTION WITH THAT COMPLIANCE, FRANCHISEE, AND ITS OWNERS CERTIFY, WARRANT AND REPRESENT THAT NONE OF FRANCHISEE'S, OR ITS EQUITY OWNER'S PROPERTY, OR INTERESTS ARE SUBJECT TO BEING BLOCKED UNDER ANY ANTI-TERRORISM LAWS, AND THAT FRANCHISEE AND ITS OWNERS OTHERWISE ARE NOT IN VIOLATION OF ANY ANTI-TERRORISM LAWS. "ANTI-TERRORISM LAWS" MEANS EXECUTIVE ORDER 13224 ISSUED BY THE PRESIDENT OF THE UNITED STATES, THE USA PATRIOT ACT, AND ALL OTHER PRESENT AND FUTURE FEDERAL, STATE AND LOCAL LAWS, ORDINANCES, REGULATIONS, POLICIES, LISTS AND OTHER REQUIREMENTS OF ANY GOVERNMENTAL AUTHORITY ADDRESSING OR IN ANY WAY RELATING TO

**TERRORIST ACTS AND ACTS OF WAR. FRANCHISEE SHALL IMMEDIATELY NOTIFY FRANCHISOR OF ANY MISREPRESENTATION OR BREACH OF THIS SECTION**

**14. PERSONAL GUARANTEES**

If Franchisee is a corporation, general partnership or limited liability company, or subsequent to execution of this Agreement, Franchisee assigns this Agreement to a corporation, general partnership or limited liability company, all shareholders, all general partners or all members and managers, respectively, and the spouses of the foregoing, hereby personally and unconditionally guarantee without notice, demand or presentment the payment of all of Franchisee's monetary obligations under this Agreement as if each were an original party to this Agreement in his or her individual capacity. In addition, all personal guarantors further agree to be bound by the in term and post-term restrictions and requirements of Franchisee as if each were an original party to this Agreement in his or her individual capacity. All personal guarantors shall execute a continuing personal guaranty in the form attached as Exhibit 3. Spouses of owners signing in their individual capacity must sign the guaranty as well.

**15. OWNERSHIP OF FRANCHISEE**

The Statement of Ownership Interest attached to this Agreement as Exhibit 2 completely and accurately describes all of the equity owners and their interests in Franchisee and Franchisee's Operating Principal. Subject to Franchisor's rights and Franchisee's obligations under Section 8, Franchisee agrees to sign and deliver to Franchisor a revised Statement of Ownership Interest to reflect any permitted changes in the information that Exhibit 2 now contains. Franchisee shall promptly provide Franchisor a copy of, as applicable: (i) any transferee corporation's Articles of Incorporation, Bylaws, resolutions including, without limitation, the resolutions of the Board of Directors authorizing entry into this Agreement; or (ii) any limited liability company's certificate of organization or formation, the Operating Agreement and all other governing documents. If Franchisee is an entity, it must be a single purpose entity and cannot operate any other business using the entity name.

**INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE AS OF THE DATE EXECUTED BY FRANCHISOR BELOW.**

**(FRANCHISEE)**

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

Dated: \_\_\_\_\_

**CANNECT, LLC**

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

Dated: \_\_\_\_\_

**EXHIBIT 1 TO  
FENG CHA FRANCHISE AGREEMENT**

The Franchise Agreement (the “Agreement”) between CANNECT, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) authorizes and obliges Franchisee to search for a site in the following Search Area and to open a Franchised Business in the following ~~Accepted~~Approved Location ~~and Territory~~:

**SEARCH AREA, ~~ACCEPTED~~; APPROVED LOCATION ~~AND TERRITORY~~**

1. SEARCH AREA

Pursuant to Section 3.2 of the Franchise Agreement, the non-exclusive search area for locating a site for the Franchised Business shall be as follows:

2. ~~ACCEPTED~~APPROVED LOCATION

Pursuant to Section 3.1 of the Franchise Agreement, the Franchised Business shall be located at the following ~~Accepted~~Approved Location:

3. ~~\_\_\_\_\_~~ TERRITORY

~~Pursuant to Section 1.2 of the Franchise Agreement, the Territory shall be:~~

(FRANCHISEE)

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

DATED: \_\_\_\_\_

CANNECT, LLC (FRANCHISOR)

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

DATED: \_\_\_\_\_

**EXHIBIT 2 TO  
FENG CHA FRANCHISE AGREEMENT**

**Statement of Ownership Interest**

**Franchisee Owners**

1. **Form of Owner.** (Choose (a) or (b))

(a) **Individual Proprietorship.** List individual(s):

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(b) **Corporation, Limited Liability Company, or Partnership:**

Name: \_\_\_\_\_  
Date of incorporation or formation: \_\_\_\_\_  
State of incorporation or formation: \_\_\_\_\_

The following is a list of your directors/managers/officers, as applicable, and officers as of the date of execution:

<b><u>Name of Each Director/Manager/Officer</u></b>	<b><u>Position(s) Held</u></b>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. **Principals.** The following list includes the full name of each person or entity who is one of your owners and fully describes the nature of each owner's interest (attach additional pages if necessary).

	<u>Principal's Name</u>	<u>Percentage/Description of Interest</u>
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
(d)	_____	_____

3. **Identification of Operating Principal.** Your Operating Principal is \_\_\_\_\_  
 \_\_\_\_\_ (must be one of the individuals listed in paragraph 2 above. You may not change  
 the Operating Principal without prior written approval. The Operating Principal is the person authorized to  
 receive communications regarding this Agreement).

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

E-mail Address: \_\_\_\_\_

**FRANCHISEE**

By: \_\_\_\_\_  
 Name:  
 Title:

Dated: \_\_\_\_\_

**CANNECT, LLC**

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

Dated: \_\_\_\_\_

**EXHIBIT 3 TO  
FENG CHA FRANCHISE AGREEMENT**

**PERSONAL GUARANTY**

The undersigned persons designated as “Principals” hereby represent to CANNECT, LLC (“Franchisor”) that they are all of the shareholders of, or all of the general partners of, all of the members and managers of, \_\_\_\_\_ (“Franchisee”), as the case may be. Each such Principal also represents that his or her spouse is also listed herein as a “Spousal Guarantor”. In consideration of the grant by Franchisor to \_\_\_\_\_, as provided under the franchise agreement dated \_\_\_\_\_, (the “Franchise Agreement”), each of the undersigned agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves, their heirs, legal representatives and assigns that they, and each of them, shall be firmly bound by all of the terms, provisions and conditions of the foregoing Franchise Agreement, that they and each of them do unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the Franchise Agreement, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the Franchise Agreement to Franchisor and/or its affiliate, and that they and each of them shall not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first notifying Franchisor of said proposed transfer and obtaining the prior written consent of Franchisor, following Franchisor’s transfer procedures and without first paying or causing to be paid to Franchisor any required transfer fee. The undersigned further agree to be bound by the in-term and post-termination covenants of the Franchise Agreement including, without limitation, those relating to confidentiality and non-competition. The undersigned also agree that the governing law and methods for resolution of disputes which govern this Guaranty shall be the same as those outlined in the Franchise Agreement.

**EACH GUARANTOR ACKNOWLEDGES THAT HE OR SHE HAS READ THIS PERSONAL GUARANTY, UNDERSTANDS ITS TERMS, AND GUARANTOR WOULD NOT SIGN THIS PERSONAL GUARANTY IF GUARANTOR DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

**Undersigned:**

**Principals:**

**Spousal Guarantors:**

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

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

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

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

**EXHIBIT 4 TO  
FENG CHA FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT OF LEASE**

**FOR VALUE RECEIVED**, the undersigned ("Assignor") assigns and transfers to CANNECT LLC, a Texas limited liability company ("Assignee"), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Exhibit "A" (the "Lease") respecting premises commonly known as \_\_\_\_\_ (the "Premises"). This Assignment is for collateral purposes only and except as specified in this Agreement, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of Assignor there under.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the franchise agreement between Assignee and Assignor for the operation of a Feng Cha Store (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor there from, and, in such event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees that it shall not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the purpose of effecting such extension or renewal.

ASSIGNOR:  
(Individual, Partnership, Corporation or LLC Name)

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

ASSIGNEE:  
CANNECT, LLC

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

**CONSENT AND AGREEMENT OF LESSOR**

The undersigned Lessor under the aforescribed Lease hereby:

(a) Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;

(b) Agrees that Assignee shall have the right, but shall not be obligated, to cure any default by Assignor under the Lease within 30 days after delivery by Lessor of notice thereof in accordance with Section (a) above;

(c) Consents to the foregoing Collateral Assignment and agrees that if Assignee takes possession of the premises demised by the Lease and confirms to Lessor the assumption of the Lease by Assignee as tenant there under, Lessor shall recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period the defaults, if any, of Assignor under the Lease;

(d) Agrees that Assignee may further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Lessor and upon such assignment Assignee shall have no further liability or obligation under the Lease as assignee, tenant or otherwise.

(e) On termination or expiration of the Franchise Agreement or the Lease, Assignee shall have the right to re-enter the Premises and make all necessary modifications or alterations to the Premises including the removal of all articles which display Assignee's proprietary marks. Assignee's re-entry shall not be deemed as trespassing.

DATED:

LESSOR:

\_\_\_\_\_

ASSIGNEE:

CANNECT, LLC

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

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

**EXHIBIT 5 TO  
FENG CHA FRANCHISE AGREEMENT**

**CONFIDENTIALITY AGREEMENT**  
**(For employees of the Franchisee)**

1. Pursuant to a Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”), \_\_\_\_\_ (the “Franchisee”) has acquired the right and franchise from CANNECT, LLC (the “Franchisor”) to establish and operate a Feng Cha Store (the “Franchised Business”) and the right to use in the operation of the Franchised Business the Franchisor’s trade names, service marks, trademarks, logos, emblems, and indicia of origin (the “Proprietary Marks”), as they may be changed, improved and further developed from time to time in the Franchisor’s sole discretion.

2. The Franchisor, as the result of the expenditure of time, skill, effort and resources, has developed and owns a distinctive format and system (the “System”) relating to the establishment and operation of Feng Cha Stores. The Franchisor possesses certain proprietary and confidential information relating to the operation of the System, which includes proprietary trade secrets, specifications, security protocols, computer hardware and systems, technology and equipment used, methods of business practices and management, research and development, training processes, operational manuals, presentation materials, recipes, food preparation techniques, vendor agreements, supplier lists, vendor lists, marketing and merchandising strategies, plans for new product or service offerings, financial information, pricing, and knowledge of, and experience in, the operation of the Franchised Business (the “Confidential Information”). Confidential Information shall also expressly include all customer and franchisee personal and business information that I obtain or have access to during my employment, as well as the confidential information of any other third parties to whom the Franchisor owes a duty of confidentiality. Further, any and all information, knowledge, know-how, and techniques which the Franchisor specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

3. In consideration for my access to the Confidential Information as part of my employment with Franchisee, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree to the terms of this Confidentiality Agreement (the “Agreement”).

4. As an employee of Franchisee, the Franchisor and/or Franchisee may disclose the Confidential Information to me via training programs, the Franchisor’s Confidential Operations Manuals (the “Manuals”), or the development process during the term of my employment with the Franchisee.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in performing my duties for Franchisee during the term of my employment and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition. I covenant that I will not forward or provide the Confidential Information to any third party, nor store it on any personal or third-party electronic device, disk, drive, or otherwise, unless expressly authorized to do so by the Franchisor.

6. Any work performed by me during my employment with Franchisee in relation to Feng Cha or the Franchise Agreement and any derivative works created by me using the Confidential Information or any proprietary information of the Franchisor are considered “works made for hire” and I will have no

ownership interest in the items created.

7. The Confidential Information is proprietary, involves trade secrets of the Franchisor, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information. Unless the Franchisor otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as an employee of Franchisee, and will continue not to disclose or use any such information even after I cease to be employed by Franchisee, unless I can demonstrate that such information has become generally known to the public or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement, a breach of the employees or associates of Franchisee, or a breach of my own duties or the duties hereunder.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. In the event any provision of this Agreement is ever deemed to exceed the limits permitted by any applicable law, the provisions set forth herein will be reformed to the extent necessary to make them reasonable and enforceable. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the remaining provisions, all of which are severable and will be given full force and effect.

9. I understand and acknowledge that the Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Franchisor is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with Franchisee. I am aware that my violation of this Agreement may cause the Franchisor and Franchisee irreparable harm; therefore, I acknowledge and agree that Franchisee and/or the Franchisor may apply for the issuance of an injunction preventing me from violating this Agreement, without the necessity of proving actual damages or posting a bond, in addition to any other remedies available to them, and I agree to pay Franchisee and the Franchisor all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to Franchisee and the Franchisor any claim I have against Franchisee or the Franchisor is a separate matter and does not entitle me to violate, or justify any violation of, this Agreement.

11. This is not a contract for employment and does not guaranty my employment for any set period of time. I agree and understand that Franchisee is my employer and I have no employment relationship with the Franchisor.

12. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas, excluding that body of law known as choice of law, and shall be binding upon the parties hereto in the United States and worldwide. The parties agree that service of process in any such action may be made if delivered in person, by courier service, or by first class mail, and shall be deemed effectively given upon receipt. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT, OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF ANY PARTY HERETO IN NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT HEREOF.

13. I hereby irrevocably agree that the forum for any suit will lie with a court of competent jurisdiction in Dallas County, Texas or the applicable district court in Texas and hereby agree to the personal jurisdiction and venue of such court.

14. This Agreement will be binding upon me, my heirs, and personal representatives, and shall inure to the benefit of the Franchisor and Franchisee and any of their affiliates, parents, subsidiaries, successors and assigns. I understand that this Agreement may and will be assigned or transferred to any successor of the Franchisor, and any successor will be deemed substituted, for all purposes, as the "Franchisor" under the terms of this Agreement. As used in this Agreement the term "successor" will mean any person, firm, corporation, or business entity which at any time, whether by merger, purchase or otherwise, acquires all or substantially all of the assets of the business of the Franchisor. I acknowledge that the services to be rendered by me in my employment are unique and personal. Accordingly, I may not assign any of my rights nor delegate any of my duties or obligations under this Agreement.

15. This Agreement may not be modified except by a written agreement executed by the parties, which has been approved by the Franchisor.

16. This Agreement may be signed in counterparts, each of which when taken together shall form one valid and effective agreement which may be electronically signed, and any digital or electronic signatures (including pdf or electronically imaged signatures provided by DocuSign or any other nationally recognized digital signature provider) will be treated the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and delivery of any such electronic signature, or a signed copy of this Agreement, may be made by email or other electronic transmission.

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

**FRANCHISEE**

By: \_\_\_\_\_  
Name:  
Title:  
Dated: \_\_\_\_\_

**EXHIBIT 6 TO  
FENG CHA FRANCHISE AGREEMENT**

**FORM OF RELEASE  
(Current Form – Subject to Change)**

This Termination Agreement and General Release (“Agreement”) is made and entered into as of the date executed by the Franchisor (“Effective Date”) by and between CANNECT, LLC, a Texas limited liability company having its principal place of business 412 N. Bowser Rd., Richardson TX 75081 (the “Franchisor”), and \_\_\_\_\_, with an address of \_\_\_\_\_ (“Franchisee”) (Franchisor together with Franchisee, the “Parties”).

WHEREAS, Franchisor and Franchisee entered into a franchise agreement dated \_\_\_\_\_ (the “Franchise Agreement”) which provides Franchisee with the right to own and operate a franchised business with a ~~Aecepted~~Approved Location as outlined on Exhibit 1 to the Franchise Agreement (the “Franchised Business”);

WHEREAS, Franchisee and Franchisor agree to terminate the Franchise Agreement.

NOW, THEREFORE, wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein set forth, do agree as follows:

1. Franchisee acknowledges and agrees that by entering into this Agreement, all of Franchisee’s rights under the Franchise Agreement are terminated as of the Effective Date, however, Franchisee shall continue to be bound by the post-termination restrictions and covenants contained in the Franchise Agreement and any schedules attached thereto, which include, but are not limited to, covenants relating to Franchisor’s confidential information and intellectual property, a covenant not to compete, and a covenant of indemnification. Further, Franchisee shall honor all obligations required upon termination, including those listed in Section 10 of the Franchise Agreement.
2. Franchisee on his/her/its own behalf and on behalf of his/her/its servants, employees, heirs, successors and assigns does hereby release Franchisor, its officers, directors, shareholders, agents, parents, affiliates, subsidiaries, servants, employees, franchisees, partners, members, heirs, successors, principals and assigns (“Franchisor Released Parties”), from any and all claims, demands, causes of action, suits, debts, dues, duties, sums of money, accounts, reckonings, judgments, liabilities and obligations, both fixed and contingent, known and unknown, in law or in equity, under local law, state or federal law or regulation, from the beginning of time to the Effective Date, arising under or in connection with the Franchise Agreement or the business operated pursuant to the Franchise Agreement. Without limiting the generality of the foregoing, but by way of example only, the release shall apply to any and all state and federal antitrust, securities, breach of contract, fiduciary duty, or fraud claims and causes of action arising under or in connection with the Franchise Agreement to the extent permitted by law.
3. Franchisee has either been advised by independent counsel before signing this or, acknowledging the need for independent counsel, knowingly waives any such review and advice.
4. The governing law, methods of dispute resolution and any right to recovery of attorney’s

fees outlined in the Franchise Agreement shall apply to this Agreement as well.

5. This Agreement and the other documents referred to herein contain the entire agreement between the parties hereto pertaining to the subject matter hereof and supersede all prior agreements, except those contemplated hereunder. Any waiver, alteration or modification of any of the provisions of this Agreement or cancellation or replacement of this Agreement shall not be valid unless in writing and signed by the parties.

6. This Agreement shall be binding upon Franchisee and Franchisee's heirs and personal representatives and shall inure to the benefit of Franchisor and its respective successors and assigns. Franchisee may not assign this Agreement or any of the rights or obligations hereunder, without the express written consent of Franchisor.

7. Any waiver of any term of this Agreement by Franchisor will not operate as a waiver of any other term of this Agreement nor will any failure to enforce any provision of this Agreement operate as a waiver of Franchisor's right to enforce any other provision of this Agreement.

8. In the event any provision of this Agreement is ever deemed to exceed the limits permitted by any applicable law, the provisions set forth herein will be reformed to the extent necessary to make them reasonable and enforceable. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the remaining provisions, all of which are severable and will be given full force and effect.

9. This Agreement may be signed in counterparts, each of which when taken together shall form one valid and effective agreement which may be electronically signed, and any digital or electronic signatures (including pdf or electronically imaged signatures provided by DocuSign or any other nationally recognized digital signature provider) will be treated the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and delivery of any such electronic signature, or a signed copy of this Agreement, may be made by email or other electronic transmission.

10. Franchisee must maintain the confidentiality of this Agreement and shall not disclose the terms of this Agreement to any person or persons, except (a) professional advisors for legitimate business purposes or as required by law, or (b) as otherwise permitted in writing by Franchisor, or (c) as reasonably necessary for enforcement of any rights and remedies pursuant to this Agreement. Nothing in this Agreement will prohibit Franchisee, when required pursuant to a lawfully issued subpoena or discovery request or demand from government or police agency, from complying with the requirements of law with such subpoena, discovery, demand or request; provided, however, that Franchisee will, unless restricted from doing so by the terms of the subpoena or other circumstances or requested not to do so by the government or police agency (for example a gag order or law or rule that prohibits Franchisee from acting) provide Franchisor written notice, with time to seek relief if it wishes from disclosure pursuant to the subpoena, within one week of receipt of the subpoena.

11. Non-disparagement. Franchisee expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Franchisor Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Franchisor Released Parties, their business, or their reputation.

For the State of Washington: the general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted

thereunder.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above. This Agreement shall not be deemed effective until signed by both Parties.

CANNECT, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Dated: \_\_\_\_\_

FRANCHISEE

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Dated: \_\_\_\_\_

**EXHIBIT 7 TO  
FENG CHA FRANCHISE AGREEMENT**

**DISCLOSURE QUESTIONNAIRE**

**This Questionnaire should not be completed by residents of, or anyone seeking to locate a franchise in, the following states: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin.**

**California franchisees should not complete this Statement. If any California franchisee completes this Statement, it is against California public policy and will be void and unenforceable, and we will destroy, disregard, and will not rely on such Statement.**

As you know, you and CANNECT, LLC, a Texas limited liability company (“Franchisor”) are entering into a Franchise Agreement (the “Franchise Agreement”) for the operation of a Feng Cha Store (the “Franchised Business”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually, and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

**Acknowledgments and Representations**

1. Did you receive a copy of Franchisor’s Franchise Disclosure Document (and all exhibits and attachments at least 14 calendar days prior to signing the Franchise Agreement or paying any consideration to the Franchisor (10 business days for Michigan; the earlier of 10 business days or the first personal meeting for New York; and the earlier of 14 calendar days or the first personal meeting for Iowa)? Check one:  Yes  No. If no, please comment:

\_\_\_\_\_

2. Have you studied and reviewed carefully Franchisor’s Franchise Disclosure Document and Franchise Agreement? Check one:  Yes  No. If no, please comment:

\_\_\_\_\_

3. Did you receive a copy of the Franchise Agreement with any unilateral material changes made by Franchisor at least seven calendar days prior to the date on which the Franchise Agreement was executed? Check one:  Yes.  No If no, please comment:

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4. Do you understand all the information contained in both the Franchise Disclosure Document and Franchise Agreement? Check one  Yes  No. If no, please comment:

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5. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Franchise Disclosure Document, including statements, promises or agreements concerning advertising, marketing, training, support services or assistance to be furnished to you? Check one:  No  Yes. If yes, please state in detail the oral, written or visual claim or representation:

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6. Did any employee, broker, or other person speaking on behalf of Franchisor make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted, or projected sales, revenues, expenses, earnings, income or profit levels at any Franchised Business, or the likelihood of success at your Franchised Business? Check one:  No  Yes. If yes, please state in detail the oral, written or visual claim or representation:

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7. Do you understand that the Franchise granted is for the right to develop one Franchised Business and that Franchisor has the right, subject only to the limited rights granted to you under the Franchise Agreement, to issue Franchises or licenses or operate competing businesses for or at locations, as Franchisor determines, near your Franchised Business? Check one:  Yes  No. If no, please comment:

---

8. Do you understand that the Franchise Agreement contains the entire agreement between you and Franchisor concerning your Franchised Business, meaning that any prior oral or written statements not set out in the Franchise Agreement or Franchise Disclosure Document will not be binding? Check one:  Yes  No. If no, please comment:

---

9. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and experience, your business acumen, your location, the local market for Franchised Business products and services, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your Franchised Business may change? Check one  Yes  No. If no, please comment:

---

10. You further acknowledge that Executive Order 13224 (the “Executive Order”) prohibits transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the “Anti-Terrorism Measures”). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

11. Please list all states in which the undersigned are residents: \_\_\_\_\_.

**YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO FRANCHISOR AND THAT FRANCHISOR WILL RELY ON THEM. BY SIGNING THIS DOCUMENT, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.**

**NOTE: IF THE FRANCHISEE IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.**

Signed: \_\_\_\_\_

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

Signed: \_\_\_\_\_

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

**EXHIBIT 8 TO  
FENG CHA FRANCHISE AGREEMENT  
CONSENT TO TRANSFER  
FORM OF TRANSFER AGREEMENT**

This Transfer Agreement (this “Agreement”) is made and entered into as of the date executed by Franchisor (the “Effective Date”) by and among CANNECT, LLC , a Texas limited liability company having its principal place of business located at 412 N. Bowser Rd., Richardson TX 75081 (“Franchisor”), \_\_\_\_\_ (“Transferor”), \_\_\_\_\_ (collectively “Transferor Guarantors”), \_\_\_\_\_ (“Transferee”) and \_\_\_\_\_ (“Transferee Guarantors”).

**WITNESSETH:**

**WHEREAS**, a Franchise Agreement dated as of \_\_\_\_\_ (the “Franchise Agreement”) was executed by and between Franchisor on the one hand, and Transferor on the other, for the operation of a franchised business with a ~~Aaccepted~~Approved Location as outlined on Exhibit 1 to the Franchise Agreement, as amended (the “Franchised Business”).

**WHEREAS**, Transferor desires to transfer to Transferee substantially all of the assets of the Transferor’s business (the “Transferred Business”) which business is responsible for operating the Franchised Business, and Transferor has requested that Franchisor consent to the transfer thereof to Transferee. This Agreement is executed and delivered simultaneously with, and as a condition of the closing of the sale of the aforementioned assets.

**NOW, THEREFORE**, in consideration of the mutual covenants and conditions herein contained, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties agree as follows:

**AGREEMENT:**

1. Recitals Included in Agreement. The parties incorporate into this Agreement the recitals set forth above as if set forth in full.

2. Consent. Franchisor hereby consents to and waives any right of first refusal in connection with the sale and the transfer by Transferor to Transferee (the “Transaction”), subject to the terms of this Agreement. Franchisor’s consent to the Transaction is subject to and made in reliance upon the following terms, conditions, representations and warranties. Transferor’s and/or Transferee’s failure to comply with the terms of this Agreement will result in a default and render the Transaction void:

A. Transferor represents, warrants, covenants and agrees that each of the following are true and correct as of its date of execution, and shall remain true through the Closing (as defined herein):

(1) Transferor is the sole owner of, and possesses good and marketable right, title and interest in and to, the Transferred Business; and no other person or entity owns or has any right, title or

interest in and to the Franchise Agreement, Franchised Business and the Transferred Business.

(2) Transferor Guarantor is the sole owners of Transferor, and no other person or entity has an equity or beneficial ownership interest in Transferor.

(3) The execution and delivery of this Agreement and the consummation of the Transaction do not conflict with or result in a breach of the terms and conditions of, accelerate any provision of, or constitute a default under, the certificate of formation or operating agreement of Transferor, or any lease, contract, promissory note or agreement to which Transferor is a party or is bound.

(4) Transferor and Transferor Guarantor acknowledge and agree that by entering into this Agreement, all of Transferor's rights under the Franchise Agreement will be terminated as of the Closing however, Transferor and Transferor Guarantor shall continue to be bound by the post-termination restrictions and covenants contained in the Franchise Agreement and any schedules attached thereto. Transferor and Transferor Guarantor must sign a Termination Agreement and Release as a condition to Franchisor's consent hereunder.

B. Transferee represents, warrants, covenants and agrees that each of the following are true and correct as of its respective date of execution, and shall remain true through the Closing:

(1) Transferee will be the sole owner of and possess good and marketable right, title and interest in, and no other person or entity will own or have any right, title or interest in and to the Franchise Agreement, Franchised Business and the assets of the Transferred Business. Transferee will be executing a new Franchise Agreement. Transferee Guarantor is the sole owner of Transferee. Transferee's Guarantor will execute the Statement of Ownership Interest and Guaranty attached to the new Franchise Agreement.

(2) The execution and delivery of this Agreement and the consummation of the Transaction do not conflict with or result in a breach of the terms and conditions of, accelerate any provision of, or constitute a default under, the certificate of formation or operating agreement of Transferee, or any lease, contract, promissory note or agreement to which Transferee or Transferee Guarantor are a party or are bound.

(3) Transferee relied solely and exclusively on Transferee's own independent investigation of the franchise system and of the Franchised Business and the historical financial records of the Franchised Business provided to Transferee by Transferor; and based on the receipt of the actual historical performance of the Franchised Business it would not be reasonable to rely on the financial performance representation contained in Franchisor's Franchise Disclosure Document, or any other financial performance representation, pro forma or projection that differed or diverged, in whole or in part, from the Franchised Business' actual historical financial performance.

C. To the extent not already completed, Transferee (or Transferee Guarantor, if an entity) and any required employees shall attend and complete, to the satisfaction of Franchisor, Franchisor's training program required of new franchisees, at the time directed by Franchisor.

D. Transferee represents, warrants, covenants and agrees that all information furnished or to be furnished to Franchisor by Transferee in connection with Transferee's request to receive a transfer is and will be, as of the date such information is furnished, and through the date of the Closing, true and correct in all material respects and will include all material facts necessary to make the information not misleading in light of the circumstances.

E. Transferor and Transferee represent, warrant and agree that, subject to Franchisor's consent, Transferor will sell and transfer, and Transferee will acquire, the assets of the Transferred Business and that all legal actions necessary to effect the sale and transfer have been or will be accomplished prior to or at Closing.

F. Effective as of the day and time Transferee takes title of the assets of the Transferred Business ("Closing"), Transferee expressly agrees to be bound by and observe and faithfully perform all of the obligations, agreements, commitments and duties under the new Franchise Agreement. Only Transferor will have the right to operate the Franchised Business until Closing, unless otherwise expressly agreed in writing.

3. Transferee will be required to pay \_\_\_\_\_ (the "fee").

4. No Security Interests in the Assets of Transferee. The parties acknowledge and agree that Transferor is not permitted to retain a security interest in the assets of the Transferred Business or the franchise without Franchisor's prior consent.

5. Non-Participation. Transferor, Transferor's Guarantor, Transferee's Guarantor and Transferee jointly and severally, acknowledge and agree that, except for the preparation and execution of this Agreement, Franchisor has not participated in the Transaction between them and, therefore, has no knowledge of, and does not attest to, the accuracy of any representations or warranties made by or between Transferor and Transferee in connection with this transfer. Franchisor assumes no obligations in that regard. Transferor acknowledges and agrees that the sale of the assets of the Transferred Business is for Transferor's own account.

6. Insurance. Prior to Closing, Transferee must provide Franchisor with a Certificate of Insurance for the insurance coverages specified in the franchise agreement, which policy(ies) must name Franchisor and all related parties as an additional insured.

7. Changed Circumstances. All parties understand and acknowledge that Franchisor may, in the future, approve offerings and transfers under different terms, conditions and policies. Franchisor's consent and waiver in this instance shall not be relied upon in future transactions as indicative of Franchisor's position or the conditions that might be attached to future consents or waivers of its right of first refusal.

8. Singular Consent. Transferor and Transferee acknowledge and agree that Franchisor's execution of this Agreement is not intended to provide, and shall not be construed as providing, Franchisor's consent with regard to a transfer of any right or interest under any other agreement not specifically identified in this Agreement. Such consent must be separately obtained.

9. Validity. If any material provision or restriction contained herein shall be declared void or unenforceable under applicable law, the parties agree that such provision or restriction will be reformed to the extent necessary to make it valid and enforceable. To the extent a provision cannot be reformed, it shall be stricken, and the remainder of this Agreement will continue in full force and effect. Notwithstanding this Paragraph, however, the parties agree that, to the extent Franchisor suffers harm as a consequence of the striking of such provision or restriction, the other parties to this Agreement shall exercise best efforts to make Franchisor whole.

10. Indemnification. Transferor and Transferor Guarantor, jointly and severally, agree to indemnify, defend and hold harmless Franchisor and its predecessors, parents, successors and

affiliates and any of their principals, owners, shareholders, employees or agents from and against any claims, losses, liabilities, costs or damages incurred by them as a result of or in connection with the transfer to Transferee or any dispute between Transferor and Transferee.

11. Counterparts. This Agreement may be signed in counterparts, each of which when taken together shall form one valid and effective agreement which may be electronically signed, and any digital or electronic signatures (including pdf or electronically imaged signatures provided by DocuSign or any other nationally recognized digital signature provider) will be treated the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and delivery of any such electronic signature, or a signed copy of this Agreement, may be made by email or other electronic transmission.

12. Miscellaneous. The parties hereto agree that this Agreement constitutes, upon the execution of this Agreement by all of the parties and after it has been accepted and executed by Franchisor, the complete understanding between the parties regarding the subject matter hereof, and no representation, agreement, warranties, or statement, oral or in writing, not contained herein, shall be of any force and effect against any party, except any Termination Agreement and Release and any new Franchise Agreement executed in connection with the transfer shall be valid and read in conjunction with this Agreement. The waiver by any party of any breach or violation of any provision of this Agreement will not operate or be construed as a waiver of any other or subsequent breach or violation hereof. This Agreement will be binding upon and inure to the benefit of the parties, and their respective heirs, executors, successors and assigns. The governing law and methods of dispute resolution in the Franchise Agreement shall govern this Agreement as well.

13. Agreement Survives Closing. All representations, warranties, terms and conditions set forth in this Agreement shall survive the execution and delivery of this Agreement, the Closing, and the consummation of the Transaction provided for herein.

14. Review of Agreement and Representation. Transferor, Transferor Guarantor, Transferee Guarantor and Transferee each represent and acknowledge that he/she/it has received, read and understands this Agreement and that Franchisor has fully and adequately explained the provisions to each to their satisfaction; and that Franchisor has afforded each of them ample time and opportunity to consult with advisors of their own choosing about the potential benefits and risks of entering into this Agreement.

I HAVE READ THE ABOVE AGREEMENT. I WOULD NOT SIGN THIS AGREEMENT, IF I DID NOT UNDERSTAND IT AND AGREE TO BE BOUND BY ITS TERMS.

**FRANCHISOR:**

**CANNECT, LLC**

**By:** \_\_\_\_\_  
**Name:** \_\_\_\_\_  
**Dated:** \_\_\_\_\_

**TRANSFEROR:**

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

Name:

Title:

Dated: \_\_\_\_\_

**TRANSFEROR'S GUARANTORS:**

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

Dated: \_\_\_\_\_

**TRANSFeree:**

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

Name:

Title:

Dated: \_\_\_\_\_

**TRANSFeree'S GUARANTORS:**

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

Dated: \_\_\_\_\_

**EXHIBIT 9 TO  
FENG CHA FRANCHISE AGREEMENT**

**ASSIGNMENT AND ASSUMPTION AGREEMENT**

**(PARTNERSHIP, CORPORATION or LIMITED LIABILITY COMPANY)**

THIS ASSUMPTION AND ASSIGNMENT AGREEMENT (the “**Agreement**”) is made and entered into as of the date this Agreement is executed by Franchisor (the “**Effective Date**”) by and among CANNECT, LLC, a Texas limited liability company having its principal place of business at 412 N. Bowser Rd., Richardson TX 75081 (“**Franchisor**”), \_\_\_\_\_ an individual with an address at \_\_\_\_\_ (“**Assignor**”), and \_\_\_\_\_ (“**Assignee**”).

**BACKGROUND**

A. Assignor and Franchisor entered into a certain Franchise Agreement dated \_\_\_\_\_ (the “**Franchise Agreement**”) whereby Assignor was given the right and undertook the obligation to operate a Feng Cha Store (the “**Franchised Business**”) ~~in~~ at the ~~Territory~~Approved Location listed on Exhibit 1 to the Franchise Agreement.

B. Assignor has organized and incorporated Assignee for the convenience and sole purpose of owning and operating the Franchised Business.

C. Assignor desires to assign the rights and obligations under the Franchise Agreement to Assignee pursuant to and in accordance with the provisions of the Franchise Agreement.

D. Franchisor is willing to consent to the assignment of the Franchise Agreement to Assignee, subject to the terms and conditions of this Agreement, including the agreement by Assignor to guarantee the performance by Assignee of its obligations under the Franchise Agreement.

**AGREEMENT**

In consideration of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Assignor hereby assigns and transfers over to Assignee all right, title and interest in and to the Franchise Agreement, effective as of the Effective Date.

2. Assignee hereby assumes all of Assignor’s obligations, agreements, commitments, duties and liabilities under the Franchise Agreement, and agrees to be bound by and observe and faithfully perform all of the obligations, agreements, commitments and duties of the Franchisee thereunder with the same force and effect as if the Franchise Agreement were originally written with Assignee as Franchisee.

3. Exhibit A to this Agreement lists all of Assignee’s owners and their interests in Assignee as of the Effective Date. Assignee agrees that it and its owners will sign and deliver to Franchisor a revised Exhibit A to reflect any permitted changes in the information that Exhibit A now contains.

4. The Assignor as an owner of Assignee and in consideration of benefits received and to be received, shall sign and deliver to Franchisor a personal guaranty in the form attached as Exhibit B to this Agreement.

5. Assignor, for himself/herself and his/her agents, servants, employees, partners, members, heirs, predecessors, successors and assigns does hereby release Franchisor, its officers, directors, shareholders, agents, affiliates, subsidiaries, servants, employees, partners, members, heirs, successors and assigns, from any and all claims, demands, causes of action, suits, debts, dues, duties, sums of money, accounts, reckonings, judgments, liabilities and obligations, both fixed and contingent, known and unknown, in law or in equity, under local law, state or federal law or regulation which he/she had, from the beginning of time to this date, arising under or in connection with the Franchise Agreement.

6. Assignee agrees that the Franchised Business which Assignee will operate will be the only business Assignee operates (although Assignor may have other, non-competitive business interests).

7. This Agreement shall be binding upon and inure to the benefit of the parties and their heirs, successors and assigns.

8. The governing law and methods of dispute resolution in the Franchise Agreement shall govern this Agreement as well.

9. This Agreement, and the documents referenced herein, shall constitute the entire integrated agreement between the parties with respect to the subject matter contained herein and shall supersede any prior agreements, verbal or written. This Agreement shall not be subject to change, modification, amendment or addition without the express written consent of all the parties.

10. If Franchisor retains the services of legal counsel to enforce the terms of this Agreement, Franchisor shall be entitled to recover all costs and expenses, including travel, reasonable attorney, expert and investigative fees, incurred in enforcing the terms of this Agreement.

11. Each party declares that the terms of this Agreement have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and confer with counsel.

12. The obligations of Assignor and Assignee under this Agreement shall be joint and several.

**I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

ASSIGNOR:

\_\_\_\_\_

Dated: \_\_\_\_\_

ASSIGNEE:

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

Name:

Title:

Dated: \_\_\_\_\_

FRANCHISOR:

CANNECT, LLC

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

Name:

Title:

Dated: \_\_\_\_\_

**EXHIBIT A TO FENG CHA  
ASSUMPTION AND ASSIGNMENT AGREEMENT**

**STATEMENT OF OWNERSHIP INTERESTS**

**Franchisee Owners**

1. **Form of Owner.** (Choose (a) or (b))

(a) **Individual Proprietorship.** List individual(s):

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(b) **Corporation, Limited Liability Company, or Partnership:**

Name: \_\_\_\_\_  
Date of incorporation or formation: \_\_\_\_\_  
State of incorporation of formation: \_\_\_\_\_

The following is a list of your directors/managers/officers, as applicable, and officers as of the date of execution:

**Name of Each Director/Manager/Officer**

**Position(s) Held**

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. **Principals.** The following list includes the full name of each person or entity who is one of your owners and fully describes the nature of each owner's interest (attach additional pages if necessary).

**Principal's Name**

**Percentage/Description of Interest**

(a) _____	_____
(b) _____	_____

(c) \_\_\_\_\_

(d) \_\_\_\_\_

3. **Identification of Operating Principal.** Your Operating Principal is \_\_\_\_\_  
\_\_\_\_\_ (must be one of the individuals listed in paragraph 2 above. You may not change  
the Operating Principal without prior written approval. The Operating Principal is the person authorized to  
receive communications regarding this Agreement).

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

\_\_\_\_\_

E-mail Address: \_\_\_\_\_

**FRANCHISEE**

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

Name:

Title:

Dated: \_\_\_\_\_

**CANNECT, LLC**

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

Name:

Title:

Dated: \_\_\_\_\_

**EXHIBIT B TO FENG CHA  
ASSUMPTION AND ASSIGNMENT AGREEMENT**

The undersigned persons designated as “Principals” hereby represent to CANNECT, LLC (“Franchisor”) that they are all of the shareholders of, or all of the general partners of, all of the members and managers of, \_\_\_\_\_ (“Franchisee”), as the case may be. Each such Principal also represents that his or her spouse is also listed herein as a “Spousal Guarantor”. In consideration of the grant by Franchisor to \_\_\_\_\_, as provided under the franchise agreement dated \_\_\_\_\_, and later assigned to Franchisee (the “Franchise Agreement”), each of the undersigned agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves, their heirs, legal representatives and assigns that they, and each of them, shall be firmly bound by all of the terms, provisions and conditions of the foregoing Franchise Agreement, that they and each of them do unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the Franchise Agreement, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the Franchise Agreement to Franchisor and/or its affiliate, and that they and each of them shall not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first notifying Franchisor of said proposed transfer and obtaining the prior written consent of Franchisor, following Franchisor’s transfer procedures and without first paying or causing to be paid to Franchisor any required transfer fee. The undersigned further agree to be bound by the in-term and post-termination covenants of the Franchise Agreement including, without limitation, those relating to confidentiality and non-competition. The undersigned also agree that the governing law and methods for resolution of disputes which govern this Guaranty shall be the same as those outlined in the Franchise Agreement.

**EACH GUARANTOR ACKNOWLEDGES THAT HE OR SHE HAS READ THIS PERSONAL GUARANTY, UNDERSTANDS ITS TERMS, AND GUARANTOR WOULD NOT SIGN THIS PERSONAL GUARANTY IF GUARANTOR DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

**Undersigned:**

Principals:

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

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

Spousal Guarantors:

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

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

**EXHIBIT 10 TO  
FENG CHA FRANCHISE AGREEMENT**

**TELEPHONE, INTERNET WEB SITES AND LISTINGS AGREEMENT**

**THIS TELEPHONE, INTERNET WEB SITES AND LISTINGS AGREEMENT** (the “Agreement”) is made and entered into as of the date it is executed by Franchisor (the “Effective Date”), by and between CANNECT, LLC, a Texas limited liability company (the “Franchisor”), and \_\_\_\_\_ (the “Franchisee”).

**W I T N E S S E T H:**

**WHEREAS**, Franchisee desires to enter into a Franchise Agreement with Franchisor for the right to own and operate a Feng Cha Store (the “Franchise Agreement”); and

**WHEREAS**, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

**NOW, THEREFORE**, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**1. DEFINITIONS**

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. “Termination” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

**2. TRANSFER; APPOINTMENT**

2.1 Interest in Telephone Numbers, Internet Web Sites and Listings. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of the Franchise Agreement, certain right, title, and interest in and to certain telephone numbers and telephone directory listings (collectively, the “Telephone Numbers and Listings”); social media accounts, domain names, hypertext markup language, uniform resource locator addresses, and access to corresponding Internet web sites, blogs, vlogs, email addresses and the right to hyperlink to certain web sites and listings on various Internet search engines (collectively, the “Internet Web Sites and Listings”) related to the Franchised Business or the Proprietary Marks (all of which right, title, and interest is referred to herein as “Franchisee’s Interest”).

2.2 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately direct all Telephone companies or listing companies, Internet Service Providers, social media platforms, domain name registries, Internet search engines, and other listing agencies (collectively, the “Companies”) with which Franchisee has Telephone Numbers and Listings or

Internet Web Sites and Listings: (i) to transfer all of Franchisee's Interest in such Telephone Numbers and Listings or Internet Web Sites and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Numbers and Listings or Internet Web Sites and Listings, Franchisee will immediately terminate Telephone Numbers and Listings or Internet Web Sites and Listings, or if such termination requires the involvement of the Companies, immediately direct the Companies to terminate such Telephone Numbers and Listings or Internet Web Sites and Listings and Franchisee will take such other actions as Franchisor directs.

2.3 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.3.1 Direct the Companies to transfer all Franchisee's Interest to Franchisor;

2.3.2 Direct the Companies to terminate any or all of the Telephone Numbers and Listings or Internet Web Sites and Listings; and

2.3.3 Execute the Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

2.4 Certification of Termination. Franchisee hereby directs the Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.5 Cessation of Obligations. After the Companies have duly transferred all Franchisee's Interest to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or continuing obligations under, such Telephone Numbers and Listings or Internet Web Sites and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Companies for the sums Franchisee is obligated to pay such Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest and shall remain liable for any actions occurring prior to the date of transfer.

### 3. MISCELLANEOUS

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights,

demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Telephone Numbers and Listings or Internet Web Sites and Listings.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, shall inure to Franchisor and its successors and assigns and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's heirs, representatives, successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 Effect on Other Agreements. This is agreement and the documents referenced herein constitute the entire agreement between the parties related to the subject matter herein.

3.7 Survival. This Agreement shall survive the Termination of the Franchise Agreement.

3.8 Joint and Several Obligations. All Franchisee's obligations under this Agreement shall be joint and several.

3.9 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Texas, without regard to the application of Texas conflict of law rules.

IN WITNESS WHEREOF, the undersigned have executed or caused their duly authorized representatives to execute this Agreement.

CANNECT, LLC:

FRANCHISEE:

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

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

Dated: \_\_\_\_\_

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

**EXHIBIT 11 TO  
FENG CHA FRANCHISE AGREEMENT**

**ELECTRONIC TRANSFER AUTHORIZATION**

**AUTHORIZATION TO HONOR CHARGES DRAWN BY AND  
PAYABLE TO CANNECT, LLC (“COMPANY”)**

Depositor hereby authorizes and requests \_\_\_\_\_ (the “Depository”) to initiate debit and credit entries to Depositor’s  checking or  savings account (select one) indicated below drawn by and payable to the order of CANNECT, LLC by Electronic Funds Transfer, provided there are sufficient funds in said account to pay the amount upon presentation.

Depositor agrees that the Depository’s rights with respect to each such charge shall be the same as if it were a check drawn by the Depository and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Depository shall be under no liability whatsoever.

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

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Transit/ABA Number: \_\_\_\_\_ Account Number: \_\_\_\_\_

This authority is to remain in full force and effect until Depository has received written notification from CANNECT, LLC and Depositor of its termination.

Depositor: (Please Print)

\_\_\_\_\_

Date Signed

\_\_\_\_\_

Signature(s) of Depositor, as Printed Above

**Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.**

# **Exhibit C**

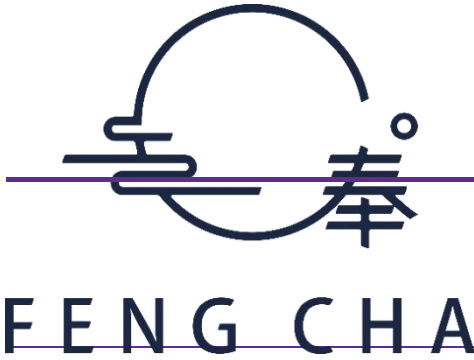
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## **MULTI-UNIT DEVELOPER AGREEMENT**

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**Cannect, LLC**

**CANNECT, LLC  
MULTI-UNIT DEVELOPER AGREEMENT**





**FENG CHA**

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**CANNECT, LLC  
MULTI-UNIT DEVELOPER AGREEMENT**

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- EXHIBIT 6 - ASSIGNMENT AND ASSUMPTION AGREEMENT

**CANNECT, LLC  
MULTI-UNIT DEVELOPER AGREEMENT**

This Multi-Unit Developer Agreement (the "Agreement") is entered into and made by and between Cconnect, LLC, a Texas limited liability company, with its principal business address at 412 N. Bowser Rd., Richardson TX 75081 ("Company") and \_\_\_\_\_ with a principal address at \_\_\_\_\_ ("Developer") on the date this Agreement is executed by the Company below (the "Effective Date").

**BACKGROUND**

**A.** The Company and/or its equity owners, parent, predecessor or affiliate, through the expenditure of considerable money, time and effort, has developed a system (the "Feng Cha System" or "System") for the establishment, development and operation of Feng Cha businesses (each a "Franchised Business" or a "Feng Cha Business"). The System includes our proprietary marks, recognized designs, decor and color schemes, trade dress, distinctive specifications for fixtures, IT platforms, equipment, and designs; recipes, know-how, and trade secrets; procurement of customers, sales techniques, and merchandising, marketing, advertising, record keeping and business management systems; quality control procedures; and procedures for operation and management of a Franchised Business.

**B.** The Feng Cha System is identified by various trade names, trademarks and service marks used by the Company and its franchisees including, without limitation, the trademark "Feng Cha" and other identifying marks and symbols that the Company uses now or may later use as part of the Feng Cha System (the "Proprietary Marks"). The rights to all the Proprietary Marks shall be owned exclusively by the Company, its equity owners, parent, predecessor or its affiliate.

**C.** The Company is engaged in the business of granting franchises to qualified individuals and business entities to use the System to operate a Feng Cha Business.

**D.** Developer wishes to obtain certain development rights to develop Feng Cha businesses under the System, to be identified with the Proprietary Marks in the Development Area described in this Agreement, and to be trained by the Company to establish and operate Feng Cha businesses.

NOW, THEREFORE, the parties, in consideration of the mutual covenants and commitments herein contained, hereby agree as follows:

**1. GRANT**

1.1 The Company hereby grants to Developer, pursuant to the terms and conditions of this Agreement, the development rights outlined herein, and Developer

hereby undertakes the obligation, to establish and open the Feng Cha Businesses, pursuant to the development schedule set forth in Exhibit "3" (the "Development Schedule") at specific locations to be designated in separate franchise agreements (the "Franchise Agreements") executed by Developer as provided in Section 3.1 hereof. Each Franchised Business developed hereunder shall be located in the area described in Exhibit "1" (the "Development Area") attached hereto.

1.2 Each Franchised Business developed hereunder shall be established and operated pursuant to a separate Franchise Agreement entered into between Developer or its affiliate and the Company in accordance with Section 3.1 hereof.

1.3 Except as otherwise provided in this Agreement, subject to Developer's full compliance with this Agreement and the full compliance of Developer and its affiliates with any other agreement between Developer or any of its affiliates and the Company or any of its affiliates, neither the Company nor any affiliate shall establish, or authorize any person or entity other than Developer or any of its affiliates to establish, a Feng Cha business in the Development Area (other than in a Reserved Area) during the term of this Agreement. The Franchisor and its affiliates have and retain all rights within and outside the Development Area except those expressly granted to Developer. Accordingly, the Company, its affiliates, and any other authorized person or entity shall have the right, among others: (1) to develop and establish other business systems using the Proprietary Marks and the right to develop and establish other names or marks and to grant licenses to use those systems at any location without providing any rights to Developer; (2) to advertise and promote the System in the Development Area; (3) to operate, and license others to operate, Feng Cha businesses at any location outside the Development Area and in any Reserved Area, including locations that are adjacent to the Development Area; (4) to operate or license any type of business under other names or marks inside or outside the Development Area; (5) to acquire the assets or ownership interest in (or merge or become affiliated with) one or more businesses operating under names other than the Proprietary Marks, including competing businesses, and the right to convert those locations to Feng Cha businesses, regardless of location, and the right to be acquired by (or merge or become affiliated with) any other business operating under names other than the Proprietary Marks, including a competing business, with locations anywhere, which may result in the required conversion of Feng Cha businesses; and (6) except for any restriction set forth in the Franchise Agreements, to engage, directly or indirectly, at wholesale, retail or otherwise, in the production, distribution, license and sale of any and all food, beverages, or other services and products, under the Proprietary Marks, or under other names or marks, within and outside the Development Area, through any method of distribution, including, but not limited to, from or through catering, delivery, temporary or seasonal facilities at special events or venues (including, without limitation, concerts, street fairs, parks, parades, sporting events, and similar venues), mail order catalogs or the Internet, regardless of the proximity to, or the competitive impact on, Developer's Feng Cha Businesses. "Reserved Areas" shall include any mall (defined as an enclosed indoor or outdoor retail space consisting of 250,000 or more square feet); airport; train or bus station; hospital; school, college, university or other educational institution; hotel, resort or other lodging facility; amusement park; sports facility; state or national parks;

exhibition hall, conference facility or convention center; casino or gambling establishment; military base; highway plaza or rest stops; or any similar area.

1.4 This Agreement is not a franchise agreement, and does not grant to Developer any right to use in any manner the Proprietary Marks or System. Developer shall have no right under this Agreement to license others to use in any manner the Proprietary Marks or System.

**2. DEVELOPMENT FEE**

2.1 In consideration of the development rights granted herein, Developer shall pay to the Company, upon execution of this Agreement, the development fee set forth on Exhibit "3" (the "Development Fee"), which shall be deemed fully earned and non-refundable upon execution of this Agreement in consideration of the administrative and other expenses incurred by the Company and for the development opportunities lost or deferred as a result of the rights granted Developer herein.

**3. DEVELOPMENT OBLIGATIONS**

3.1 In exercising its development rights and fulfilling its development obligations under this Agreement, Developer shall execute a Franchise Agreement for each Franchised Business at a site approved by the Company in the Development Area as hereinafter provided. The Franchise Agreement for the first Franchised Business developed hereunder shall be in the form of the then current Franchise Agreement and shall be executed concurrently with this Agreement. The Franchise Agreement for each additional Franchised Business developed hereunder shall be the form of the then-current Franchise Agreement being offered for new Feng Cha businesses, generally, by the Company at the time each such Franchise Agreement is executed (which shall be executed prior to Developer entering into any lease agreement for an approved site). and must be executed (and the balance of the initial franchise fee must be paid) at least 12 months prior to the expected date of opening as listed in the Development Schedule).

The terms and conditions of each subsequent Franchise Agreement signed by Developer may differ from the previous Franchise Agreement, however, Developer shall not be required to pay a separate initial franchise fee for the first Franchise Agreement executed pursuant to this Section 3.1. The initial franchise fee for each location beyond the first location will be discounted with location 2 equaling \$30,000 and locations 3 and beyond each equaling \$25,000 with 50% of the discounted amount paid as part of the development fee and the remaining 50% due when each applicable franchise agreement is signed. In addition, each Franchise Agreement will be subject to the below royalty discounts (to the extent applicable) based on the number of Feng Cha stores Developer operates. The below royalty discounts are not transferrable.

Development Agreement for 2 Stores - Royalty Discount  
1<sup>st</sup> Year of Operation - 1% No Discount  
2<sup>nd</sup> Year of Operation - No Discount  
3<sup>rd</sup> Year of Operation - No Discount



**Development Agreement for 3 Stores – Royalty Discount**

	<b>1<sup>st</sup> Year of Operations</b>	<b>2<sup>nd</sup> Year of Operations</b>	
<b>First Two Stores</b>	1%	No Discount	
<b>Third Store</b>	No Discount	No Discount	

**Development Agreement for 4 Stores – Royalty Discount**

	<b>1<sup>st</sup> Year of Operations</b>	<b>2<sup>nd</sup> Year of Operations</b>	
<b>First 2 Stores</b>	2%	1%	
<b>3<sup>rd</sup> Store</b>	1%	No Discount	
<b>4<sup>th</sup> Store</b>	No Discount	No Discount	

**Development Agreement for 5 Stores – Royalty Discount**

	<b>1<sup>st</sup> Year of Operations</b>	<b>2<sup>nd</sup> Year of Operations</b>	
<b>First 2 Stores</b>	2%	1%	
<b>3<sup>rd</sup> and 4<sup>th</sup> Stores</b>	1%	No Discount	
<b>5<sup>th</sup> Store</b>	No Discount	No Discount	

**Development Agreement for 6 Stores – Royalty Discount**

	<b>1<sup>st</sup> Year of Operations</b>	<b>2<sup>nd</sup> Year of Operations</b>	
<b>First 3 Stores</b>	2%	1%	
<b>4<sup>th</sup> and 5<sup>th</sup> Stores</b>	1%	No Discount	
<b>6<sup>th</sup> Store</b>	No Discount	No Discount	

**Development Agreement for 7 Stores – Royalty Discount**

	<b>1<sup>st</sup> Year of Operations</b>	<b>2<sup>nd</sup> Year of Operations</b>	
<b>First 4 Stores</b>	2%	1%	
<b>5<sup>th</sup> and 6<sup>th</sup> Stores</b>	1%	No Discount	
<b>7<sup>th</sup> Store</b>	No Discount	No Discount	

**Development Agreement for 8 Stores – Royalty Discount**

	<b>1<sup>st</sup> Year of Operations</b>	<b>2<sup>nd</sup> Year of Operations</b>	
<b>First 5 Stores</b>	2%	1%	
<b>6<sup>th</sup> and 7<sup>th</sup> Stores</b>	1%	No Discount	
<b>8<sup>th</sup> Store</b>	No Discount	No Discount	

**Development Agreement for 9 Stores – Royalty Discount**

	<b>1<sup>st</sup> Year of Operations</b>	<b>2<sup>nd</sup> Year of Operations</b>	
<b>First 6 Stores</b>	2%	1%	



7 <sup>th</sup> and 8 <sup>th</sup> Stores	1%	No Discount
9 <sup>th</sup> Store	No Discount	No Discount
<b>Development Agreement for 10 Stores – Royalty Discount</b>		

1 <sup>st</sup> Year of Operations	2 <sup>nd</sup> Year of Operations	3 <sup>rd</sup> Year of Operations
3%	2%	1%
No Discount	No Discount	No Discount

3.2 Prior to Developer's acquisition by lease or purchase of any site for a Franchised Business, Developer shall submit to the Company, in the form specified by the Company, the description of the proposed site and such information or materials as the Company may reasonably require, together with a letter of intent or other evidence satisfactory to the Company which confirms Developer's favorable prospects for obtaining the proposed site. The Company shall have sixty (60) days after receipt of the description of the proposed site and other information and materials from Developer to exercise its right and option, in writing, to approve or disapprove the proposed site for development as a Franchised Business. In the event the Company does not approve a proposed site by written notice to Developer within such sixty (60) days, such site shall be deemed disapproved by the Company. The Company may present sites to Developer which meet the criteria and are available, but Developer shall have no obligation to accept any such sites. Developer acknowledges that Developer, and not the Company, has the duty and obligation to obtain an approved site for each Franchised Business.

3.3 Developer acknowledges that Developer is solely responsible for locating and securing sites acceptable to the Company and for negotiating leases for the sites acceptable to the Company. Developer shall submit to the Company the information developed at Developer's expense that the Company requests concerning any site and lease proposed by Developer for the Company's approval under this Agreement at any time as the Company may request. Developer acknowledges and agrees that the Company's review of the site information and lease (if any), presentation of a site to Developer, and/or approval does not constitute an assurance, representation or warranty of any kind, express or implied, as to the suitability of the site for a Franchised Business or any lease terms or for any other purpose, or of its compliance with any federal, state or local laws, codes or regulations, including, without limitation, the applicable provisions of the Americans with Disabilities Act regarding the construction, design and operation of the Franchised Business. The Company's presentation and/or approval of the site and/or lease (if any) indicates only that the Company believes the site and lease complies with acceptable minimum criteria established by the Company solely for its purposes as of the time of the evaluation. Both Developer and the Company acknowledge that application of criteria that have been effective with respect to other sites and premises under the System may not be predictive of potential for all sites and leases and that, subsequent to the Company's approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from the Company's criteria could change, thereby altering the potential of a site or lease. Such factors are

unpredictable and are beyond the Company's control. The Company shall not be responsible for the failure of a site or lease presented or approved by the Company to meet Developer's expectations as to revenue or operational criteria. Developer further acknowledges and agrees that its acceptance of a franchise for the operation of a Feng Cha business at the site or lease is based on its own independent investigation of the suitability of the site or the lease.

3.4 Recognizing that time is of the essence, Developer agrees, by the dates described in the Development Schedule, to (i) execute each subsequent Franchise Agreement and (ii) have open and operating the minimum cumulative number of Franchised Businesses. If Developer fails, by the respective dates set forth in the Development Schedule to (1) execute the Franchise Agreements for the number of locations described in the Development Schedule and (2) have open and operating the minimum number of Franchised Businesses required in the Development Schedule, Developer shall be in material default of this Agreement, and the Company shall have the right to all remedies described in Section 6.2 hereof.

#### **4. TERM**

4.1 Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement and all rights granted hereunder shall expire on the earlier of: (i) the last date specified in the Development Schedule; or (ii) the date when Developer has open and in operation all of the Franchised Businesses required by the Development Schedule.

4.2 Upon expiration of this Agreement as set forth in Section 4.1 of this Agreement:

4.2.1 Developer shall not have any right to establish any Franchised Businesses for which a Franchise Agreement has not been executed by the Company at the time of expiration; and

4.2.2 The Company shall be entitled to establish and operate, and license others to establish and operate Franchised Businesses under the System and Proprietary Marks in the Development Area, except as may otherwise be provided under any Franchise Agreement which has been executed between the Company and Developer.

#### **5. DUTIES OF THE PARTIES**

5.1 For each Franchised Business developed hereunder, the Company shall furnish to Developer the following:

5.1.1 Such site selection consultation as the Company may deem advisable; and

5.1.2 Review site survey information on sites Developer selects for conformity to the Company's standards and criteria for potential sites and, if the site meets the Company's criteria, approve the site for a Franchised Business.

5.1.3. Provide Developer with standard specifications and layouts for building and furnishing the Franchised Business.

5.1.4 Review Developer's site plan and final build-out plans and specifications for conformity to Company standards and specifications.

5.2 Developer accepts the following obligations:

5.2.1 A Developer which is a corporation shall comply, except as otherwise approved in writing by the Company, with the following requirements throughout the term of this Agreement:

5.2.1.1 Developer shall furnish the Company with its Articles of Incorporation, Bylaws, other governing documents and any amendments thereto including the Resolution of the Board of Directors authorizing entry into this Agreement. The Company shall maintain the right to review other of Developer's corporate documents from time to time as it, in its sole discretion, deems advisable, including, but not limited to, minutes of the meetings of Developer's Board of Directors, any other documents the Company may reasonably request, and any amendments thereto.

5.2.1.2 Developer shall be a newly organized corporation, and shall at all times confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to the management and operation of the business contemplated hereunder, including the establishment and operation of the Franchised Businesses to be developed hereunder.

5.2.1.3 Developer shall maintain stop transfer instructions against the transfer on its records of any equity securities; and shall issue no certificates for voting securities upon the face of which the following printed legend does not legibly and conspicuously appear:

The transfer of this stock is subject to the terms and conditions of a Multi-Unit Developer Agreement with Cannect, LLC, dated \_\_\_\_\_. Reference is made to the provisions of the said Multi-Unit Developer Agreement and to the Articles and Bylaws of this Corporation.

Notwithstanding the above, the requirements of this Section 5.2.1.3 shall not apply to a "publicly-held corporation". A "publicly-held corporation" for purposes of this Agreement shall mean a corporation registered pursuant to the Securities and Exchange Act of 1934.

5.2.1.4 Developer shall maintain a current list of all owners of record and to its knowledge, all beneficial owners of any class of voting securities of Developer and shall furnish the list to the Company upon request, but in no event less frequently than when a change is made to same.

5.2.2 A Developer which is a partnership shall comply, except as otherwise approved in writing by the Company, with the following requirements throughout the term of this Agreement:

5.2.2.1 Developer shall furnish the Company with its partnership agreement as well as such other documents as the Company may reasonably request, and any amendments thereto, which shall contain a restriction on transfer of any partnership interest without the prior written consent of the Company.

5.2.2.2 Developer shall prepare and furnish to the Company, upon request, but in no event less frequently than when a change is made to same, a list of all general and limited partners in Developer.

5.2.3 A Developer which is a limited liability company shall comply, except as otherwise approved in writing by the Company, with the following requirements throughout the term of this Agreement:

5.2.3.1 Developer shall furnish the Company with a copy of its operating agreement and other governing documents and any amendments thereto. The Company shall maintain the right to review other of Developer's limited liability company documents from time to time as it, in its sole discretion, deems advisable including all documents the Company may reasonably request, and any amendments thereto.

5.2.3.2 Developer shall be a newly organized limited liability company, and shall at all times confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to the management and operation of the business contemplated hereunder.

5.2.3.3 Developer shall maintain a current list of all members and managers of record and shall furnish the list to the Company upon request, but in no event less frequently than when a change is made to same

5.2.4 Developer represents and warrants that, as of the Effective Date, the list of owners and their respective ownership interests described in Exhibit "2" attached hereto is complete and accurate.

5.2.5 As a condition of the effectiveness of this Agreement, all owners with any interest in Developer shall execute the Guaranty attached as Exhibit "4" hereto.

5.2.6 Developer shall comply with all requirements of federal, state, and local laws, rules, and regulations.

5.2.7 Developer shall comply with all of the other terms, conditions and obligations of Developer under this Agreement.

## **6. DEFAULT**

6.1 Developer shall be deemed in default under this Agreement, and Company may terminate this Agreement immediately upon written notice to Developer, if Developer (or any of Developer's owners): (i) falsifies any information or material provided to the Company; (ii) becomes insolvent or makes a general assignment for the benefit of creditors; (iii) if a petition in bankruptcy is filed by Developer or such a petition is filed

against and consented to by Developer; (iv) is adjudicated a bankrupt or insolvent; (v) if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer or a receiver is appointed by any court of competent jurisdiction; (vi) if execution is levied against Developer's business or assets; (vii) if suit to foreclose any lien or mortgage against the premises or equipment is instituted against Developer and not dismissed within thirty (30) days or if the real or personal property of any of Developer's Franchised Businesses shall be sold after levy thereupon by any sheriff, marshal or constable; (viii) uses the Company's Confidential Information in an unauthorized way; (ix) breaches a covenant, including the non-competition covenants; (x) commit any acts of moral turpitude or other criminal acts which may affect the reputation or the goodwill of the Proprietary Marks; (xi) is convicted of or pleads guilty or nolo contendere of a felony; (xii) failure to comply with or to perform any of the terms, conditions or obligations of this Agreement, (including the development obligations described herein); (xiii) failure to comply with any Franchise Agreement or any other agreement between Developer or any of its affiliates and the Company, its parent, predecessor or affiliates or subsidiaries; or (xiv) if an unauthorized transfer is made or attempted to be made in violation of Section 7.2 hereof.

6.2 Upon such default, the Company shall have the right, in its sole discretion:

6.2.1 To terminate this Agreement and all rights granted hereunder without affording Developer any opportunity to cure the default, effective immediately upon receipt by Developer of written notice; or

6.2.2 To terminate the territorial protection granted under Section 1.3 hereof, and the Company shall have the right to establish and operate, and license others to establish and operate, Feng Cha businesses within the Development Area.

6.3 Upon termination or expiration of this Agreement, Developer shall have no right to establish or operate any Franchised Businesses for which a Franchise Agreement has not been executed by the Company at the time of termination. The Company shall have the right to establish and operate, and to license others to establish and operate, Franchised Businesses under the System and the Proprietary Marks in the Development Area, except as may be otherwise provided under any Franchise Agreement which has been executed between the Company and Developer.

6.4 No default under this Development Agreement shall constitute a default under any Franchise Agreement between the parties hereto. Default under this Development Agreement shall constitute default under any other Development Agreement between the parties hereto.

6.5 All defaults not listed in Section 6.1 are considered curable defaults and shall have a 30 day cure period.

6.6 No right or remedy herein conferred upon or reserved to the Company is exclusive of any other right or remedy provided or permitted by law or equity.

## 7. TRANSFERS

### 7.1 Transfer by the Company:

The Company shall have the right to transfer, assign or delegate all or any part of its rights or obligations herein to any person or legal entity, Developer agrees hereby to consent to any such assignment and delegation and to execute any documents in connection therewith as reasonably requested by the Company. Any such assignment shall be binding upon and inure to the benefit of the Company's successors and assigns.

### 7.2 Transfer by Developer:

Developer understands and acknowledges that the rights and duties set forth in this Agreement are unique to Developer, and are granted in reliance on the business skill, financial capacity, and personal character of Developer or Developer's owners. Developer shall have no right to transfer, sell, assign or encumber this Agreement, in whole or in part, without the prior written consent of the Company. Additionally, a sale, transfer, encumbrance or assignment requiring the prior written consent of the Company shall be deemed to occur: (i) if Developer is a corporation or limited liability company, upon any change, assignment, sale, pledge or transfer of any of the voting stock or membership interests of Developer including any ownership restructuring of Developer or of any owners of Developer or (ii) if Developer is a partnership, upon the change, assignment, sale, pledge or transfer of any partnership ownership, including an ownership restructuring of Developer or of any owners of Developer. If Developer or its equity owners propose to transfer or assign any of Developer's interest in this Agreement or in the business conducted under this Agreement or in Developer or Developer's owners to any third party in connection with a bona fide offer from such third party, Developer or its equity owners shall first tender to the Company the right of first refusal to acquire such interest in accordance with the provisions and other conditions set forth below, and then if the Company fails to exercise said right, only with the prior written consent of the Company. The Company's consent shall not be unreasonably withheld. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of the Company, shall be null and void and shall constitute a material breach of this Agreement, for which the Company may then terminate this Agreement without opportunity to cure pursuant to this Agreement. Developer acknowledges and agrees that each condition which must be met by the transferee developer is necessary to assure such transferee's full performance of the obligations hereunder. The Company shall not unreasonably withhold its consent to a transfer, sale, assignment or encumbrance of this Agreement, or a direct or indirect interest in Developer, or of Developer's business, or of the assets of Developer; provided, however, the Company may, in its sole discretion, require as a condition of its approval that:

7.2.1 All of Developer's accrued monetary obligations to the Company and its parent, predecessor and affiliate and all other outstanding obligations related to the terms and conditions under this Agreement shall have been satisfied;

7.2.2 Developer (and its affiliates and owners) is not in default of any material provision of this Agreement, any amendment hereof or successor hereto, or any other agreement with the Company, or its subsidiaries parent, predecessor and affiliate;

7.2.3 The transferor shall have executed a general release under seal, in a form satisfactory to the Company, of any and all claims against the Company, its parent, predecessor and affiliate and their officers, directors, shareholders, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances;

7.2.4 If the transfer is taking place pursuant to a transfer or sale of a direct or indirect interest in Developer, or of Developer's business, or of the assets of Developer, transferor shall provide the Company with an executed copy of the purchase agreement;

7.2.5 The transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as the Company may request) shall enter into a written assignment, under seal and in a form satisfactory to the Company, assuming and agreeing to discharge all of Developer's obligations under this Agreement, and all the owners of any interest in Developer shall execute the Company's then-current form of guaranty of Developer's obligations hereunder;

7.2.6 The transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as the Company may request) shall demonstrate to the Company's satisfaction that the transferee meets the Company's educational, managerial, and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the business contemplated herein (as may be evidenced by prior related business experience or otherwise) and has adequate financial resources and capital to comply with the Development Schedule;

7.2.7 At the Company's option, (i) the transferee (and, if the transferee is other than an individual, such owners of a legal or beneficial interest in the transferee as the Company may request) shall execute (and/or, upon the Company's request, shall cause all interested parties to execute), at the Company's option, the Company's then-current standard form of Agreement, which agreement shall supersede this Agreement in all respects and the terms of which agreement may differ from the terms of this Agreement; provided, however, that the Development Schedule thereunder shall be the same as in this Agreement, and (ii) all owners of an interest in Developer shall execute the Company's then-current form of guaranty of Developer's obligations under the development agreement;

7.2.8 Developer shall remain liable for all obligations of Developer's business prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by the Company to evidence such liability;

7.2.9 Each Franchised Business which has opened and been approved for operation by the Company is in full compliance with all the conditions and terms of the Franchise Agreement for such Franchised Business;

7.2.10 Developer shall pay a transfer fee equal to 50% of the Company's then-current initial franchise fee; provided, however, in the case of a one-time transfer to a corporation or limited liability company formed by Developer for the convenience of ownership with the same ownership composition as Developer, such fee shall be waived, provided however, Company may seek reimbursement of its expenses in connection with the transfer. An example of the Company's form of Assignment Agreement is attached hereto as Exhibit 6.

7.3 Developer shall use its best efforts in the event it grants a security interest in any of the assets of the business licensed hereunder to cause the secured party to agree that in the event of any default by Developer under any documents related to the security interest, the Company shall have the right and option to be substituted as obligor to the secured party and to cure any default of Developer, it being understood that such right of the Company may be subordinate to the rights of Developer's lenders or landlord.

7.4 For any transfer triggering the Company's right of first refusal pursuant to Section 7.2, the Company or its designated affiliate shall have the right and option, exercisable within thirty (30) days after receipt of written notification, to send written notice to the seller that the Company or its parent, predecessor or affiliate intends to purchase the seller's interest on the same terms and conditions offered by the third party. In the event that the Company or its parent, predecessor or affiliate elects to purchase the seller's interest, no material change in any offer and no other offers by a third party for such interest shall be considered with respect to the Company's right of first refusal. In the event that the Company or its parent, predecessor or affiliate elects to purchase the seller's interest, closing on such purchase must occur within ninety (90) days from the date of notice to the seller of the election to purchase by the Company or its parent, predecessor or affiliate. In the event that the Company or its parent, predecessor or affiliate has elected not to purchase the seller's interest, any material change in the terms of any offer prior to closing by any third party shall constitute a new offer subject to the same rights of first refusal by the Company described in this Section 7.4 as in the case of an initial offer. Failure by the Company or its parent, predecessor or affiliate to exercise the option afforded by this Section 7.4 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 7.4 with respect to a proposed transfer. In the event the consideration, terms, and/or conditions offered by a third party are such that the Company or its designated affiliate may not reasonably be required to furnish the same consideration, terms, and/or conditions, then the Company or its parent, predecessor or affiliate may purchase the interest in the Developer's business proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, an independent appraiser shall be designated by mutual agreement of the Company and Developer, and his determination shall be binding. If the Company and Developer cannot agree upon the selection of a single appraiser, then each party shall designate one (1) such appraiser and the two (2)

designated appraisers, in turn, shall designate a third party appraiser and the determination of the three (3) appraisers shall be binding.

7.5 Upon the death or mental incompetency of any person with a controlling interest in this Agreement or in Developer, the transfer of which requires the consent of the Company as provided in Section 7.2 hereof, the executor, administrator, personal representative, guardian, or conservator of such person shall transfer such interest within ninety (90) days after such death or mental incompetency to a third party approved by the Company. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions of this Section 7, the personal representative of the deceased person shall have a reasonable time to dispose of the deceased's interest, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within a reasonable time, the Company may terminate this Agreement.

7.6 The Company's consent to any transfer under this Section 7 shall not constitute a waiver of any claims the Company may have against the transferring party, nor shall it be deemed a waiver of the Company's right to demand exact compliance with any of the terms of this Agreement by the transferee.

## 8. COVENANTS

8.1 Developer covenants that during the term of this Agreement, except as otherwise approved in writing by the Company, Developer or, if Developer is a corporation, partnership, or limited liability company, a principal of Developer approved by the Company, shall devote full time, energy, and best efforts to the management and operation of the business contemplated hereunder, including the establishment and operation of the Franchised Businesses to be developed hereunder.

8.2 Developer specifically acknowledges that, pursuant to this Agreement, Developer will receive valuable confidential information, including, without limitation, information regarding the site selection and marketing methods and techniques of the Company and the System, and that Developer has the right and obligation under this Agreement to identify sites and develop the Development Area for the benefit of the System. Developer covenants that during the term of this Agreement, except as otherwise approved in writing by the Company, Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity:

8.2.1 Divert or attempt to divert any business or client of Developer's Franchised Businesses or any franchised business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Company's Proprietary Marks and the System; or

8.2.2 Own, maintain, operate, engage in, act as a consultant for, perform services for, be employed by, or have any interest in any business which offers similar products and services as a Feng Cha business (a "Competing Business"). The prohibitions in this Section 8.2.2 shall not apply to interests in or activities performed in connection with a Franchised Business.

8.3 Developer covenants that, except as otherwise approved in writing by the Company, Developer shall not, for a continuous uninterrupted period commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, and continuing for two (2) years thereafter, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or limited liability company, own, maintain, operate, engage in, act as a consultant for, be employed by, perform services for, or have any interest in any Competing Business that is then, or is intended to be, located at or within:

8.3.1 the Development Area; or

8.3.2 fifteen (15) miles of any franchised business operating under the System and/or utilizing the Proprietary Marks.

8.4 Section 8.3 shall not apply to ownership by Developer of less than a three percent (3%) beneficial interest in the outstanding equity securities of any corporation which is registered under the Securities and Exchange Act of 1934.

8.5 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 8 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 8.

8.6 Developer understands and acknowledges that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 8.2 and 8.3 in this Agreement or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof, and Developer agrees to comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 13 hereof.

8.7 Developer expressly acknowledges that the existence of any claims which Developer may have against the Company, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by the Company of the covenants in this Section 8.

8.8 Developer acknowledges that Developer's violation of the terms of this Section 8 would result in irreparable injury to the Company and its parents, affiliates or predecessors for which no adequate remedy at law may be available. Accordingly, the Company shall be entitled to seek equitable and injunctive relief against actual or threatened conduct that shall cause such loss or damages, without the necessity of

proving actual damages or posting a bond. In any such action for equitable relief, injunctive relief or specific performance, Developer agrees to pay all court costs and reasonable attorneys' fees incurred by the Company in seeking to prohibit conduct by Developer in violation of the terms of this Section 8.

8.9 With respect to each person who is or becomes associated with Developer in an ownership capacity Developer shall require and obtain such covenants from them and promptly provide the Company with executed copies of such covenant, which are included in the Guaranty that must be executed by them. In no event shall any person enumerated be granted access to any confidential aspect of the System or any Franchised Business prior to execution of such a covenant. Further, in the case of a non-owner, no access shall be granted prior to execution of a confidentiality agreement. Confidentiality covenants shall be in the form attached as Exhibit "5" and shall identify the Company as a third-party beneficiary of such covenants with the independent right to enforce them. Failure by Developer to obtain execution of a covenant required by this Section 8.9, and provide the same to the Company, shall constitute a material breach of this Agreement. Developer shall be liable to the Company for all actions and omissions with respect to the Company's confidential information of Developer's employees and representatives who have access to the Company's confidential information.

**9. NOTICES**

Any and all notices required or permitted under this Agreement shall be in writing and shall be either personally delivered; sent by nationally recognized overnight courier (Ex: FedEx); sent by certified or registered mail, return receipt requested; or sent by email (provided that the sender also sends a copy by certified or registered mail or recognized overnight courier contemporaneously) to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party. Notwithstanding the foregoing, Developer's knowledge of a change in the Company's principal place of business shall be deemed adequate designation of a change and notice shall be sent to the Company's new address.

Notices to the Company:

CANNECT, LLC  
412 N. Bowser Rd.  
Richardson TX 75081  
Attn: CEO

Notices to Developer:

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

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of email, upon confirmation of receipt (or confirmation of delivery via contemporaneous methods required above, whichever occurs first) or, in the case of overnight courier, on the next business day after mailing, or in the case of registered or certified mail, three (3) business days after the date and time of mailing.

## **10. INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

10.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; that Developer shall be an independent contractor; and, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

10.2 During the term of this Agreement, Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. Developer agrees to take such affirmative action as shall be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place, the content of which the Company reserves the right to specify.

10.3 Developer understands and agrees that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty, or representation on the Company's behalf, or to incur any debt or other obligation in the Company's name.

10.4 Developer shall indemnify, defend and hold the Company and its parents, affiliates and predecessors and any of their officers, directors, and employees (the "Indemnified Parties") harmless against any and all such claims arising directly or indirectly from, as a result of, or in connection with Developer's activities (or omissions), or those of its owners, employees or representatives, and from all costs (including attorney's fees), damages, sums of money, settlements, or judgments. In the settlement of any matter hereunder, in no event shall Developer be permitted to admit fault on behalf of the Indemnified Parties nor to agree to any provision that places any obligations or restrictions on an Indemnified Party (including the payment of any money) without the Indemnified Party's express written consent. At Developer's expense and risk, the Indemnified Party may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement of any such action, suit, proceeding, claim, demand, inquiry or investigation, provided that the Indemnified Party will seek Developer's advice and counsel and shall keep Developer informed with regard to any such proposed or contemplated settlement(s). Such an undertaking by an Indemnified Party shall in no manner or form diminish Developer's obligation to indemnify the Indemnified Party and to hold the party harmless.

## **11. APPROVALS AND WAIVERS**

11.1 Whenever this Agreement requires the prior approval or consent of the Company, Developer shall make timely written request to the Company therefor; and, except as otherwise provided herein, any approval or consent granted shall be in writing.

11.2 The Company makes no warranties or guarantees upon which Developer may rely, and assumes no liability or obligation to Developer, by providing any waiver, approval, advice, consent, or suggestion to Developer in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

11.3 No failure of the Company to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by Developer with any obligation or

condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of the Company's right to demand exact compliance with any of the terms herein. Waiver by the Company of any particular default by Developer shall not affect or impair the Company's rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance or omission of the Company to exercise any power or right arising out of any breach or default by Developer of any of the terms, provisions or covenants hereof, affect or impair the Company's right to exercise the same, nor shall such constitute a waiver by the Company of any right hereunder, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Subsequent acceptance by the Company of any payments due to it hereunder shall not be deemed to be a waiver by the Company of any preceding breach by Developer of any terms, covenants or conditions of this Agreement.

## **12. SEVERABILITY AND CONSTRUCTION**

12.1 Except as expressly provided to the contrary herein, each section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

12.2 Nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than the Company or Developer and such of their respective successors and assigns as may be contemplated by Section 7 hereof, any rights or remedies under or by reason of this Agreement, except as expressly provided for herein.

12.3 Developer expressly agrees to be bound by any promise or covenants imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which the Company is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

12.4 All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

### 13. ENTIRE AGREEMENT

This Agreement, the documents referred to herein, and the Attachments hereto, if any, constitute the entire, full, and complete agreement between the Company and Developer concerning the subject matter hereof and supersede any and all prior agreements. Nothing in this or any related agreement is intended to disclaim the representations we made in the latest franchise disclosure document furnished to Developer.

### 14. APPLICABLE LAW AND JURISDICTION

**14.1 Amendments.** THIS AGREEMENT MAY NOT BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. NOTHING IN THIS AGREEMENT IS INTENDED TO DISCLAIM ANY INFORMATION CONTAINED IN THE COMPANY'S FRANCHISE DISCLOSURE DOCUMENT.

**14.2 Choice of Law and Selection of Venue.** This Agreement shall be governed by the laws of the State of Texas. Except as provided in Sections 14.4 and 14.5 below, any action at law or equity instituted against either party to this Agreement shall be commenced only in the Courts in the then-current County and State where the Company's corporate headquarters is located. Developer hereby irrevocably consents to the personal jurisdiction of the then-current County and State where the Company's corporate headquarters is located, as set forth above. Any action or proceeding under this Agreement shall be brought on an individual basis, and not on a class-wide or multiple plaintiff basis, unless prohibited by law.

**14.3 Mediation.** Except for any action brought in accordance with Section 14.4 any disputes and claims relating to this Agreement, the rights and obligations of the parties hereto, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement, shall first be submitted for mediation administered by the American Arbitration Association ("AAA") in accordance with its Commercial Mediation Procedures before resorting to arbitration, litigation, or some other dispute resolution procedure. If submitted to mediation, the same shall take place before a sole mediator in the then-current County and State where the Company's corporate headquarters is located. The parties shall each bear all of their own costs of mediation; provided, however, the fees of the mediator shall be divided equally between the Company and Developer.

**14.4 Injunctive Relief.** Nothing in this Agreement shall prevent the Company from obtaining injunctive relief against actual or threatened conduct that shall cause it loss or damages, in any appropriate forum under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions without the necessity of proving actual damages or posting a bond. In any such action for equitable relief, injunctive relief or specific performance, Developer agrees to pay all court costs and reasonable attorneys' fees incurred by the Company in seeking to prohibit any conduct by Developer.

**14.5 Arbitration.** Except as set forth in Section 14.4 above, disputes and claims relating to this Agreement, the rights and obligations of the parties hereto, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement, will be submitted to arbitration at the office of the American Arbitration Association (“AAA”) responsible for administering claims filed in the then-current County and State where the Company’s corporate headquarters is located, in accordance with the Commercial Arbitration Rules of the AAA to the extent such rules are not inconsistent with the provisions of this arbitration provision. The Federal Arbitration Act shall govern the interpretation and enforcement of this provision and the proceedings hereunder. To the extent state law is applicable under the Federal Arbitration Act, the law of the state of Texas shall apply. The statute of limitations of the state of Texas shall be strictly enforced.

The following shall supplement and, in the event of a conflict, shall govern any dispute submitted to arbitration. The parties shall select one arbitrator from the panel provided by the AAA. In selecting the arbitrator from the list provided by the AAA, the Company and Developer shall make the selection by the striking method. The arbitrator shall apply the Federal Rules of Evidence at the hearings. The prevailing party shall be entitled to recover from the non-prevailing party all costs of arbitration, including, without limitation, the arbitrator’s fee, attorneys’ fees, interest, and costs of investigation. Arbitration shall take place in the then-current County and State where the Company’s corporate headquarters is located.

The arbitrator shall have no authority to amend or modify the terms of the Agreement. The Company and Developer further agree that, unless such a limitation is prohibited by applicable law, neither the Company nor Developer shall be liable for punitive or exemplary damages, and the arbitrator shall have no authority to award the same. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between the Company and Developer. Judgment upon the award of the arbitrator shall be submitted for confirmation to the applicable United States District Court or the Courts of the then-current County and State where the Company’s corporate headquarters is located, and, if confirmed, may be subsequently entered in any court having competent jurisdiction. This agreement to arbitrate shall survive any termination or expiration of this Agreement.

**14.6 Construction of Language.** The language of this Agreement shall be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Developer, their obligations and liabilities shall be joint and several. Headings are for reference purposes and do not control interpretation. The BACKGROUND Section at the beginning of this Agreement contains contractual terms that are not mere recitals.

**14.7 Successors.** References to the Company or Developer include their successors, assigns or transferees, subject to the limitations of this Agreement.

**14.8 Reformation.** If any provision of this Agreement is deemed invalid or inoperative for any reason, that provision shall be deemed modified to the extent necessary to make it valid and operative or, if it cannot be so modified, it shall then be severed, and the remainder of that provision shall continue in full force and effect as if this Agreement had been signed with the invalid portion so modified or eliminated; provided, however, that if any part of this Agreement relating to payments to the Company or its parent, predecessor or affiliate or protection of the Proprietary Marks, or the Confidential Information, including the Confidential Operations Manual and the Company's other trade secrets, is declared invalid or unenforceable, then the Company at its option may terminate this Agreement immediately upon written notice to Developer.

**14.9 Force Majeure.** Neither the Company, its parent, predecessor or affiliate nor Developer shall be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if its failure to perform its obligations results from circumstances beyond the reasonable control of a party, including but not limited to fire, flood, earthquake or other natural disasters, or acts of a public enemy, war, rebellion or sabotage. Any delay resulting from any such cause shall extend the time of performance, provided however, in the event that any such delay extends any deadline under the Development Schedule in excess of ninety (90) days the Company may, at its option, terminate this Agreement.

**14.10 Rights Cumulative.** No right or remedy under this Agreement shall be deemed to be exclusive of any other right or remedy under this Agreement or of any right or remedy otherwise provided by law or and equity. Each right and remedy will be cumulative.

**14.11 PARTIES. THE SOLE ENTITY AGAINST WHICH DEVELOPER MAY SEEK DAMAGES OR ANY REMEDY UNDER LAW OR EQUITY OR ANY CLAIM IS AGAINST THE COMPANY OR ITS SUCCESSORS OR ASSIGNS. THE SHAREHOLDERS, MEMBERS, GENERAL MANAGERS, OFFICERS, EMPLOYEES, AGENTS AND REPRESENTATIVES OF THE COMPANY AND OF ITS PARENT, PREDECESSOR AND AFFILIATE SHALL NOT BE NAMED AS A PARTY IN ANY LITIGATION, ARBITRATION OR OTHER PROCEEDINGS COMMENCED BY DEVELOPER IF THE CLAIM ARISES OUT OF OR RELATES TO THIS AGREEMENT.**

**14.12 LIMITATION OF LIABILITY. TO THE EXTENT PERMITTED BY LAW, IN NO EVENT SHALL THE COMPANY BE LIABLE FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL, PUNITIVE OR ANY OTHER DAMAGES THAT ARE NOT DIRECT DAMAGES, REGARDLESS OF THE NATURE OF THE CLAIM FOR DAMAGES.**

**14.13 JURY TRIAL WAIVER. THE COMPANY AND DEVELOPER, RESPECTIVELY, WAIVE ANY RIGHT EITHER MIGHT HAVE TO TRIAL BY JURY ON ANY AND ALL CLAIMS ASSERTED AGAINST THE OTHER. THE COMPANY AND DEVELOPER, RESPECTIVELY, EACH ACKNOWLEDGE THAT THEY HAVE HAD A FULL OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL CONCERNING THIS**

**WAIVER, AND THAT THIS WAIVER IS INFORMED, VOLUNTARY, INTENTIONAL AND NOT THE RESULT OF UNEQUAL BARGAINING POWER.**

**15. ACKNOWLEDGMENTS, REPRESENTATIONS AND WARRANTIES**

15.1 Developer acknowledges that it received the Company's current Franchise Disclosure Document at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Developer further acknowledges that it received a completed copy of this Agreement, and all related agreements attached to the Franchise Disclosure Document, with any changes to such agreements unilaterally and materially made by the Company at least seven (7) calendar days prior to the date on which this Agreement and all related agreements were executed.

15.2 Developer acknowledges that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 (the "Executive Order"), the Company is prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Executive Order. Accordingly, Developer represents and warrants to the Company that as of the date of this Agreement, neither Developer nor any person holding any ownership interest in Developer, controlled by Developer, or under common control with Developer is designated under the Executive Order as a person with whom business may not be transacted by the Company, and that Developer (i) does not, and hereafter shall not, engage in any terrorist activity; (ii) is not affiliated with and does not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and (iii) is not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

15.3 This Agreement may be signed in counterparts, each of which when taken together shall form one valid and effective agreement which may be electronically signed, and any digital or electronic signatures (including pdf or electronically imaged signatures provided by DocuSign or any other nationally recognized digital signature provider) will be treated the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and delivery of any such electronic signature, or a signed copy of this Agreement, may be made by email or other electronic transmission.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed, and delivered this Agreement on the date executed by the Company and listed above as the Effective Date.

**DEVELOPER**

\_\_\_\_\_

Dated: \_\_\_\_\_

**CANNECT, LLC**

\_\_\_\_\_

Dated: \_\_\_\_\_

**EXHIBIT 1 TO  
CANNECT, LLC  
MULTI-UNIT DEVELOPER AGREEMENT**

**DEVELOPMENT AREA**

The Development Area (pursuant to Section 1.1 of the Multi-Unit Developer Agreement)  
is the entire area located within the following shaded area:

**DEVELOPER**

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

DATED: \_\_\_\_\_

**CANNECT, LLC**

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

DATED: \_\_\_\_\_

**EXHIBIT 2 TO  
CANNECT, LLC  
MULTI-UNIT DEVELOPER AGREEMENT**

**Statement of Ownership Interest**

**Developer Owners**

1. **Form of Owner.** (Choose (a) or (b))

(a) **Individual Proprietorship.** List individual(s):

\_\_\_\_\_

\_\_\_\_\_

(b) **Corporation, Limited Liability Company, or Partnership:**

Name: \_\_\_\_\_  
Date of incorporation or formation: \_\_\_\_\_  
State of incorporation or formation: \_\_\_\_\_

The following is a list of your directors/managers/officers, as applicable, and officers as of the date of execution:

<b><u>Name of Each Director/Manager/Officer</u></b>	<b><u>Position(s) Held</u></b>
_____	_____
_____	_____
_____	_____

2. **Principals.** The following list includes the full name of each person or entity who is one of your owners and fully describes the nature of each owner's interest (attach additional pages if necessary).

	<b><u>Principal's Name</u></b>	<b><u>Percentage/Description of Interest</u></b>
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
(d)	_____	_____

3. **Identification of Operating Principal.** Your Operating Principal is \_\_\_\_\_  
\_\_\_\_\_ (must be one of the individuals listed in paragraph 2 above. You

may not change the Operating Principal without prior written approval. The Operating Principal is the person authorized to receive communications regarding this Agreement).

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

E-mail Address: \_\_\_\_\_

**DEVELOPER**

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

Name:

Title:

Dated: \_\_\_\_\_

**CANNECT, LLC**

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

Name:

Title:

Dated: \_\_\_\_\_

**EXHIBIT 3 TO  
CANNECT, LLC  
MULTI-UNIT DEVELOPER AGREEMENT**

**Development Schedule and Development Fee**

**Developer Agrees to develop and open Feng Cha businesses in the Development Area according to the following schedule:**

<b>Number of Businesses to be Opened</b>	<b>Initial Franchise Fee Balance Owed and Franchise Agreement Signing Deadline</b>	<b>Business to be Opened By (Date)</b>	<b>Number of Businesses to be Open and Operating by Opening Date (in previous column)</b>
<b>1</b>	<b>12 months prior to expected "Opened By" Date</b>	<b>12 months from Effective Date of Development Agreement</b>	<b>1</b>
<b>1</b>	<b>12 months prior to expected "Opened By" Date</b>	<b>18 months from Effective Date of Development Agreement</b>	<b>2</b>
<b>1</b>	<b>12 months prior to expected "Opened By" Date</b>	<b>24 months from Effective Date of Development Agreement</b>	<b>3</b>

**Development Fee: \_\_\_\_\_**

**EXHIBIT 4 TO  
CANNECT, LLC  
MULTI-UNIT DEVELOPER AGREEMENT**

**GUARANTY**

The undersigned persons designated as "Principals" hereby represent to Cannect, LLC ("Company") that they are all of the shareholders of, or all of the general partners of, all of the members and managers of, \_\_\_\_\_ ("Developer"), as the case may be. In consideration of the grant by Company to Developer, as provided under the Multi-Unit Developer agreement dated \_\_\_\_\_, (the "MUDA"), each of the undersigned agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves, their heirs, legal representatives and assigns that they, and each of them, shall be firmly bound by all of the terms, provisions and conditions of the foregoing MUDA, that they and each of them do unconditionally guarantee the full and timely performance by Developer of each and every obligation of Developer under the MUDA, including, without limitation, any indebtedness of Developer arising under or by virtue of the MUDA to Company and/or its affiliate, and that they and each of them shall not permit or cause any change in the percentage of Developer owned, directly or indirectly, by any person, without first notifying Company of said proposed transfer and obtaining the prior written consent of Company, following Company's transfer procedures and without first paying or causing to be paid to Company any required transfer fee. The undersigned further agree to be bound by the in-term and post-termination covenants of the MUDA including, without limitation, those relating to confidentiality and non-competition. The undersigned also agree that the governing law and methods for resolution of disputes which govern this Guaranty shall be the same as those outlined in the MUDA.

**EACH GUARANTOR ACKNOWLEDGES THAT HE OR SHE HAS READ THIS PERSONAL GUARANTY, UNDERSTANDS ITS TERMS, AND GUARANTOR WOULD NOT SIGN THIS PERSONAL GUARANTY IF GUARANTOR DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

**Principals:**

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

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

\_\_\_\_\_  
Home Address

\_\_\_\_\_  
Home Address

\_\_\_\_\_  
Home Telephone

\_\_\_\_\_  
Home Telephone

\_\_\_\_\_  
Business Telephone

\_\_\_\_\_  
Business Telephone

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

**EXHIBIT 5 TO  
CANNECT, LLC  
MULTI-UNIT DEVELOPER AGREEMENT**

**CONFIDENTIALITY AGREEMENT**  
**(for employees of Developer)**

1. Pursuant to a Multi-Unit Developer Agreement dated \_\_\_\_\_ (the "MUDA"), \_\_\_\_\_ (the "Developer") has acquired the right and franchise from Cannect, LLC (the "Company") to develop Feng Cha (the "Franchised Business").

2. The Company, as the result of the expenditure of time, skill, effort and resources, has developed and owns a distinctive format and system (the "System") relating to the establishment and operation of Feng Cha businesses. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes but is not limited to, recipes, proprietary trade secrets, specifications, security protocols, computer hardware and systems, technology and equipment used, methods of business practices and management, research and development, training processes, operational manuals, presentation materials, vendor agreements, supplier lists, vendor lists, marketing and merchandising strategies, plans for new product or service offerings, and knowledge of, and experience in, the operation of the Franchised Business (the "Confidential Information"). Confidential Information shall also expressly include all customer and Developer personal and business information that I obtain or have access to during my employment, as well as the confidential information of any other third parties to whom the Company owes a duty of confidentiality. Further, any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

3. In consideration for my access to the Confidential Information as part of my employment with Developer, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree to the terms of this Confidentiality (the "Agreement").

4. As an employee of Developer, the Company and/or Developer may disclose the Confidential Information to me via training programs, the Company's Confidential Operations Manuals (the "Manuals"), or otherwise during the term of my employment with the Developer.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in performing my duties for Developer during the term of my employment and the use or duplication of the Confidential Information for any use outside the System is strictly prohibited. I covenant that I will not forward, disclose or provide the Confidential Information to any third party, nor store it on any personal or third-party electronic device, disk, drive, or otherwise, unless expressly authorized to do so by the Company.

6. Any work performed by me during my employment with Developer in relation to Feng Cha or the MUDA and any derivative works created by me using the Confidential Information or any proprietary information of the Company are considered "works made for hire" and I will have no ownership interest in the items created.

7. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as an employee of Developer, and will continue not to disclose or use any such information even after I cease to be employed by Developer, unless I can demonstrate that such information has become generally known to the public other

than by the breach of an obligation of Developer under the MUDA, a breach of the employees or associates of Developer, or a breach of my own duties or the duties hereunder.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. In the event any provision of this Agreement is ever deemed to exceed the limits permitted by any applicable law, the provisions set forth herein will be reformed to the extent necessary to make them reasonable and enforceable. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the remaining provisions, all of which are severable and will be given full force and effect.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with Developer. I am aware that my violation of this Agreement may cause the Company and Developer irreparable harm; therefore, I acknowledge and agree that Developer and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, without the necessity of proving actual damages or posting a bond, in addition to any other remedies available to them, and I agree to pay Developer and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to Developer and the Company, any claim I have against Developer or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. This is not a contract for employment and does not guaranty my employment for any set period of time. I agree and understand that Developer is my employer and I have no employment relationship with the Company.

12. Except for an action seeking injunctive or other equitable relief all claims, disputes or controversies that may arise concerning this Agreement, or the construction, performance, or breach of this Agreement, whether based on contract, tort, statute or any other theory, will be submitted to and adjudicated, determined and resolved through compulsory, binding arbitration, unless prohibited by law. Matters shall be decided on an individual basis, and not on a class-wide or multiple plaintiff basis or in an action where any party hereto acts in a representative capacity, unless prohibited by law. The parties hereby irrevocably and unconditionally submit to the exclusive jurisdiction of the American Arbitration Association ("AAA") for any action or proceeding arising out of or relating to this Agreement, which will be governed in accordance with its Employment Arbitration Rules, to the extent such rules are not inconsistent with the provisions of this arbitration provision and unless otherwise mutually agreed by the parties or prohibited by law. **The parties agree that any such arbitration will be final and binding and in agreeing to arbitration, the parties understand that they are waiving their respective rights to seek remedies in court, including the right to a jury trial.** In any arbitration, each party is solely responsible for payment of the fees and expenses of his, her or its counsel fees, and each party shall pay their required share of arbitration costs. Notwithstanding any choice of law or other provision herein, the parties agree and acknowledge that the Federal Arbitration Act shall govern the interpretation and enforcement of this provision and the proceedings hereunder. To the extent state law is applicable under the Federal Arbitration Act, the laws of the state of Texas shall apply. The statute of limitations of the state of Texas shall be strictly enforced. The arbitration shall be conducted in Union County, Texas by one (1) arbitrator.

13. In the event any action for equitable relief, injunctive relief or specific performance is filed, or should any action be filed to confirm, modify or vacate any award rendered through compulsory binding arbitration, or otherwise, I hereby irrevocably agree that the forum for any such suit will lie with a court of competent jurisdiction in Dallas County, Texas or the district court for the Northern District of Texas and hereby agree to the personal jurisdiction and venue of such court.

14. This Agreement will be binding upon me, my heirs, and personal representatives, and shall inure to the benefit of Company and Developer and any of their affiliates, parents, subsidiaries, successors and assigns. I understand that this Agreement may and will be assigned or transferred to any successor of the Company, and any successor will be deemed substituted, for all purposes, as the "Company" under the terms of this Agreement. As used in this Agreement the term "successor" will mean any person, firm, corporation, or business entity which at any time, whether by merger, purchase or otherwise, acquires all or substantially all of the assets of the business of the Company. I acknowledge that the services to be rendered by me in my employment are unique and personal. Accordingly, I may not assign any of my rights nor delegate any of my duties or obligations under this Agreement.

15. This Agreement may not be modified except by a written agreement executed by the Parties, which has been approved by the Company.

16. This Agreement may be signed in counterparts, each of which when taken together shall form one valid and effective agreement which may be electronically signed, and any digital or electronic signatures (including pdf or electronically imaged signatures provided by DocuSign or any other nationally recognized digital signature provider) will be treated the same as handwritten signatures for the purposes of validity, enforceability and admissibility, and delivery of any such electronic signature, or a signed copy of this Agreement, may be made by email or other electronic transmission.

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

**DEVELOPER**

By: \_\_\_\_\_  
Name:  
Title:  
Dated: \_\_\_\_\_

**EXHIBIT 6 TO**  
**CANNECT, LLC**  
**MULTI-UNIT DEVELOPER AGREEMENT**

**ASSIGNMENT AND ASSUMPTION AGREEMENT**

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the “**Agreement**”) is made and entered into as of the date this Agreement is executed by Company (the “**Effective Date**”) by and among CANNECT LLC, a Texas limited liability company having its principal place of business located at 412 N. Bowser Rd., Richardson TX 75081 (“**Company**”), \_\_\_\_\_ an individual with an address at \_\_\_\_\_ (“**Assignor**”), and \_\_\_\_\_ with an address at \_\_\_\_\_ (“**Assignee**”).

**BACKGROUND**

A. Assignor and Company entered into a certain Multi-Unit Developer Agreement dated \_\_\_\_\_ (the “**MUDA**”) whereby Assignor was given the right and undertook the obligation to develop \_\_\_\_\_ Feng Cha Franchised Businesses (the “**Franchised Businesses**”) within the Development Area designated on Exhibit 1 to the MUDA.

B. Assignor has organized and incorporated Assignee for the convenience and sole purpose of developing said Franchised Businesses.

C. Assignor desires to assign the rights and obligations under the MUDA to Assignee pursuant to and in accordance with the provisions of the MUDA.

D. Company is willing to consent to the assignment of the MUDA to Assignee, subject to the terms and conditions of this Agreement, including the agreement by Assignor to guarantee the performance by Assignee of its obligations under the MUDA.

**AGREEMENT**

In consideration of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Assignor hereby assigns and transfers over to Assignee all right, title and interest in and to the MUDA, effective as of the Effective Date.

2. Assignee hereby assumes all of Assignor’s obligations, agreements, commitments, duties and liabilities under the MUDA, and agrees to be bound by and observe and faithfully perform all of the obligations, agreements, commitments and duties of the Developer thereunder with the same force and effect as if the MUDA were originally written with Assignee as Developer.

3. Exhibit A to this Agreement lists all of Assignee’s owners and their interests in Assignee as of the Effective Date. Assignee agrees that it and its owners will sign and deliver to Company a revised Exhibit A to reflect any permitted changes in the information that Exhibit A now contains.

4. The Assignor as an owner of Assignee and in consideration of benefits received and to be received, shall sign and deliver to Company a personal guaranty in the form attached as Exhibit B to this Agreement.

5. Assignor, for himself/herself and his/her agents, servants, employees, partners, members, heirs, predecessors, successors and assigns does hereby release Company, its officers, directors, shareholders, agents, affiliates, subsidiaries, servants, employees, partners, members, heirs, successors and assigns, from any and all claims, demands, causes of action, suits, debts, dues, duties, sums of money, accounts, reckonings, judgments, liabilities and obligations, both fixed and contingent, known and unknown, in law or in equity, under local law, state or federal law or regulation which he/she had, from the beginning of time to this date, arising under or in connection with the MUDA.

6. Assignee agrees that the Franchised Businesses which Assignee will develop will be the only businesses Assignee operates (although Assignor may have other, non-competitive business interests);

7. This Agreement shall be binding upon and inure to the benefit of the parties and their heirs, successors and assigns.

8. The governing law and methods of dispute resolution in the MUDA shall govern this Agreement as well.

9. This Agreement, and the documents referenced herein, shall constitute the entire integrated agreement between the parties with respect to the subject matter contained herein and shall supersede any prior agreements, verbal or written. This Agreement shall not be subject to change, modification, amendment or addition without the express written consent of all the parties.

10. If Company retains the services of legal counsel to enforce the terms of this Agreement, Company shall be entitled to recover all costs and expenses, including travel, reasonable attorney, expert and investigative fees, incurred in enforcing the terms of this Agreement.

11. Each party declares that the terms of this Agreement have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and confer with counsel.

12. The obligations of Assignor and Assignee under this Agreement shall be joint and several.

**I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

ASSIGNOR:

---

Dated: \_\_\_\_\_

ASSIGNEE:

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

Name:

Title:

Dated: \_\_\_\_\_

COMPANY:

CANNECT, LLC

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

Name:

Title:

Dated: \_\_\_\_\_

**EXHIBIT A TO CANNECT, LLC  
ASSUMPTION AND ASSIGNMENT AGREEMENT**

**Developer Owners**

1. **Form of Owner.** (Choose (a) or (b))

(a) **Individual Proprietorship.** List individual(s):

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

(b) **Corporation, Limited Liability Company, or Partnership:**

Name: \_\_\_\_\_  
Date of incorporation or formation: \_\_\_\_\_  
State of incorporation of formation: \_\_\_\_\_

The following is a list of your directors/managers/officers, as applicable, and officers as of the date of execution:

<b><u>Name of Each Director/Manager/Officer</u></b>	<b><u>Position(s) Held</u></b>
_____	_____
_____	_____
_____	_____

2. **Principals.** The following list includes the full name of each person or entity who is one of your owners and fully describes the nature of each owner's interest (attach additional pages if necessary).

	<b><u>Principal's Name</u></b>	<b><u>Percentage/Description of Interest</u></b>
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
(d)	_____	_____

3. **Identification of Operating Principal.** Your Operating Principal is \_\_\_\_\_  
\_\_\_\_\_ (must be one of the individuals listed in paragraph 2 above. You  
may not change the Operating Principal without prior written approval. The Operating Principal is  
the person authorized to receive communications regarding this Agreement).

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

E-mail Address: \_\_\_\_\_

**DEVELOPER**

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

Name:

Title:

Dated: \_\_\_\_\_

**CANNECT, LLC**

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

Name:

Title:

Dated: \_\_\_\_\_

**EXHIBIT B TO CANNECT, LLC  
ASSUMPTION AND ASSIGNMENT AGREEMENT**

**GUARANTY**

The undersigned persons designated as "Principals" hereby represent to Cannect, LLC ("Company") that they are all of the shareholders of, or all of the general partners of, all of the members and managers of, \_\_\_\_\_ ("Developer"), as the case may be. In consideration of the grant by Company to Developer, as provided under the Multi-Unit Developer agreement dated \_\_\_\_\_, (the "MUDA"), each of the undersigned agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves, their heirs, legal representatives and assigns that they, and each of them, shall be firmly bound by all of the terms, provisions and conditions of the foregoing MUDA, that they and each of them do unconditionally guarantee the full and timely performance by Developer of each and every obligation of Developer under the MUDA, including, without limitation, any indebtedness of Developer arising under or by virtue of the MUDA to Company and/or its affiliate, and that they and each of them shall not permit or cause any change in the percentage of Developer owned, directly or indirectly, by any person, without first notifying Company of said proposed transfer and obtaining the prior written consent of Company, following Company's transfer procedures and without first paying or causing to be paid to Company any required transfer fee. The undersigned further agree to be bound by the in-term and post-termination covenants of the MUDA including, without limitation, those relating to confidentiality and non-competition. The undersigned also agree that the governing law and methods for resolution of disputes which govern this Guaranty shall be the same as those outlined in the MUDA.

**EACH GUARANTOR ACKNOWLEDGES THAT HE OR SHE HAS READ THIS PERSONAL GUARANTY, UNDERSTANDS ITS TERMS, AND GUARANTOR WOULD NOT SIGN THIS PERSONAL GUARANTY IF GUARANTOR DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

**Principals:**

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

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

\_\_\_\_\_  
Home Address

\_\_\_\_\_  
Home Address

\_\_\_\_\_  
Home Telephone

\_\_\_\_\_  
Home Telephone

\_\_\_\_\_  
Business Telephone

\_\_\_\_\_  
Business Telephone

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

# Exhibit D

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## STATE AGENTS

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**Cannect, LLC**

**STATE ADMINISTRATORS/  
DESIGNATION OF AGENT FOR SERVICE OF PROCESS**

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

<p><u>CALIFORNIA</u> Department of <del>Business</del> Financial Protection and Innovation <a href="tel:(866)275-2677">(866) 275-2677</a></p> <p><u>Los Angeles:</u> 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 <del>(866) 275-2677</del></p> <p><u>Sacramento:</u> <a href="mailto:651BannonSt.Suite300@ca.fpi.ca.gov">651 Bannon St. Suite 300</a> <a href="mailto:651BannonSt.Suite300@ca.fpi.ca.gov">Sacramento, CA 95811</a></p> <p><u>San Diego:</u> <a href="mailto:1455FrazeeRd.Suite315@ca.fpi.ca.gov">1455 Frazee Rd., Suite 315</a> <a href="mailto:1455FrazeeRd.Suite315@ca.fpi.ca.gov">San Diego, CA 92108</a></p> <p><u>San Francisco:</u> <a href="mailto:OneSansomeSt.Suite600@ca.fpi.ca.gov">One Sansome St., Suite 600</a> <a href="mailto:OneSansomeSt.Suite600@ca.fpi.ca.gov">San Francisco, CA 94104</a></p> <p>Agent: California Commissioner of Financial Protection and Innovation</p>	<p><u>NORTH DAKOTA</u> North Dakota <a href="mailto:Insurance&amp;Securities@nd.gov">Insurance &amp;</a> Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-<del>4712</del><a href="tel:(701)328-2910">2910</a> Agent: North Dakota <del>Securities</del><a href="mailto:Insurance@nd.gov">Insurance</a> Commissioner</p>
<p><u>HAWAII</u> Commissioner of Securities Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 Agent: Commissioner of Securities of the State of Hawaii</p>	<p><u>OREGON</u> Department of Finance and Corporate Securities Labor and Industries Building 350 Winter Street NE, Room 410 Salem, Oregon 97301-3881 (503) 378-4387 Agent: Director of Oregon Department of Insurance and Finance</p>
<p><u>ILLINOIS</u> Franchise Division Office of Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465 Agent: Illinois Attorney General</p>	<p><u>RHODE ISLAND</u> Department of Business Regulation Division of Securities 1511 Pontiac Ave. John O. Pastore Complex Building 69-1 Cranston, RI 02920 (401) 462-9500 Agent: Director of Business Regulation</p>

<u>INDIANA</u> Franchise Section Indiana Securities Division Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681 Agent: Indiana Secretary of State Indiana Securities Division 201 State House Indianapolis, IN 46204	<u>SOUTH DAKOTA</u> Department of Labor and Regulation Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563 Agent: Director, Division of Insurance-Securities Regulation
<u>MARYLAND</u> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360 Agent: Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020	<u>VIRGINIA</u> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 <sup>th</sup> Floor Richmond, Virginia 23219 (804) 371-9051 Agent: Clerk of the State Corporation Commission 1300 E Main St., 1 <sup>st</sup> . Fl. Richmond, VA 23219 Tel: (804) 371-9733
<u>MICHIGAN</u> <a href="#">Michigan Attorney General's Office</a> Consumer Protection Division <del>Antitrust and</del> <del>Attn:</del> Franchise <del>Unit</del> <del>Section</del> <a href="#">525 W. Ottawa Street</a> <a href="#">G. Mennen Williams Building, 5th Floor</a> <del>Michigan Department of Attorney General</del> <del>670 Law Building</del> Lansing, <del>Michigan MI</del> 48913 (517) <del>373</del> <del>335</del> <del>-7177</del> <del>7567</del> Agent: Michigan Department of Commerce Corporations and Securities Bureau 6546 Mercantile Way Lansing, MI 48910	<u>WASHINGTON</u> <del>Administrator</del> <del>Address for Service of Process:</del> <a href="#">Director</a> Washington Department of Financial Institutions <del>PO Box 41200</del> <a href="#">Securities Division</a> <del>Olympia, WA 98504-1200</del> <a href="#">150 Israel Road SW</a> <a href="#">Tumwater, Washington 98501</a> (360) 902-8760 <del>Agent:</del> <a href="#">Agent: Securities Administrator</a> , Director of <del>the</del> Department <del>of Financial Institutions</del>  <a href="#">Washington Securities Administrator:</a> <del>Washington</del> Department of Financial Institutions <a href="#">Securities Division</a> <a href="#">PO Box 41200</a> <del>Olympia, WA 98504-1200,</del> <del>150 Israel Road SW</del> <del>Tumwater, Washington 98501</del> <del>(360) 902-8760</del>
<u>MINNESOTA</u>	<u>WISCONSIN</u>

<p>Minnesota Department of Commerce        85 7<sup>th</sup> Place East, Suite 280        St. Paul, Minnesota 55101-2198        (651) 539-1500        Agent: Minnesota Commissioner of Commerce</p>	<p>Securities Division of the Wisconsin Department of        Financial Institutions        345 W. Washington Ave., 4<sup>th</sup> Floor        Madison, Wisconsin 53703        (608) 266-8559        Agent: Wisconsin Commissioner of Securities</p>
<p><u>NEW YORK</u>        NYS Department of Law        Investor Protection Bureau        28 Liberty Street, 21<sup>st</sup> Floor        New York, NY 10005        (212) 416-8222 Phone</p> <p>Agent for service:        New York Department of State        One Commerce Plaza,        99 Washington Avenue, 6<sup>th</sup> Floor        Albany, NY 12231-0001        (518) 473-2492</p>	

# **Exhibit E**

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## **LIST OF FRANCHSEES**

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**Cannect, LLC**

**List of ~~franchisees~~Franchisees as of December 31, 20242025**

<a href="#">Bakerfield</a>	<a href="#">CA</a>	<a href="#">Steven Nguyen</a>	<a href="#">2665 Calloway, Ste 206</a>	<a href="#">93312</a>	<a href="#">(714)-277-7613</a>
Chula Vista	CA	Ngoc Le (Tiffany)	1010 Broadway STE 5	91911	(619) 349-2283
Costa Mesa	CA	Theodore Vu	891 Baker St., Ste A18	92626	(714) 760-4836
Dublin	CA	Thao Huynh	7660 Amador Valley Blvd ste F	94568	(925) 248-8865
Fullerton	CA	<del>Nicholas</del> <a href="#">NguyenReberiano</a> <a href="#">Diaz</a>	729 N Placentia Ave	92831	(714) 646-9236
<a href="#">Laguna Niguel</a>	<a href="#">CA</a>	<a href="#">Luan Cao Nguyen</a>	<a href="#">27281 La Paz Rd, Ste L</a>	<a href="#">92677</a>	<a href="#">(714)-837-1797</a>
Milpitas	CA	<del>Tung Luong</del> <a href="#">Shruti</a> <a href="#">Magdum</a>	489 E Calaveras Blvd	95035	(669) <del>263210-</del> <del>94446350</del>
Mountain View	CA	Jonathan	1040 Grant Road	94040	(415)606-7193
Newark	CA	<del>Bill Truong</del> <a href="#">Amitpal</a> <a href="#">Gill</a>	7372 Thornton Ave.	94560	(510) <del>896992-</del> <del>26638930</del>
Riverside	CA	Khoi Nguyen	3430 La Sierra Ave # A	92503	(408)406-9839
Sacramento	CA	Don Doan	1705 Iron Point Rd Suite 200	95630	(916) 538-4248
San Diego	CA	Ngoc Le (Tiffany)	4340 Genesee Ave Ste #107	92117	(858) 737-9085
San Francisco	CA	Harry Liang	99 Yerba Buena Lane	94103	(415)999-0530
San Jose	CA	Rebecca Pham	1992 Tully Rd	95122	(408) 824-5915
Denver	CO	Canh Khuu	2370 W Alameda Ave Unit 12	80223	(720)252-5865
Morrow	GA	Uyen Tran	5312 Jonesboro Rd	30260	(470) 225-6247
West Lafayette	IN	Manqi Huang	100 Foundry Dr suite 14	47906	(765) 767-4820
Wichita	KS	Kevin Tuan	8007 E Kellogg Dr #18B	67207	(316) 977-9994
Wichita	KS	Kevin Tuan	2564 N Greenwich Rd Ste 300	67226	(316) 425-0009
New Orleans	LA	<del>Jim</del> <a href="#">Ngoc V Tran</a>	2131 Magazine St	70130	(504) 510-2244
Grand Rapids	MI	Tin Pham	6101 Kalamazoo Ave SE Unit C	49508	(616) 803-0482
<a href="#">Lansing</a>	<a href="#">MI</a>	<a href="#">Tho Phan</a>	<a href="#">3214 E Michigan Ave Suite E</a>	<a href="#">48912</a>	<a href="#">(517)-721-1031</a>
<a href="#">Minneapolis</a>	<a href="#">MN</a>	<a href="#">Xinyao Liu</a>	<a href="#">2929 University Ave SE Floor 1</a>	<a href="#">55414</a>	<a href="#">(612)-208-0782</a>
Creve Coeur	MO	<del>Hameedullah</del> <del>Mohamad</del> <a href="#">Vu Buu</a> <a href="#">Huyen Ngo</a>	725 N New Ballas Rd	63141	(314) 942-8798
<a href="#">Las Vegas (2)</a> <a href="#">Kansas</a>	<a href="#">NV</a> <a href="#">MO</a>	<del>Xiaofan Sun</del> <a href="#">Jerry</a>	<a href="#">7445 S Durango Dr, Ste 101440 NW</a>	<a href="#">8911364155</a>	<a href="#">(702)816-463-</a>

<a href="#">City</a>		<a href="#">Nguyen</a>	<a href="#">Legacy Drive</a>		<a href="#">694-73676268</a>
Morrisville	NC	Hannah Ninh	3037 Village Market Place	27560	(984) 333-0783
Raleigh	NC	Liem Tran	8319 Creedmoor Rd	27613	(609)513-7559
Wake Forest	NC	Nam Khau	3325 Rogers Rd Ste 104	27587	(336)749-6248
Del City	OK	Mai Tran	5301 S Main St	73115	(405)370-5588
Edmond	OK	Jay NguyenMohammed	900 Northwest 150th Street	73013	(405) <del>404255-5397</del> 5959
OKC	OK	Michelle Ho	10600 S Pennsylvania Ave #6	73170	(405) 725-5033
Yukon	OK	Mohammed	335 S Mustang Rd Suite H	73099	<a href="#">(405) 255-5397</a>
Greenville	SC	Ashley Tran	12 N Spring St	29601	(864) 203-2263
Allen	TX	Aaron Huynh	945 W Stacy Rd Ste 150	75013	(469) 656-1883
Amarillo	TX	Maivy	5611 Gem Lake Road	79106	(806) 615-2214
Arlington	TX	Camtu Dang	3701 S Cooper St. #125	76015	(817) 200-6445
Austin	TX	Jonathan Tjahja	2525 W Anderson Ln #285	78757	(512) 291-6681
Austin	TX	Jonathan Tjahja	500 W Canyon Ridge Dr L150	78753	(512) 520-5777
<del>Austin</del>	<del>TX</del>	<del>Khoi</del>	<del>609 Clayton Ln # 110</del>	<del>78752</del>	<del>(512) 551-3386</del>
Burleson	TX	Antony	1169 N Burleson Blvd #121	76028	(817) 883-1888
Carrollton	TX	Vivian	2528 Old Denton Rd #150	75006	(682) 331-1955
Castle Hills	TX	Nam	8055 West Ave #100	78213	(210) 598-5986
<a href="#">Cedar Hill</a>	<a href="#">TX</a>	<a href="#">Manoha</a>	<a href="#">305 FM 1382, #206</a>	<a href="#">75104</a>	<a href="#">(682)-266-2018</a>
Conroe	TX	Lijuan Qiu	449 S Loop 336 W	77304	(936) 267-2903
Coppell	TX	Kay	240 North Denton Tap Road	75019	(469) 451-5015
<a href="#">Cypress</a>	<a href="#">TX</a>	<a href="#">Thien Huynh</a>	<a href="#">20725 Tuckerton Rd, Ste 800</a>	<a href="#">77433</a>	<a href="#">(832)-712-2306</a>
Dallas	TX	Ryan	5225 Belt Line Road	75254	(972) 850-9082
Dallas	TX	Nam	1917 Greenville Avenue	75206	(469) 498-3711
<a href="#">Denton</a>	<a href="#">TX</a>	<a href="#">Pratikshya</a>	<a href="#">1400 S Loop 288, suite 114</a>	<a href="#">76205</a>	<a href="#">(773)-954-6041</a>

El Paso	TX	Khanh Vuong	7470 Cimarron Market Ave Building 8	79911	(915) 234-2714
Flower Mound	TX	Phuc Minh Huynh	2201 Justin Rd suite 311	75028	(817)296-3497
Forney	TX	Lydia	325 Farm to Market 548	75126	(469) 602-5018
Fort Worth	TX	Huy Hoang	6235 Oakmont Blvd	76132	(682) 841-1188
Garland	TX	Dave Nguyen	2645 Arapaho Rd Ste 125	75044	(469) 567-0244
Grand Prairie	TX	Bishal Shrestha	1020 Mayfield Rd	75050	(720)755-2021
<a href="#">Grapevine</a>	<a href="#">TX</a>	<a href="#">Kushal Bastakoti</a>	<a href="#">919 E Northwest Hwy</a>	<a href="#">76051</a>	<a href="#">(469)-509-8909</a>
<a href="#">Houston</a>	<a href="#">TX</a>	<a href="#">Selena Li</a>	<a href="#">14315 East Sam Houston Pkwy N</a>	<a href="#">77044</a>	<a href="#">(346)-570-5978</a>
Houston	TX	Yuxin Jin	9889 Bellaire Blvd Ste C316	77036	(832) 426-4372
Houston	TX	Jenny Lee	3210 Louisiana St #100	77006	(346) 628-7745
Houston	TX	Yuxin Jin	7620 Katy Fwy Ste 310	77024	(832) 740-4098
Houston	TX	Carol Chen	19143 Katy Fwy Suite 400	77094	(281) 676-4208
Houston	TX	Selena Li	5866 Sam Houston Tollway	77049	(281)309-8899
Houston	TX	Yuxin Jin	625 W 19th St	77008	(832) 888-1863
Humble	TX	Duc Phung	7036 FM 1960 Suite D	77346	(281) 913-5621
Hurst	TX	Stephanie Li	1826 Precinct Line Rd	76054	(817) 849-2128
Irving	TX	Kushal Bastakoti	2612 N Belt Line Rd	75062	(972) 600-8207
Katy	TX	Chenlin Zhao	9555 Spring Green Blvd	77494	(773)666-9779
Lakeway	TX	Jonathan Tjahja	2011 Main St Suite B-300	78734	(512) 305-3205
Lewisville	TX	Christy	980 W Round Grove Rd #180	75067	(469) 464-4117
<a href="#">McKinney</a>	<a href="#">TX</a>	<a href="#">Trang Ho</a>	<a href="#">4610 W. University Dr. #120</a>	<a href="#">75071</a>	<a href="#">(469)-450-5088</a>
<a href="#">Mesquite</a>	<a href="#">TX</a>	<a href="#">Levy Le</a>	<a href="#">1515 N Town East Blvd</a>	<a href="#">75150</a>	<a href="#">(469)-888-0468</a>
<a href="#">Missouri City</a>	<a href="#">TX</a>	<a href="#">Mia Tran</a>	<a href="#">8141 Highway 6, Ste 200</a>	<a href="#">77459</a>	<a href="#">(832)-970-5981</a>
Murphy	TX	Dung Tran	208 W Farm To Market 544 Suite 110	75094	(469)388-8866
N Fort Worth	TX	Phuc Minh Huynh	7451 N. Beach St., Ste 180	75013	(682) 703-2007

<a href="#">Plano</a>	<a href="#">TX</a>	<a href="#">Le An</a>	<a href="#">3949 Legacy Dr #106</a>	<a href="#">75023</a>	<a href="#">(817)-983-8512</a>
Prosper	TX	Trang Ho	1590 W Frontier Pkwy	75078	(469) 481-6145
Richardson	TX	Kenny	2701 Custer Parkway	75080	(972) 685-0202
Richmond	TX	Linh Tay	10310 W Grand Pkwy S #104	77406	(346) 696-8205
Rockwall	TX	Levi Le	2930 Ridge Rd	75032	(469) 314-1436
Rosenberg	TX	Selena Li	6419 Reading Road #120	77471	(281)309-8899
Round Rock	TX	Jonathan Tjahja	200 University Blvd Ste. 240	78665	(512) 467-4114
Rowlett	TX	Vivian	3526 Lakeview Pkwy	75088	(972) 212-4295
Saginaw	TX	Phuc Minh Huynh	1029 N Saginaw Blvd E8	76179	(682) 224-3006
<a href="#">San Antonio</a>	<a href="#">TX</a>	<a href="#">Nam</a>	<a href="#">18866 Stone Oak Pkwy #106</a>	<a href="#">78258</a>	<a href="#">(210)-598-5986</a>
Spring	TX	Deborah Chung	25114 Grogan's Mill Road	77380	(713)825-4006
Sugar Land	TX	Yuxin Jin	13540 University Blvd #400	77479	(281) 207-6014
Terrell	TX	Sang	516 American Wy	75160	(972) 210-7261
The Colony	TX	Dave Nguyen	4740 State Highway 121	75056	(469) 444-1243
Tomball	TX	Cate	19003 Winsor Pointe Dr Ste 700	77375	(909)643-7895
Renton	WA	Vi Dang	203 S 2nd St Suite C	98057	(425) 282-4087

**Agreements Signed But Location Not Yet Opened As Of [12/31/24](#)[12/31/25](#):**

<b>Bakerfield</b>	<b>CA</b>	<b>Steven</b>	<b>2665 Calloway, Ste 206</b>	<b>93312</b>	<b>714-277-7613</b>	<b>asn.sibling@gmail.com</b>
<b>Laguna Niguel</b>	<b>CA</b>	<b>Luan</b>	<b>27281 La Paz Rd, Ste L</b>	<b>92677</b>	<b>714-837-1797</b>	<b>info.infinitea24@gmail.com</b>
<b>Kansas City</b>	<b>KS</b>	<b>Jerry</b>	<b>440 NW Legacy Drive</b>	<b>64155</b>	<b>816-694-7367</b>	<b>cindythle@gmail.com</b>
<b>Stone Oak</b>	<b>TX</b>	<b>David</b>	<b>18866 Stone Oak Pkwy #106</b>	<b>78258</b>	<b>972-345-9379</b>	<b>fengehasatx2@gmail.com</b>
<a href="#">Li Li</a>	<a href="#">TX</a>	<a href="#">Li Li</a>	<a href="#">14329 E Sam Houston Pkwy N</a>	<a href="#">77479</a>	<a href="#">(281-) 309-8899</a>	<a href="#">fengehachannelview@gmail.com</a>
<a href="#">Srinivas Chittineni</a>	<a href="#">TX</a>	<a href="#">Thien Huynh</a>	<a href="#">20725 Tuckerton Rd, Ste 800</a>	<a href="#">77433</a>	<a href="#">832-712-2306(513) 374-9650</a>	<a href="#">fengehaexpress@gmail.com</a>
<a href="#">Ryan Nguyen</a>	<a href="#">TX</a>	<a href="#">Mia</a>	<a href="#">8141 Highway 6, Ste 200</a>	<a href="#">77459</a>	<a href="#">832-970-5981(402) 417-5104</a>	<a href="#">fengehamissouricity@gmail.com</a>
<b>Grapevine</b>	<b>TX</b>	<b>Kush</b>	<b>919 E Northwest</b>	<b>76051</b>	<b>469-509-8909</b>	<b>bastakotikushal@gmail.com</b>

			<b>Hwy</b>			
<b>Plano</b>	<b>TX</b>	<b>Dave</b>	<b>3949 Legacy DR #106</b>	<b>75023</b>	<b>817-983-8512</b>	<b>daventech102@gmail.com</b>
<b>Mesquite</b>	<b>TX</b>	<b>Levy</b>	<b>1515 N Town East Blvd</b>	<b>75150</b>	<b>469-888-0468</b>	<b>levysworkmails@gmail.com</b>
<b>McKinney</b>	<b>TX</b>	<b>Trang</b>	<b>4610 W, UNIVERSITY DR. #120</b>	<b>75071</b>	<b>469-450-5088</b>	<b>tranghorealtor@gmail.com</b>
<b>Denton</b>	<b>TX</b>	<b>Pratikshya</b>	<b>1400 S Loop 288, suite 114</b>	<b>76205</b>	<b>773-954-6041</b>	<b>pmalla104@gmail.com</b>
<b>Cedar Hill</b>	<b>TX</b>	<b>Manoha</b>	<b>305 FM 1382, #206</b>	<b>75104</b>	<b>682-266-2018</b>	<b>manohanandyala@gmail.com</b>
<b>Mansfield</b>	<b>TX</b>	<b>Levy</b>	<b>TBD</b>	<b>TBD</b>	<b>469-888-0468</b>	<b>levysworkmails@gmail.com</b>

# **Exhibit F**

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## **LIST OF FRANCHISEES WHO LEFT**

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**Cannect, LLC**

## LIST OF FRANCHISEES THAT HAVE LEFT

For the Period 1/1/~~24~~25-12/31/~~24~~25

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

### Transfers:

<a href="#">Fullerton</a>	<a href="#">California</a>	<a href="#">Nicholas Nguyen</a>	<a href="mailto:nickknguyen@yahoo.com">nickknguyen@yahoo.com</a>
<a href="#">Newark</a>	<a href="#">California</a>	<a href="#">Bill Truong</a>	<a href="mailto:bill.a.truong@gmail.com">bill.a.truong@gmail.com</a>
<a href="#">New Orleans</a>	<a href="#">Louisiana</a>	<a href="#">Jim Tran</a>	<a href="mailto:jimvtran@yahoo.com">jimvtran@yahoo.com</a>
<a href="#">Creve Coeur</a>	<a href="#">Missouri</a>	<a href="#">Hameedullah Mohamad</a>	<a href="mailto:hameed1994@gmail.com">hameed1994@gmail.com</a>
<a href="#">Edmond</a>	<a href="#">Oklahoma</a>	<a href="#">Jay Nguyen</a>	<a href="mailto:jartgroupllc@gmail.com">jartgroupllc@gmail.com</a>

#### Oklahoma

Annie Lam email: [anniejt346@gmail.com](mailto:anniejt346@gmail.com)

#### Texas

JACK MAH: [jackmah@me.com](mailto:jackmah@me.com) and Sheng Xin: [shengxin2002@gmail.com](mailto:shengxin2002@gmail.com)

### Terminations:

<a href="#">Berkeley</a> <a href="#">Lansing</a>	<a href="#">CA</a> <a href="#">MI</a>	<a href="#">Vinh Nguyen</a> <a href="#">Tho Phan</a>	<a href="mailto:v123nguyen@gmail.com">v123nguyen@gmail.com</a> <a href="mailto:thodphan84@gmail.com">thodphan84@gmail.com</a>
<a href="#">Burlingame</a> <a href="#">Minneapolis</a>	<a href="#">CA</a> <a href="#">MN</a>	<a href="#">Linda Lam</a> <a href="#">Xinyao Liu</a>	<a href="mailto:fengehaburlingame@gmail.com">fengehaburlingame@gmail.com</a> <a href="mailto:lxy55433@gmail.com">lxy55433@gmail.com</a>
<a href="#">Fountain Valley</a> <a href="#">Las Vegas</a>	<a href="#">CA</a> <a href="#">NV</a>	<a href="#">Hanh Xiaofan</a> <a href="#">Sun</a>	<a href="mailto:fengehafv@gmail.com">fengehafv@gmail.com</a> <a href="mailto:jeanwanglv@gmail.com">jeanwanglv@gmail.com</a>
<a href="#">Los Angeles</a>	<a href="#">CA</a>	<a href="#">Eric Chin</a>	<a href="mailto:echin121@gmail.com">echin121@gmail.com</a>
<a href="#">San Jose</a>	<a href="#">CA</a>	<a href="#">Jaelyn</a>	<a href="mailto:unme1404@yahoo.com">unme1404@yahoo.com</a>
<a href="#">Garden Grove</a>	<a href="#">CA</a>	<a href="#">Julie Dao</a>	<a href="mailto:juliedao123@gmail.com">juliedao123@gmail.com</a>
<a href="#">Buena Park</a>	<a href="#">CA</a>	<a href="#">Diana Tran</a>	<a href="mailto:fengehabp@gmail.com">fengehabp@gmail.com</a>
<a href="#">Duluth</a>	<a href="#">GA</a>	<a href="#">Josh Nguyen</a>	<a href="mailto:fengehaga@gmail.com">fengehaga@gmail.com</a>
<a href="#">Las Vegas (1)</a> <a href="#">Austin</a>	<a href="#">NV</a> <a href="#">TX</a>	<a href="#">Xiaofan Sun</a> <a href="#">Khoi</a>	<a href="mailto:jeanwanglv@gmail.com">jeanwanglv@gmail.com</a> <a href="mailto:thephonoodlehouse@gmail.com">thephonoodlehouse@gmail.com</a>

# **Exhibit G**

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## **TABLE OF CONTENTS – OPERATIONS MANUAL**

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**Cannect, LLC**

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# Exhibit H

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## STATE ADDENDA

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**Cannect, LLC**

## **ADDENDUMS TO THE FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**

### **California:**

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.

THE FRANCHISOR'S WEBSITE [www.fengchausa.com](http://www.fengchausa.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

FDD Item 5 and the Franchise Agreement are amended to provide that any and all initial fees are deferred until the franchisor has completed all of its initial obligations to the franchisee and the franchisee is open for business.

Neither the franchisor, nor any person or franchise broker identified in Item 2 of this 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 the person from membership in the association or exchange.

California Business and Professions Code § 20000 through 20043 provide rights to the franchisee concerning transfer, termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).

The Franchise Agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement requires application of the laws of the State of Texas. This provision may not be enforceable under California law.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code § 20040.5, Code of Civil Procedure § 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.

§ 31125 of the California Corporations Code requires the franchisor to give the franchisee a special disclosure document before soliciting a proposed material modification of an existing franchise.

The Franchise Agreement requires the franchisee to sign a general release of claims as a condition of relocation, resale, or renewal of the franchise. § 31512 of the California Corporations Code provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Franchise Investment Law or any rule or order under it is void.

Therefore, any general release of claims that you are required to sign under the Franchise Agreement will be considered amended to delete any waiver of Franchisor’s compliance with the Franchise Investment Law. This will not prevent Franchisor from requiring you to sign a general release of claims, including claims arising under the Franchise Investment Law, as part of the negotiated settlement of a dispute.

The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act. Any restrictions on pricing may not be enforceable under California law.

The franchise agreement may contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The highest interest rate allowed by law in California is 10% annually.

The franchise agreement prohibits you from employing individual who were employed by your Franchised Business or are employed by us or our franchisees, for a period of time after the term of the franchise agreement. This provision is not enforceable in California and is therefore deleted from the franchise agreement.

For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.

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.

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. See NASAA STATEMENT OF POLICY REGARDING THE USE OF FRANCHISE QUESTIONNAIRES AND ACKNOWLEDGMENTS. <https://www.nasaa.org/wp-content/uploads/2022/11/sop-franchise-questionnaires.pdf>.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated

\_\_\_\_\_

FRANCHISOR

By:  
Name:  
Title:

FRANCHISEE:

By:  
Name:  
Title:\_\_\_\_\_

## **WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE 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 supersedes 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.

19. Due to the franchisor’s financial condition, the Securities Division of the Washington Department of Financial Institutions requires that the franchisor’s collection of the initial franchise fee will be deferred until the franchisor has fulfilled its initial pre-opening obligations and your franchised business is open for business. For Washington franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

20. The Franchise Agreement is revised to provide that liquidated damages measurement shall be equal to the average monthly Royalty Fees owed to Franchisor during the 12 months of operation preceding the effective date of termination (or the period of operation if less than 12 months) multiplied by: (a) 24 (being the number of months in two full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is less.

21. Item 5 of the Franchise Disclosure Document is hereby amended to provide that franchisees who receive financial incentives to refer franchise prospects to the Franchisor may be required to register as franchise brokers under the laws of Washington State.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

FRANCHISOR

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE:

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

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

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

## 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	Pending
Indiana	Pending
Michigan	Pending
Washington	Pending

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

**RECEIPT  
(YOUR COPY)**

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

If Cannect LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an Affiliate in connection with the proposed franchise sale. New York and Iowa require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days (14 calendar days for Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Cannect LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit C.

The franchisor is Cannect LLC, located at 412 N. Bowser Rd. Richardson TX 75081. Phone: (972) 762-1373

Issuance date: ~~May 19~~ March 23, 2025 ~~2026~~ (Effective dates of this Disclosure Document in states requiring registration can be found on the State Effective Date page).

The name, principal business address and telephone number of the franchise sellers for this offering are (check and/or fill in all that apply):

- Yan Chen, 412 N. Bowser Rd., Richardson TX 75081, (972) 762-1373
- Zhongming Gao, 412 N. Bowser Rd., Richardson TX 75081, (972) 762-1373
- Mark Hong, 412 N. Bowser Rd., Richardson TX 75081, (972) 762-1373

Cannect LLC authorizes the agents listed in Exhibit D to receive service of process for it.

I have received a disclosure document dated ~~May 19~~ March 23, 2025 ~~2026~~ (Effective dates of this Disclosure Document in states requiring registration can be found on the State Effective Date page).

A – Financial Statements	F- List of Franchisees Who Have Left
B – Franchise Agreement	G – Table of Contents of Operations Manual
C – Multi-Unit Developer Agreement	H – State Addendum
D – State Agents	
E – List of Franchisees	

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee  
\_\_\_\_\_  
Print Name

Please sign and return this Receipt immediately upon receipt in the manner required by the Franchisor.

**RECEIPT  
(FRANCHISOR COPY)**

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