FRANCHISE DISCLOSURE DOCUMENT

FRANCHISOR
Gong Cha CA Franchise, LLC
A California limited liability company
1111 Triton Drive, Suite 200
Foster City, California 94404
(650) 670-6873
franchising@gong-cha-usa.com
gong-cha-usa.com

As a franchisee, you will operate a store offering boba (bubble) teas, tea based beverages (such as milk teas and fruity teas) and smoothies, along with related products and services under the name "Gong Cha."

The total investment necessary to begin operation of a standard Gong Cha franchise is from $250,700 to $528,900, which includes $55,504 to $62,504 that must be paid to us as the franchisor. The total investment necessary to begin operation of an express Gong Cha franchise is from $196,400 to $324,700, which includes $43,104 to $48,004 that must be paid to us as the franchisor. Please see Items 5 and 7 for additional details.

We may offer to enter into an area development agreement to establish and operate a certain number of Gong Cha franchises at specific locations pursuant to individual franchise agreements. The area development fee will be equal to $20,000 multiplied by the number of Gong Cha franchises to be developed under the area development agreement. The area development fee will then be credited, in increments of $20,000, toward the franchise fee owed for each Gong Cha franchise developed. Your estimated initial investment will vary based on the number of Stores to be developed.

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 Larry Chen, Gong Cha CA Franchise, LLC, 1111 Triton Drive, Suite 200, Foster City, California 94404, (650) 670-6873, franchising@gong-cha-usa.com.

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 "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at *www.ftc.gov* for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 19, 2024

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit 1.

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

Special Risks to Consider About *This* Franchise

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

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

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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RECEIPT

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

The Franchisor

Gong Cha CA Franchise, LLC, a California limited liability company ("**we**" or "**us**" or "**our**" or "**Gong Cha CA Franchise, LLC**"), is the franchisor. We and our affiliate have our principal place of business at 1111 Triton Drive, Suite 200, Foster City, California 94404. We were formed on September 11, 2014. We conduct business under the name and mark "Gong Cha" and related names, marks and slogans.

Effective February 15, 2015, we became the California master franchisee of Gong Cha International Co., Ltd. (f/k/a Royal Tea Taiwan Co., Ltd) and predecessor to Gong cha USA Franchising, LLC ("**Master Franchisor**" or "**GCF**"), our current Master Franchisor, as further described below. GCF has granted to us the right to operate, and sub-license to franchisees, the Gong cha business format and system (the "**System**") relating to the establishment and operation of Gong cha stores, which operate at retail locations that display the System interior and exterior trade dress and feature and operate under the Proprietary Marks (as defined below) (each a "**Gong cha Store**") through a master franchising agreement (the "**Master Franchising Agreement**"). The Master Franchising Agreement provides us with two six-year renewal terms. The Master Franchising Agreement was recently renewed for the first six-year renewal term, effective as of July 1, 2021, with renewal rights for one additional six-year renewal term following expiration of the first renewal term. See Item 3 for additional details.

We are a franchising company which promotes and sells franchises for the operation of Gong cha Stores. We do not own or operate a store of the type being franchised, although we have an affiliate that does. We have not offered franchises in any other line of business, and we are not engaged in any business other than selling franchises for Gong cha Stores. We have offered franchises since January 28, 2015.

Our agent for service of process is Michelle Chen. Her principal business address is 1111 Triton Drive, Suite 200, Foster City, California 94404. If we have an agent for service of process in your state, we disclose that agent in Exhibit 1.

The Gong Cha Brand

As further described below, GCF, its predecessors and affiliates, Gong Cha Global Limited ("GCG") and Gong Cha International Co., Ltd. (f/k/a Royal Tea Taiwan Co. Ltd.) ("GCI"), and other of GCF affiliates have developed, and continue to develop, the Gong cha® brand and System (as defined above). Founded in 2006 in Kaohsiung in southern Taiwan, "Gong cha," which translates to "tribute tea for the emperor," is one of the most recognized Taiwanese tea brands in the world. The brand's leading product is its famous Taiwanese-style bubble tea, which is sweet, milk tea infused with pearl-shaped tapioca. The Gong cha® brand expanded from Taiwan to Korea in 2012 and continued expansion throughout Asia beginning in 2013, with further expansion to the United States in April 2014. As of December 31, 2023, there were 2,065 Gong cha® stores in 22 countries, including Australia, Belgium, Brunei, Cambodia, Canada, France, Hong Kong, Indonesia, Japan, Macau, Malaysia, Myanmar, Mexico, New Zealand, the Philippines, Portugal, Singapore, South Korea, Taiwan, the United Kingdom, the United States and Vietnam.

Our Master Franchisor and its Business Experience

GCF is a limited liability company incorporated in Delaware on January 10, 2023. Our principal business address is 200 Clarendon St., Suite #5600, Boston, Massachusetts 02116. GCF conducts business under its corporate name "Gong cha USA Franchising, LLC" and under the name "Gong cha."

As a result of the May 1, 2023 US Restructuring (described below), GCF became the franchisor of the Gong cha® system in the United States. Therefore, as of May 1, 2023, GCF was in the business of offering new Gong cha® master franchises and unit franchises for Gong cha® stores in the United States, and supporting and arranging for the sale of Products to its existing franchisees and, in some cases, its master franchisees' subfranchisees. GCF offers Gong cha® unit franchises under a separate disclosure document. As of December 31, 2023, GCF entered into franchise agreements for 1 Gong cha® unit franchise. As of the issuance date of this disclosure document, none of GCF's predecessors or affiliates had offered or sold any Gong cha® unit franchises in the United States. GCF does not offer, and has never offered, franchises in any other line of business. GCF has never operated a Gong cha® master franchise business similar to the one being offered under this disclosure document, nor has GCF operated a Gong cha® store.

Our Master Franchisor's Parent and their Business Experience

GCF is a wholly owned subsidiary of Gong cha Americas, Inc. ("GCA"), which is a wholly owned subsidiary of GCG, which is a wholly owned subsidiary of GC Group Midco Limited ("GC Midco"), which is a wholly owned subsidiary of GC Group Holdco Limited ("GC Holdco"), which is a wholly owned subsidiary of Gong Cha Limited (originally called GC Group Topco Limited). GCA's principal business address is the same as GCF. The principal business address of GCG, GC Midco, GC Holdco and Gong Cha Limited is 2nd Floor 20 Midtown, 20 Procter Street, London, England, WC1V 6NX. On November 1, 2019, GCG purchased the existing Gong Cha group (consisting of GCI, GCK and GCJ, as defined below) to form the new Gong Cha group for which Gong Cha Limited is the top company.

GCA, GC Midco, GC Holdco and Gong Cha Limited does not offer, and has never offered, franchises in any line of business. In addition, GCA, GC Midco, GC Holdco and Gong Cha Limited have never operated a Gong cha® store or multi-unit franchise business similar to the ones being offered under this disclosure document, nor have they operated a Gong cha® master franchise business.

Our Master Franchisor's Predecessor and its Business Experience

GCF's direct predecessor and parent is GCG. GCF's indirect predecessor and affiliate, and GCG's direct predecessor and affiliate is GCI. GCI was originally called Royal Tea Taiwan Co., Ltd, until it changed to its current name on July 1, 2020. GCI's principal business address is No. 1685, Huaxia Rd., Zuoying Dist., Kaohsiung City 813031, Taiwan (R.O.C).

To facilitate its global expansion beyond the Asian markets, the new Gong Cha group elected to centralize certain management and strategic functions, along with key assets, in the United Kingdom. Accordingly, on July 1, 2020, GCI sold certain of its intellectual property ("IP") to GCG, including GCI's rights and obligations under its master franchise agreements and other franchise agreements, and GCI's trademarks, service marks, logos, designs and identifying slogans, including the Marks, for an agreed upon price to be paid pursuant to a promissory note between the parties (the "Restructuring"). GCI also assigned to GCG the master franchise agreements, including the US master franchise agreements.

Following the Restructuring, GCG has served as the global franchisor of the Gong cha® system outside the United States since July 2020. In addition, GCG offered and sold Gong cha® master franchises in the United States from July 2020 to April 2023, and Gong cha® unit franchises in the United States from September 2022 to April 2023.

Following the Restructuring, GCI remained GCG's affiliate and continued to sell products (including raw materials) to GCG. GCI also continued to provide certain management/operational services to GCG. In addition, as part of the Restructuring, GCG entered into a master franchising agreement with GCI to allow it to serve as the Gong cha® master franchisee in Taiwan, and to continue to directly operate its then existing Gong cha® stores in Taiwan and to support and sell products to the then existing Gong cha® stores owned and operated by its subfranchisees in Taiwan. GCI entered into a master franchise agreement on July 18, 2023 with a third-party master franchisee in Taiwan and assigned its rights under all existing subfranchise agreements to the third-party master franchisee. Thus, as of December 31, 2023, there were no Gong cha® stores operated by GCI directly or by GCI's subfranchisees in Taiwan.

To further support the planned expansion in the United States, as of May 1, 2023, the Gong Cha group implemented a corporate US restructuring (the "**US Restructuring**"). As part of the US Restructuring, GCF was formed as a wholly owned subsidiary of GCA to act as the new US franchisor, and Gong cha USA Product Supplier, LLC ("**GCPS**") was formed as a wholly owned subsidiary of GCA to act as the new US Product supplier. Additional information about GCPS is disclosed in the affiliate section below. Under an assignment agreement between GCG and GCF, effective May 1, 2023, as amended, GCG assigned all US master franchise agreements to GCF, as well as the unit franchise agreements GCG entered with its affiliates GCIL (as defined below). Following the US Restructuring, GCG continues to own the intellectual property and proprietary rights relating to the System, including the Proprietary Marks (collectively, the "**IP Rights**"). However, GCG has entered into an IP License Agreement with GCF, effective May 1, 2023, as amended (the "License Agreement"), under which GCG has granted to GCF, for an ongoing license and royalty fee, the exclusive right to use, and license the right to use, GCG's IP Rights in the United States and to, among other things, offer and sell Gong cha® master, multi-unit and unit franchises, operate Gong cha® stores, and provide support and coordinate the distribution of Products and other items to US master franchisees and Gong cha® stores. In addition, GCG also has entered into a "Services Agreement" with GCF, effective May 1, 2023, under which GCF has agreed, for an ongoing service fee, to provide certain services relating to the growth and maintenance of the Gong cha® system in the United States.

Again, following the US Restructuring, GCF is the US franchisor of the Gong cha® system. As of December 31, 2023, there were 7 Gong cha® master franchise businesses in the United States operated by master franchisees (the "**Existing Master Franchisees**"). In addition, as of December 31, 2023, there were another 21 Gong cha® master franchise businesses operating in 21 other countries, including Australia, Belgium, Brunei, Cambodia, Canada, France, Hong Kong, Indonesia, Japan, Macau, Malaysia, Mexico, Myanmar, New Zealand, the Philippines, Portugal, Singapore, South Korea, Taiwan, the United Kingdom, and Vietnam. The Gong cha® master franchise businesses of the Existing Master Franchisees are operated under separate master franchise agreements (or MFAs) with GCF. As of December 31, 2023, there were a total of 224 Gong cha® stores operating in the United States, 35 of which were operated by master franchisees or their affiliates, 2 of which were operated by GCF's US-based affiliates, and 187 of which were operated by third-party subfranchisees / sublicensees.

Except as described above, GCG and GCI do not offer, and have never offered, franchises in any line of business. In addition, except as described above, GCG and GCI have never operated a Gong cha®

store or multi-unit franchise business similar to the ones being offered under this disclosure document, nor have GCG and GCI operated a Gong cha® master franchise business.

Our Master Franchisor's Affiliates and their Business Experience

GCF's affiliate, GCPS, distributes the certain Products, including Proprietary Products, to certain customers in the United States, including GCF's US master franchisees and unit franchisees, pursuant to a non-exclusive distribution agreement with GCG and a services agreement with GCF. GCPS does not offer, and has never offered, franchises in any line of business. In addition, GCPS has never operated a Gong cha® store or multi-unit franchise business similar to the ones being offered under this disclosure document, nor has GCPS operated a Gong cha® master franchise business.

GCF's affiliate, Gong Cha Korea Co. Ltd. ("GCK"), has served as the Gong cha® master franchisee in Korea since April 2012. GCK's principal business address is 7F, 47, Jong-ro, Jongno-gu, Seoul, South Korea. As master franchisee, GCK develops and operates, and subfranchises to third parties the right to operate, Gong cha® stores in Korea, and supports and sells product to such stores. As of December 31, 2023, there were 67 Gong cha® stores operated by GCK directly in Korea, and 834 Gong cha® stores operated by GCK's subfranchisees in Korea. Except as described above, GCK does not offer, and has never offered, franchises in any other line of business. In addition, except as described above, GCK has never operated a Gong cha® master franchise business similar to the one being franchised under this disclosure document, nor has GCK operated a Gong cha® store.

GCF's affiliate, Gong Cha Japan Co. ("GCJ"), has served as the Gong cha® master franchisee in Japan since March 2015. GCJ's principal business address is 4-11-1 Shinbashi, Minato-ku, Tokyo, Japan. As master franchisee, GCJ develops and operates, and subfranchises to third parties the right to operate, Gong cha® stores in Japan, and supports and sells product to such stores. As of December 31, 2023, there were 25 Gong cha® stores operated by GCJ directly in Japan, and 125 Gong cha® stores operated by GCJ's subfranchisees in Japan. Except as described above, GCJ does not offer, and has never offered, franchises in any other line of business. In addition, except as described above, GCJ has never operated a Gong cha® master franchise business similar to the one being franchised under this disclosure document, nor has GCJ operated a Gong cha® store.

GCF's affiliate, Gong Cha USA, Inc. ("GCUSA"), was formed to act as GCG's guarantor in certain situations. GCG included GCUSA's audited financial statements and guarantee in several of its prior US FDDs, and certain US master franchisees have included and continue to include GCUSA's audited financial statements and guarantee in their US FDDs. GCUSA's principal business address is the same as GCF. GCUSA does not offer, and has never offered, franchises in any line of business. In addition, GCUSA has never operated a Gong cha® master franchise business similar to the one being franchised under this disclosure document, nor has GCUSA operated a Gong cha® store.

GCF's affiliates, GC Naperville, IL, LLC, GC State Street, LLC, GC West Sheridan, LLC and GC North Lincoln, LLC (collectively "GCIL"), were each formed by GCA to own and operate a single Gong cha® store in the Chicago, Illinois market. As of December 31, 2023, GC Naperville, IL, LLC was operating a Gong cha® store in Naperville, Illinois, and GC State Street, LLC was operating a Gong cha® store in Chicago, Illinois. Other affiliates also may open Gong cha® stores in the Chicago, Illinois market or in other markets outside of the territories granted to US Gong cha® master franchisees. None of the GCF affiliates described in this paragraph have ever offered franchises in any line of business.

Except as described above, GCF has no parents, predecessors or affiliates that are required to be disclosed in this Item 1.

Our Parents, Affiliates and Predecessors

We have no parent or predecessors.

Our affiliate, Gong Cha USA, a California corporation formed December 24, 2012, currently operates the following Gong cha Stores: 1600 Saratoga Avenue, Suite 115, San Jose, California 95129, which opened in September 2014; 1701 Lundy Avenue, Suite 170, San Jose, California 95131, which opened in October 2014; Waverley Street, Palo Alto, California 94301, which opened February 2015; 31812 Alvarado Blvd, and Union City, CA 94587, which opened in 2022.

Our affiliate is not offering, and has never offered, franchises in any line of business. We have no other affiliate required to be disclosed in this Disclosure Document.

The Franchise Offered

We are offering franchises for standard full menu Gong Cha stores (approximately 500 to 1,500 square feet in size) (each a "**Standard Gong cha Store(s)**") and express limited menu Gong Cha stores (approximately 200 to 500 square feet in size) (each an "**Express Gong cha Store(s)**"). Standard Gong cha Stores and Express Gong cha Stores are collectively referred to in this Disclosure Document as "**Gong cha Stores**" and each a "**Gong cha Store**.").

Gong cha Stores are established and operated using the System and offer boba (bubble) teas, tea based beverages (such as milk teas and fruity teas) and smoothies, along with related products and services. As described above, the brand's leading product is its famous Taiwanese-style bubble tea, which is sweet, milk tea infused with pearl-shaped tapioca. Each Gong cha Store is operated using proprietary recipes, formulae and techniques ("**Proprietary Products**"), as well as a variety of non-proprietary food, beverage, and other compatible items that we designate from time to time (collectively such non-proprietary and Proprietary Products shall be referred to as "**Products**"). Our interior trade dress is designed to make Gong cha Stores welcoming, comfortable, and easily identifiable for customers. All items offered for sale at a Gong cha Store are subject to our approval. If you operate an Express Gong cha Store your menu offerings will be limited, as we determine, in comparison to a Standard Gong cha Store.

Gong cha Stores are characterized by our System. Some of the features of our System include (a) exterior and interior design, decor, color schemes, fixtures, and furnishings; (b) recipes, standards and specifications for products, equipment, materials, and supplies; (c) uniform standards, specifications, and procedures for operations; (d) training and operational assistance; and (e) marketing and promotional programs. We may periodically change and improve the System.

You must operate your Gong cha Store in accordance with our standards and procedures, as set out in our Confidential Operations Manuals (the "**Manuals**"). We will lend you a copy of the Manuals for the duration of the Franchise Agreement (or, at our option, we may make these available to you electronically). In addition, we will grant you the right to use certain marks, including the mark "Gong cha" and any other trade names and marks that we designate in writing for use with the System (the "**Proprietary Marks**"). We may modify the Proprietary Marks or substitute new Proprietary Marks. See Items 13 and 14 for additional information regarding the Proprietary Marks and the Manuals.

Franchise Agreement

We offer to enter into franchise agreements ("**Franchise Agreements**") (included as Exhibit 3 to this Disclosure Document) with qualified legal entities and persons ("**you**") that wish to establish and operate Gong cha Stores. (In this Disclosure Document, "you" means the person or legal entity with whom we enter into an agreement. The term "you" also refers to the direct and indirect owners of a corporation, partnership, or limited liability company that signs a Franchise Agreement as the "franchisee".)

Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate a Gong cha Store at an agreed-upon specified location (the "**Approved Location**"). (In this Disclosure Document, the term "**Franchised Store**" means the Gong cha Store franchised to you under a Franchise Agreement.)

If you are not an individual, then you must designate one of your owners, who must be an individual person with at least a ten percent (10%) ownership interest in the franchisee legal entity, and who must be reasonably acceptable to us to assume the responsibilities of general oversight and management of your Franchised Store (the "**Designated Principal**"). You must also designate either the Designated Principal or a General Manager (subject to our reasonable approval) to assume the full-time responsibility for daily supervision and operation of the Franchised Store. If we determine that your Designated Principal does not have the necessary food service experience to manage the full-time responsibility for daily supervision and operation of the Franchised Store, we will require that you hire a General Manager, subject to our reasonable approval, to assume this role (the "**General Manager**").

Area Development Agreement

We may also offer to enter into an area development agreement (the "**Area Development Agreement**") (included as Exhibit 4 to this Disclosure Document) with qualified legal entities and persons (an "**Area Developer**"), which grants the right to establish and operate a specified number of Gong cha Stores in a specified area (the "**Development Area**") at specific locations that must be approved by us, each under a separate Franchise Agreement. We will enter into Area Development Agreements under which at least two Gong cha Stores will be developed by an Area Developer.

Area Developers must open each Gong cha Store in accordance with an agreed upon opening schedule (the "**Development Schedule**"). The Development Schedule will be set forth in Exhibit A of the Area Development Agreement. The Area Developer exercises its right to open Gong cha Stores by entering into a separate Franchise Agreement, which may contain different terms than previous Franchise Agreements signed, for each Franchised Store opened.

Non-Use and Non-Disclosure Agreement

You will be required to sign a Non-Use and Non-Disclosure Agreement prior to receiving information from us we deem to be confidential. This Non-Use and Non-Disclosure Agreement is included as Exhibit 5 to this Disclosure Document.

The Market and Competition

The general market for bubble tea and tea drinks is developing in the Unites 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, snack and juice bars, and general food

service establishments carrying similar products as an offering on their menus. National and local restaurants, 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 and tea drinks also may be affected by general economic conditions and may be more seasonal in some parts of the country.

We may establish other Gong cha Stores in your area (if permitted under the Franchise Agreement) and/or sell or license others to sell Products in your area. Also, we may sell Products (including Proprietary Products) through wholesalers, distributors, grocery or convenience stores, the Internet, toll-free telephone numbers, catalogs, or other similar means of distribution to customers at any location, whether or not located in your area. See Items 12 and 16 for a description of your permitted and restricted activities and rights, as well as our permitted and restricted activities and rights. To the extent your Franchised Store may be located near another Franchised Store, you may appear to or actually compete with other Gong cha Stores.

Industry Specific Regulations

You must comply with all local, state and federal laws that apply to your Franchised Store operations, including health, sanitation, no smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and may affect your building construction, site design, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. You must also obtain real estate permits, licenses and operational licenses. There may be other laws applicable to your business and we urge you to make further inquiries about these laws.

Among the other licenses and permits you may need are: Zoning or Land Use Approvals, Sunday Sale Permits, Sales and Use Tax Permits, Special Tax Stamps, Fire Department Permits, Food Establishment Permits, Health Permits, Food Handler's Permit, Alarm Permits, County Occupational Permits, Retail Sales Licenses, Wastewater Discharge Permits. There may be other laws, rules or regulations which affect your Franchised Store, including point-of-sale disclosure regarding nutrition and dietary characteristics (e.g., calories, fat content, etc.) of the food and beverages served at your Franchised Store, laws concerning the protection of customers' credit card numbers and financial data, minimum wage and labor laws along with ADA, OSHA and EPA considerations, as well as The Affordable Care Act.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce regulations that govern food preparation and service and Store sanitary conditions. State and local agencies inspect stores to ensure that they comply with these laws and regulations.

The federal Clean Air Act and various 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 state and local governments have also adopted, or are considering proposals, that would regulate indoor air quality, including the limitation of smoking tobacco products in public places such as Stores.

On September 28, 2023, the California Legislature passed AB 1228 which creates new standards for National Fast-Food Chain Restaurants, which we will be applicable to us. The bill became effective January 1, 2024.

We are not obligated to provide you with guidance about these laws and regulations. We

recommend that you consult with your attorney for an understanding of these laws.

ITEM 2
BUSINESS EXPERIENCE

The following is a list of our directors, officers, and other executives who have responsibility for the franchise program.

Larry Chen: Chief Executive Officer

Mr. Chen has been our CEO since inception. He has also been CEO of our affiliate since inception. From July 2007 to September 2014 Mr. Chen was a Senior Finance Analyst with Intel, Inc. in Santa Clara, California.

Michelle Chen: President

Ms. Chen has been our President since inception. She has also been President of our affiliate since inception. Ms. Chen was a Senior Consultant/Project Manager with CSG Consultants, Inc. in San Mateo, California from July 2001 to May 2013.

Tian-Wen Jiing: Chairman

Mr. Jiing has been our Chairman since inception. He has also been Chairman of our affiliate since inception. Mr. Jiing has been a Managing Director with EFG Bank in Taipei, Taiwan from July 2004 to the present.

Hazel Ignacio: Franchise Account Manager

Ms. Ignacio has been our Account Manager since March 2020. From May 2019 to January 2020 she was an Administrative Assistant at South Bay BMW in Torrance, California. From June 2018 to January 2019 Ms. Ignacio was a Dispatcher at Spectrum Cable in El Segundo, California. From April 2016 to June 2016 she was a Design and Animation Intern at Stun Creative/Buster in Los Angeles, California.

Tien Nguyen: Associate Franchise Account Manager

Ms. Nguyen has been an Associate Franchise Account Manager for us since June 2021. From May 2019 to May 2021 she was a project coordinator for FE Controls Corporation in Fremont, California. From May 2016 to May 2019 Ms. Nguyen was an Office Administrator and Executive Assistant for FE Controls Corporation in Fremont, California.

Ann Chantakasem: Franchise Account Manager

Ms. Chantakasem has been a Franchise Account Manager for us since June 2023. From September 2018 to February 2023 she was President and Owner of SCAA Inc. in Long Beach, California.

ITEM 3
LITIGATION

For Us:

Gong Cha CA Franchise LLC v. Royal Tea Taiwan Co., Ltd., Superior Court of the State of California, County of Alameda, Case No. RG20066026; Gong Cha International Co., Ltd. ("CGI") v. Gong Cha CA Franchise, LLC ("GCCA"), Chinese Arbitration Association, Kaohsiung. GCI's master franchisee in California, GCCA, filed an action in Superior Court on June 24, 2020, asserting its right to renew the Master Franchising Agreement. The Complaint included 9 related causes of action and sought actual and punitive damages, declaratory relief, injunctive relief, specific performance, and an award of attorneys' fees. On July 9, 2020, GCI filed a demand for arbitration seeking a declaration that it was not required to renew the Master Franchising Agreement. On July 13, 2020, shortly after GCI filed the arbitration proceeding and GCCA filed a request for a temporary restraining order and preliminary injunction in the Superior Court case, the parties agreed to a stipulation that was signed by the Superior Court to maintain the status quo between them in various respects pending the determination of the dispute. On July 9, 2021, the parties settled their dispute and entered into an amendment under which the Master Franchising Agreement was renewed for the first 6-year renewal term, effective as of July 1, 2021, and GCCA was granted the right to renew for one additional 6-year term following expiration of the first renewal term. No monetary consideration was exchanged and the parties agreed to bear their own costs and attorneys' fees. In accordance with the terms of the settlement, the parties signed mutual releases, the litigation was dismissed with prejudice on July 16, 2021, and the arbitration proceeding was subsequently dismissed with prejudice.

Except as described above, no litigation is required to be disclosed in this Item.

For Our Master Franchisor:

In re Commissioner of Business Oversight v. Royal Tea Taiwan Co., Ltd., Fil. Org. ID 352363. On May 26, 2020, the California Department of Business Oversight (now renamed the California Department of Financial Protection and Innovation) ("Department") issued a citation concluding that GCI (f/k/a Royal Tea, Taiwan Co., Ltd.) had violated California franchise law by offering or selling a master franchise in California to Gong Cha CA Franchise LLC ("GCCA") without obtaining the required registration with the State of California and also had failed to provide a franchise disclosure document to GCCA at least 14 days prior to the sale. Under the citation, the Department issued a cease and desist notice, assessed an administrative penalty of $2,500 for each of the 3 alleged violations, required specified remedial education in franchise law, sought to recover of $10,000 in attorney's fees and investigative expenses of the Department, and also indicated that the Department would seek ancillary relief in a subsequent administrative proceeding requiring GCI to continue to perform under its 2015 Master Franchising Agreement with GCCA, absent good cause for termination. GCI timely filed a request for a hearing with the California Office of Administrative Hearings. Following the settlement between GCI and GCCA in the related matter described below, GCI has had discussions with the Department and anticipates entering a consent order with the Department to settle this matter. Under the anticipated consent order, GCI will agree, without admitting or denying the findings of the Department, to pay civil penalties of $2,500 for each of 3 alleged violations, and to desist and refrain from offering and selling franchises without first complying with the registration and disclosure requirements under California franchise law.

Gong Cha CA Franchise LLC v. Royal Tea Taiwan Co., Ltd., Superior Court of the State of California, County of Alameda, Case No. RG20066026; Gong Cha International Co., Ltd. v. Gong Cha CA Franchise, LLC, Chinese Arbitration Association, Kaohsiung. GCI's master franchisee in California, GCCA, filed an action in Superior Court on June 24, 2020, asserting its right to renew the Master Franchising Agreement. The Complaint included 9 related causes of action and sought actual and punitive damages, declaratory relief, injunctive relief, specific performance, and an award of attorneys' fees. On

July 9, 2020, GCI filed a demand for arbitration seeking a declaration that it was not required to renew the Master Franchising Agreement. On July 13, 2020, shortly after GCI filed the arbitration proceeding and GCCA filed a request for a temporary restraining order and preliminary injunction in the Superior Court case, the parties agreed to a stipulation that was signed by the Superior Court to maintain the status quo between them in various respects pending the determination of the dispute. On July 9, 2021, the parties settled their dispute and entered an amendment under which the Master Franchising Agreement was renewed for the first 6-year renewal term, effective as of July 1, 2021, and GCCA was granted the right to renew for one additional 6-year term following expiration of the first renewal term. No monetary consideration was exchanged, and the parties agreed to bear their own costs and attorneys' fees. In accordance with the terms of the settlement, the parties signed mutual releases, the litigation was dismissed with prejudice on July 16, 2021, and the arbitration proceeding was subsequently dismissed with prejudice.

Except as described above, no litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Franchise Agreement

When you sign the Franchise Agreement you must pay us an initial franchise fee of $40,000 for the right to establish and operate a Standard Gong cha Store and $30,000 for the right to establish and operate an Express Gong cha Store (the "**Franchise Fee**"). The Franchise Fee will be fully earned when paid and non-refundable in consideration of administrative and other expenses we incur in entering into the Franchise Agreement and for our lost or deferred opportunities to enter into the Franchise Agreement with others.

You must pay the Franchise Fee in full at the time you sign the Franchise Agreement. Additionally, as described below, if you signed an Area Development Agreement, we will credit a portion of the Area Development Fee you paid toward the Franchise Fee under the conditions described below.

The Franchise Fee is uniform for all franchisees, however, we reserve the right to offer incentive programs which may include discounted Franchise Fees and/or Product purchase credits under certain conditions and circumstances. We are currently offering the following incentive programs:

For all prospective franchisees for Gong cha Store traditional locations, we are offering an incentive that includes a $5,000 Franchise Fee discount, as well as a $7,500 credit towards certain raw material Products served in your Franchised Store, if your Franchised Store is opened no later than December 31, 2024.

For all existing franchisees, not in default of their Franchise Agreement, and that chose to relocate their Gong cha Store, we are offering the following incentives, conditioned on the signing of a new Franchise Agreement upon any Gong cha Store relocation: (a) if your current Net Sales are below $200,000, we will reduce your Royalty Fee from 6% to 2% for the first 3 years after the date of relocation; (b) if your current Net Sales are between $200,000 and $299,999, we will reduce your Royalty

Fee from 6% to 3% for the first 3 years after the date of relocation; and (c) if your current Net Sales are between $300,000 and 399,999, we will reduce your Royalty Fee from 6% to 4% for the first 2 years after the date of relocation.

These are the only incentive or discount programs we are currently offering. We reserve the right to discontinue or modify any incentive, discount or promotional program at any time.

You must also pay us an initial training fee of $5,000 ("**Initial Training Fee**"). The Initial Training Fee will be fully earned when paid and is non-refundable. This fee will also cover any initial training and any safety or security measures, if any, related to California law AB 1228's requirements and standards.

Currently, in some cases, we may pay a referral fee to existing franchisees, real estate brokers or others who provided 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 further subject to change at any time. Those who are eligible to participate in this referral program and who may provide references to 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 may say, and we cannot guarantee the accuracy of any statement made by them, to you or any other prospective franchisee.

Area Development Fee

If you are going to be an Area Developer, then you will sign an Area Development Agreement and pay us an area development fee (the "**Area Development Fee**"). The amount of the Area Development Fee will be calculated by multiplying $20,000 times the number of Gong cha Stores to be developed under the Area Development Agreement. The Area Development Fee will be due in a lump sum payment upon the signing of an Area Development Agreement. The Area Development Fee is fully earned and non-refundable in consideration of administrative and other expenses we incur in entering into the Area Development Agreement, and for our lost or deferred opportunities to enter into the Area Development Agreement with others, regardless of whether you enter into any Franchise Agreements for Franchised Stores to be developed.

If you meet your obligations under the Area Development Agreement and are not otherwise in default under any other agreement with us, as you sign Franchise Agreements for each Franchised Store developed under the Area Development Agreement, we will credit $20,000 of the Area Development Fee that you paid towards the Franchise Fee due for each Franchised Store. However, under no circumstances will we grant credits in excess of the total amount of the Area Development Fee you paid under the Area Development Agreement. Additionally, if you are in compliance with the Area Development Agreement, then as you sign a Franchise Agreement for each Franchised Store that you develop to satisfy the Development Schedule, the Franchise Fee for those Franchised Stores will be the amount specified in the Area Development Agreement (currently $40,000 for the right to establish and operate a Standard Gong cha Store and $30,000 for the right to establish and operate an Express Gong cha Store), regardless of whether our standard Franchise Fee is higher at the time you sign the Franchise Agreements for each Franchised Store.

The Area Development Fee is uniform for all area developers.

Other Initial Fees

In addition to the Franchise Fee and Area Development Fee, prior to opening you must purchase

from us certain Products representing a portion of your initial inventory in the estimated amount of $8,000 to $15,000 for a Standard Gong cha Store and $5,600 to $10,500 for an Express Gong cha Store. Currently the Products purchased from us include tea products, certain proprietary paper goods, uniforms, creamer, syrup, certain equipment and certain cookware. (see Item 8 for additional details).

You must utilize the inventory, ordering and accounting platform that we designate, which is currently called Netsuite. You must order inventory directly through the webstore provided by Netsuite. There are certain fees payable to us that you are responsible for in connection with this platform, which is currently $4.00 per order, and which fee is subject to change. We reserve the right to change the inventory, ordering and accounting platform at any time, and all fees in connection with any such platform are subject to change.

In addition, you must also pay us a "**Security Deposit**" of $2,500. The Security Deposit must be paid in full at the time you sign the Franchise Agreement, and will be held by us as security for the faithful performance by you of all obligations under the Franchise Agreement. You will not be entitled to receive any interest on the Security Deposit. If we ever use the Security Deposit to pay any sums due under the Franchise Agreement, you must immediately deposit with us an additional security deposit equal to the amount used. If you comply with all of the terms, provisions, covenants and conditions of the Franchise Agreement, then the Security Deposit will be returned within thirty (30) days after (i) the expiration of the Franchise Agreement and (ii) the payment of all sums due to us.

ITEM 6
OTHER FEES

Type of Fee (Note 1)	Amount	Date Due	Remarks
Royalty ("**Royalty Fee**")	6% of Net Sales.	By the third business day after the close of each Week based on the Net Sales for that Week. (Note 2)	"**Net Sales**" means all revenue related to the Franchised Store, including all revenue from the sale of food and beverages to employees, and the gross sales amount of all food and beverages provided to all other individuals and customers on a complimentary basis, as well as any proceeds from business interruption insurance. Net Sales are not reduced by the amount of any discounts on products or services sold to your employees, family members, or other businesses you own or by the amount paid to, collected by, or shared with third-party food ordering and delivery service providers. Net Sales excludes customer refunds, discounts and credits and sales taxes collected and paid to taxing authorities.
Special Product Royalty Fee	2.5% of Net Sales generated by special products.	If incurred, same as Royalty Fee.	We reserve the right to charge a special royalty fee of 2.5% of Net Sales generated by special products we approve and you choose to sell through the Franchised Store ("**Special Product Royalty Fee**"). The products subject to the Special Product Royalty Fee shall be determined and approved in our sole discretion. This Special Product Royalty Fee is in addition to the Royalty Fee and all other fees under this Agreement.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Advertising Obligation	1.5% of Net Sales to the System Ad Fund. You must directly spend an additional .5% of Net Sales on your local advertising. We reserve the right to contribute any portion of the System Ad Fund to the national brand marketing fund controlled by our Master Franchisor. We currently contribute 1% of your Net Sales contributed to the System Ad Fund to this national brand marketing fund controlled by our Master Franchisor.	Same as Royalty Fee.	We may change the allocation between the "System Ad Fund", the amount spent on local advertising, and a regional "Cooperative Ad Fund," as described in Item 11. We have the option to require our franchisees to form regional advertising cooperatives in their local markets and contribute into a Cooperative Ad Fund. If this is done, your Cooperative Ad Fund contribution will be credited against the local advertising requirement. See Notes 3 and 4 and Item 11 under the heading "Advertising."
Local Telephone and On-line Directories	Varies.	Upon demand.	We may require you to, or we may on your behalf, advertise your Franchised Store in local directories. You must bear the costs for your Franchised Store, including reimbursements to us.
Additional on-site training and assistance	Our per-diem charge (which is currently $500.00, plus our out-of-pocket costs), per trainer.	Upon Demand.	If you ask that we (a) provide additional on-site training, or (b) conduct at your Franchised Store any training session that we offer at our headquarters, and we do so, then you will have to pay our then-current per-diem charge for extra training. See Note 5 and Item 11 under the heading "Training."
Fees related to Computer System and Software	None at this time		We reserve the right to implement a proprietary software system for all franchisees, which may require up-front and maintenance fees. See Note 6 and Item 11 under the heading "Computer System"

Type of Fee (Note 1)	Amount	Date Due	Remarks
Product/Supplier Testing	Varies – the costs of testing and evaluation.	Upon demand, if incurred.	See Note 7 and Item 8.
Penalty for Failure to Timely Open	$3,000 per month.	Upon demand, if incurred.	Unless we agree in writing otherwise, you must conduct the opening of your Franchised Store by the earlier of 8 months following the execution of the Franchise Agreement or 6 months following the time you leased or acquired the Approved Location. In the event you do not open within this time frame we may terminate the Franchise Agreement and you will receive no refund of any fees paid. We may, in our discretion, elect, instead of terminating the Franchise Agreement, to use other remedial measures for your failure to meet this time frame, which includes: (i) loss of the limited exclusivity, or reduction in the scope of protections for the Territory; (ii) reduction in the size or scope of the Territory; and/or (iii) implementation of a penalty of $3,000 for each month (prorated for partial months) you fail to open the Franchised Store following a 6 week period after expiration of the above described opening time frame. See Item 11 under the heading "Opening of Franchised Store.".

Type of Fee (Note 1)	Amount	Date Due	Remarks
Ordering Fee	$4 per order	Upon each order	You must utilize the inventory, ordering and accounting platform that we designate, which is currently Netsuite. You must order inventory directly through the webstore provided by Netsuite. There are certain fees payable to us that you are responsible for in connection with this platform, which is currently $4.00 per order, and which fee is subject to change. We reserve the right to change the inventory, ordering and accounting platform at any time, and all fees in connection with any such platform are subject to change.
Transfer Fee	An amount equal to 50% of our then-current initial franchise fee. An Area Developer will pay a transfer fee equal to $10,000 for each Gong cha Store not developed, but not less than 50% of the Area Development Fee.	At time of transfer.	Payable only if you make a transfer (as defined in the Franchise Agreement), which includes any sale or assignment of your franchise or your company. We do not impose a fee for a transfer to a corporation you form for the convenience of ownership.
Renewal Fee	$10,000 for each renewal.	Before renewal.	The Franchise Agreement may be renewed after an initial term of 10 years for two (2) additional terms of five (5) years each. You will need to pay this fee for each renewal if you wish to renew the Franchise Agreement. There is no renewal under the Area Development Agreement.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Charges for "mystery customer" quality control evaluation	Will vary under circumstances, but not to exceed $1,500 per year.	Upon demand, if incurred.	See Note 8. The mystery customer program will be separate from our programs for customer surveys and customer satisfaction audits (which may require you to accept coupons from participating customers for discounted or complimentary items).
Late Fee and Interest on Overdue Payments	A late fee equal to 5% of your overdue amount, and interest equal to 1.5% per month (but not more than any maximum rate set by law).	At time the Overdue Payments are paid.	Only due if you don't pay us the amounts you owe on time. Interest will be charged only on overdue amounts and will start to accrue on the date when the payment was originally due.
Re-Audit Fee Under Store Walk Policy	Currently $250 for the first re-audit and $750 for the second re-audit, subject to change.	Upon demand.	You must permit us to conduct inspections or audits of the Franchised Store ("**Store Audit(s)**") to determine if you are operating the Franchised Store in conformity with the Franchise Agreement and the Manuals. Each Store Audit will provide you with a performance grade or score. Failure to achieve a score of 75% or higher will be deemed a breach of your Franchise Agreement and require that you correct any deficiency within the appropriate cure period. You must pay us a $250 fee for the first re-audit after the appropriate cure period; and, if necessary, you must pay us a $750 fee for a second re-audit. These fees are nonrefundable and subject to change in our discretion.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Dues and Assessments Imposed by a Franchisee Advisory Council	As determined by a franchisee advisory council (if established). Currently – none.	At the times required by a franchisee advisory council.	We may form, or require that our franchisees form, a franchisee advisory council. If one is formed, you must become a member if we require, and you must pay the fees and assessments imposed by the council.
Gift Card Program	Will vary under circumstances	If incurred.	You must participate in our Gift Card program when it is established. Gift Cards will be available for sale and redemption at any Gong cha Store in the System.
Store Refurbishment	Will vary under circumstances	As agreed.	We may require you to refurbish your Franchised Store to meet our then-current requirements for décor, layout, etc. We will not require you to refurbish the Franchised Store more frequently than every five years
Prohibited Product or Service Fine	$250 per day of use of unauthorized products or services	If incurred.	In addition to other remedies available to us.
Audit Expenses	All costs and expenses associated with the audit, reasonable accounting and legal costs.	Upon demand.	Payable only if we audit and the audit discloses an understatement in any statement or report of 3% or more. (You will also have to pay the monies owed and interest on the underpayment (see "interest" above).)
Insurance Procurement	Our cost to obtain insurance coverage if you fail to do so.	Upon demand.	We have the right (but not obligation) to buy insurance coverage if you do not do so.
Relocation Expenses	Our actual expenses.	Upon demand.	Payable only if you relocate your Franchised Store, in order to reimburse us our costs and expenses related to an approved relocation of your Franchised Store.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Securities Offering	Our actual expenses.	Upon demand.	Payable only if you propose to engage in a public or private securities offering, to reimburse us for our reasonable costs and expenses (including legal and accounting fees) to evaluate your proposed offering.
Costs and Attorneys' Fees	Will vary under circumstances.	Upon demand.	Due only if you are in default under the Franchise Agreement, in which case you must reimburse us for the expenses we incur (including reasonable attorneys' fees) as a result of your default and to enforce and terminate the Franchise Agreement.
Indemnification	Will vary under circumstances.	Upon demand.	You must reimburse us if we are sued or held liable for claims arising from your operation of the Franchised Store, as well as your use of the Proprietary Marks in a manner inconsistent with our instructions, and any transfers or securities offerings that you propose. Additionally, you must reimburse us if we are sued or held liable for fees, penalties, or damages arising directly or indirectly from our Master Franchisor imposing penalties or fees onto us as a result of your use, offer or sale of unauthorized or unapproved food, beverage, Products, premiums, novelty items, clothing, souvenirs or services.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Step-In Rights Management Fee	5% of Net Sales, plus reasonable compensation and expenses for our representatives (including an Interim Manager), plus other reasonable costs and expenses incurred in return for managing the Franchised Store	Upon demand.	See Note 9.
Liquidated Damages	An amount equal to the average monthly Royalty Fees paid (or payable) over the 12 preceding calendar months (pro-rated for partial months) prior to termination (or if the Franchised Store has been in operation less than 12 months, over the months since commencement of operations) multiplied by the number of calendar months (pro-rated for partial months) remaining in the term of the Franchise Agreement.	Upon Termination.	Franchisee agrees to pay to Franchisor in a lump sum on the effective date of termination, in addition to the amounts owed hereunder, liquidated damages, which represents a fair and reasonable estimate of Franchisor's foreseeable losses as a result of such termination, and which are not in any way intended to be a penalty, in an amount equal to the average monthly Royalty Fees paid (or payable) over the 12 preceding calendar months (pro-rated for partial months) prior to termination (or if the Franchised Store has been in operation less than 12 months, over the months since commencement of operations) multiplied by the number of calendar months (pro-rated for partial months) remaining in the term of the Franchise Agreement at the time of termination. This amount is in addition to all other remedies available to Franchisor.

Explanatory Notes to Item 6 Table:

1. Except as otherwise noted in this Item 6, we impose and collect all of the fees described above. None of these fees are refundable. All of the fees described above in this Item 6 are uniform for all franchisees, although, we reserve the right to reduce the royalty fee, or charge a fixed royalty

fee, in certain circumstances, in our sole discretion. There are no additional fees related to California law AB 1228.

2. You must pay your royalties and System Ad Fund contributions by EFT (electronic funds transfer). To make arrangements for EFT, you must sign our current form of Authorization Agreement for Prearranged Payments (Direct Debits), which is an Exhibit to the Franchise Agreement (see Item 22).

3. The chart reflects the required amounts (maximum of 2% of Net Sales) which you will be required to contribute to the System Ad Fund and/or spend on local advertising (together the "**Advertising Obligation**"). Our current allocation of the Advertising Obligation is 1.5% toward the System Ad Fund and .5% spent directly by you toward local advertising. We reserve the right to contribute any portion of the System Ad Fund to the national brand marketing fund controlled by our Master Franchisor. We currently contribute 1% of your Net Sales contributed to the System Ad Fund to this national brand marketing fund controlled by our Master Franchisor. With the exception described in Note 4 below, we cannot require additional advertising, marketing or promotional contributions. Further details about the applicable advertising, marketing and promotional requirements can be found in Item 11, under the subheading "Advertising."

4. We have the option to require our franchisees to form regional advertising cooperatives in their local markets and contribute into a Cooperative Ad Fund for this purpose. If this is done, your Cooperative Ad Fund contribution will be credited against the local advertising requirement. The amount of required Cooperative Ad Fund contributions will be determined by us, unless we authorize the Cooperative Ad Fund to set the amount itself. If the Cooperative Ad Fund is so authorized, members of any Cooperative Ad Fund may agree (by a majority vote) to increase the Cooperative Ad Fund contribution to a rate in excess of the maximum amount that we require. If we operate a company-owned or affiliate-owned Gong cha Store within a region that has formed a Cooperative Ad Fund, the company-owned or affiliate-owned Gong cha Store will contribute to such Cooperative Ad Fund on the same basis as franchisees within this region, each Gong cha Store having one vote. At present, there are no Cooperative Ad Funds in our System. Further details about the applicable advertising, marketing and promotional requirements can be found in Item 11, under the subheading "Advertising."

5. As part of the opening of your Franchised Store, we will conduct pre-opening and opening training and assistance at your Franchised Store. We will bear the costs associated with providing this training, exclusive of expenses related to transportation, lodging, meals, wages, and worker's compensation insurance. However, if you request additional days of on-site training or assistance in connection with your opening, or at a later time, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out of pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers. Additionally, we may require that you complete refresher and additional training programs, and we may offer the programs on a voluntary basis. If you request that we conduct any additional training sessions (required or voluntary) at your Franchised Store rather than at our headquarters or Gong cha Store(s), and we do so, then we may charge you our then-current per diem training fee for that training we provide, and you will also have to reimburse us for all out of pocket costs and expenses described above. Our current per diem charge is $500 per trainer (we reserve the right to change our per diem rate in the future). See Item 11 under the heading "Training" for more detailed information.

6. As described in Item 11 under the heading "Computer System," we require you to use certain software, hardware and/or support services in connection with the operation of the Franchised

Store. Although we do not currently have a software system that is proprietary to Gong cha Stores, we reserve the right to have one in the future. If we develop a proprietary software system, we may require you to pay us an up-front licensing fee as well as ongoing software maintenance fees. We or our affiliates may be a provider of these services or products.

7. If you desire to purchase unapproved products or equipment, supplies, services, or Products (other than Proprietary Products) from other than approved suppliers, we may require that our representatives be permitted to inspect, from time to time, the supplier's facilities, and that samples from the supplier be delivered for evaluation and testing either to us or to an independent testing facility designated by us. You must pay a charge not to exceed the reasonable cost of the evaluation and testing. See also Item 8.

8. We may use an independent service to conduct a "mystery customer" quality control and evaluation program. You must participate in this program, and we may require that you pay the then-current charges imposed by the evaluation service (as we direct, either directly to the evaluation service provider or to us as a reimbursement).

9. In order to prevent any interruption of the operations which would cause harm to the Franchised Store, we have the right, but not the obligation, to step-in and designate an individual of our choosing (an "**Interim Manager**") to temporarily manage the Franchised Store in the event that: (a) you fail to comply with any provision of the Franchise Agreement and do not cure this failure; (b) we determine that the operation of the Franchised Store is in jeopardy; (c) we determine that operational problems and deficiencies require that we operate the Franchised Store; (d) you abandon or fail to actively operate the Franchised Store; (e) your Designated Principal dies or is determined to be temporarily or permanently disabled; or (f) we deem you incapable of operating the Franchised Store ("**Step-in Rights**"). If we exercise our Step-in Rights, then: (a) we will keep in a separate account all monies generated by the operation of the Franchised Store, less the expenses of the Franchised Store, including reasonable compensation and expenses for our representatives (including an Interim Manager) as well as other expenses incurred; (b) you agree to hold us and our representatives harmless for all actions occurring during the course of such temporary management of the Franchised Store and acknowledge that the Interim Manager and such representatives will have no liability to you, except to the extent directly caused by gross negligence or willful misconduct; (c) you agree to pay us our then current management fee (see Item 6); (d) you agree to pay us, in addition to the management fee, all of our reasonable costs and expenses, including, but not limited to, attorneys' fees incurred as a consequence of exercising our Step- In Rights; and (e) you acknowledge that us and our representatives (including an Interim Manager) will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, damages, or obligations you or the Franchised Store incur, or to any of your or the Franchised Store's suppliers, vendors or creditors for any supplies, products, or other assets or services you or the Franchised Store purchases, while managed by us or an Interim Manager. This remedy is in addition to other remedies available to us.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

The following table describes the estimated initial investment for a single Standard Gong cha Store and a single Express Gong cha Store under the Franchise Agreement. We have not included a separate table for the initial investment if you sign an Area Development Agreement. As described in

Item 5, upon execution of an Area Development Agreement you must pay us $20,000 multiplied by the number of Gong cha Stores to be developed under the Area Development Agreement, and you will receive a credit of $20,000 toward the Franchise Fee each time you execute a Franchise Agreement for a Gong cha Store to be developed. Other than the Area Development Fee, the following estimated initial investment expenditures will apply, subject to potential increases over time and other changes in circumstances. If you sign an Area Development Agreement, your professional fees, such as in the category of legal and financial, may be higher and cannot be predicted by us.

Standard Gong cha Store

Type of Expenditure (Note 1)	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (Note 2)	$40,000	Lump sum	When you sign the Franchise Agreement	Us
Initial Training Fee (Note 2)	$5,000	Lump sum	When you sign the Franchise Agreement	Us
Business Licenses & Permits (Note 3)	$6,000 to $20,000	As arranged	As incurred	Local and other state government agencies
Leasehold Improvements (Note 4)	$50,000 to $250,000	As arranged	As arranged	Independent contractors, Lessor
Construction Project Manager	$8,000	As arranged	As arranged	Approved Supplier
Real Estate Service Fee	$8,000	As arranged	As arranged	Approved Supplier
Fixtures, Furnishings & Equipment (Note 5)	$45,000 to $50,000	As arranged	As incurred	Approved Suppliers
Computer and Point of Sale System (Note 6)	$1,200 to $1,900	As arranged	As incurred	Us and Approved Suppliers
Architect/ Engineering Fees (Note 7)	$5,000 to $12,000	As arranged	As arranged	Approved Suppliers
Rent, Security Deposits and Utility Deposits (Note 8)	$5,000 to $20,000	As arranged	As arranged	Lessor, Utility companies
Other Professional Fees (Note 9)	$1,000 to $5,000	As arranged	As arranged	Various service providers
Insurance Deposit (Note 10)	$1,000 to $2,000	As arranged	As arranged	Insurance providers

Type of Expenditure (Note 1)	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Inventory of Food, Beverage, Paper Supplies and Smallwares (Note 11)	$9,000 to $16,000	As arranged	As incurred	Us and Approved Suppliers
Training Expenses (Note 12)	$500 to $5,000	As arranged	No Payment Required	Approved Suppliers and your employees
Grand Opening Advertising (Note 13)	$6,000	As arranged	As arranged	Approved Suppliers
Additional Funds (for the initial 3 months of operations) (Note 14)	$60,000 to $80,000	As arranged	As needed	Us, Approved Suppliers, employees and other creditors
TOTAL ESTIMATED INITIAL INVESTMENT	$250,700 to $528,900			

Express Gong cha Store

Type of Expenditure (Note 1)	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (Note 2)	$30,000	Lump sum	When you sign the Franchise Agreement	Us
Initial Training Fee (Note 2)	$5,000	Lump sum	When you sign the Franchise Agreement	Us
Business Licenses & Permits (Note 3)	$4,000 to $10,000	As arranged	As incurred	Local and other state government agencies
Leasehold Improvements (Note 4)	$30,000 to $100,000	As arranged	As arranged	Independent contractors, Lessor
Construction Project Manager	$8,000	As arranged	As arranged	Approved Supplier
Real Estate Service Fee	$8,000	As arranged	As arranged	Approved Supplier

Type of Expenditure (Note 1)	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Fixtures, Furnishings & Equipment (Note 5)	$40,000 to $45,000	As arranged	As incurred	Approved Suppliers
Computer and Point of Sale System (Note 6)	$800 to $1,900	As arranged	As incurred	Us and Approved Suppliers
Architect/ Engineering Fees (Note 7)	$4,000 to $9,600	As arranged	As arranged	Approved Suppliers
Rent, Security Deposits and Utility Deposits (Note 8)	$4,000 to $16,000	As arranged	As arranged	Lessor, Utility companies
Other Professional Fees (Note 9)	$1,000 to $5,000	As arranged	As arranged	Various service providers
Insurance Deposit (Note 10)	$1,000 to $2,000	As arranged	As arranged	Insurance providers
Initial Inventory of Food, Beverage, Paper Supplies and Smallwares (Note 11)	$6,300 to $11,200	As arranged	As incurred	Us and Approved Suppliers
Training Expenses (Note 12)	$300 to $3,000	As arranged	No Payment Required	Approved Suppliers and your employees
Grand Opening Advertising (Note 13)	$6,000	As arranged	As arranged	Approved Suppliers
Additional Funds (for the initial 3 months of operations) (Note 14)	$48,000 to $64,000	As arranged	As needed	Us, Approved Suppliers, employees and other creditors
TOTAL ESTIMATED INITIAL INVESTMENT	$196,400 to $324,700			

Explanatory Notes to Item 7 Table:

1. **General** – We do not impose or collect the fees or costs described in this Item 7, except for the items noted with "Us" in the column labeled "To Whom Paid." Except as described below, all fees and amounts that you must pay to us are non-refundable. For any amounts paid to third parties, the

availability and conditions under which you may obtain refunds will depend on the terms offered by those third party suppliers. We do not offer our franchisees financing for any part of the initial investment (see Item 10 for additional information). Our estimates in this Item 7 are based on our current prototype for Gong cha Stores, our experience in developing and operating our affiliate-owned Gong cha Stores, and our knowledge of business practices and conditions in the general marketplace. The figures do not provide for your cash needs to cover financing incurred by you or your other expenses. You should not plan to draw income from the operation during the start-up and developmental stage of your business, the actual duration of which will vary materially from location to location and cannot be predicted by us for your Franchised Store (and which may extend for longer than the three month "initial period" described in Note 14 of this Item 7). You must have additional sums available, whether in cash or through a bank line of credit, or have other assets which you may liquidate or against which you may borrow, to cover other expenses and any operating losses you may sustain, whether during your start-up and development stage, or beyond.

2. **Franchise Fee; Initial Training Fee** – The Franchise Fee shown in the chart above is non-refundable and uniform for all franchisees depending on whether you are granted rights to establish a Standard Gong cha Store or an Express Gong cha Store, and the same for each Franchised Store opened. If you sign an Area Development Agreement, you will have to pay an Area Development Fee, which is described in Item 5. A portion of the Area Development Fee will be credited against the Franchise Fee for the Franchised Store to be developed in order to satisfy the Development Schedule. The Franchise Fee and Area Development Fee are non-refundable. See Item 5 for further details regarding the Franchise Fees and Area Development Fees. We do not provide financing for any of these fees. As described in Item 5, you must also pay us an Initial Training Fee of $5,000. Aside from the Initial Training Fee, there are no additional fees related to California law AB 1228. The Initial Training Fee will be fully earned when paid and is non-refundable.

3. **Business Licenses and Permits** – These are general estimates for permits and licensing that may be required by local and state governments. Local, municipal, county and state regulations vary on the licenses and permits you will need to operate a Gong cha Store. You will pay these fees to governmental authorities before starting business. You are solely responsible for obtaining all appropriate licenses and permits.

4. **Leasehold Improvements** – You will need to employ a qualified licensed general contractor to construct the improvements to, or "build out," the premises who is acceptable to us. Our estimates are based on the assumption that the Standard Gong cha Store location is in a retail strip or in-line shopping center and is approximately 500 to 1,500 square feet in size and that the Express Gong cha Store location is in a Non-Traditional Site and is approximately 200 to 500 square feet in size. Further that your lessor will provide a shell space that includes, at a minimum, a level concrete floor suitable for floor covering, demising walls, and air-conditioning, ventilation, electricity, gas, sewers, bathroom facilities, and water and plumbing suitable for a retail business. Among other things, you will probably need to arrange for the following items to meet our standard plans and specifications: proper wiring and plumbing, floor covering, wall covering, partitions, lighting and fixtures, storefront modifications, painting, cabinetry, and the like. The range of estimated costs will depend on whether the Approved Location is a first generation Store site or a second generation Store/conversion site, the geographic location of your business; the size of the premises; the availability and cost of labor and materials; and the condition of the premises and the work that the lessor will do as a result of the lease negotiations. Lessors may, instead of constructing or installing some of the improvements itself, provide you with credits towards your future rent payments and/or a tenant improvement allowance. Our estimates do not account for any rental credits or tenant improvement allowance.

5. **Fixtures, Furnishings & Equipment** – As described in Item 8, you must purchase all fixtures,

furnishings, equipment, signage and supplies that we specify as required for a Gong cha Store. *Fixtures, Furnishings and Equipment:* This estimate includes fixtures and equipment required for a Gong cha Store, including (without limitation) coolers and refrigeration equipment, preparation tables, serving counters, customer tables, coffee equipment, tea equipment, seating, stereo, televisions, various trade dress and décor items, small wares, and other fixtures, furnishings and equipment. This estimate also includes the cost of your office furniture, filing cabinet and miscellaneous office supplies, and equipment. *Signage:* This estimate also includes the costs for interior and exterior signage. In some instances, the use of additional or larger signage may be possible, with our prior written approval. The costs of these optional items are not included in the line item total above.

6. **Computer and Point of Sale System:** You must purchase or lease specified computers and related hardware, along with required third party software necessary to operate the Franchised Store. The estimate includes the costs for the items that we currently require. You must utilize the inventory, ordering and accounting platform that we designate, which is currently called Netsuite. You must order inventory directly through the webstore provided by Netsuite. There are certain fees payable to us that you are responsible for in connection with this platform, which is currently $4.00 per order, and which fee is subject to change. We reserve the right to change the inventory, ordering and accounting platform at any time, and all fees in connection with any such platform are subject to change. We may periodically require franchisees to update their computer systems to our then-current standards. See Item 11 under the heading "Computer System" for additional information.

7. **Architect/Engineering Fees** – You will be required to retain the services of a qualified architect and engineer, who we have approved or designated for use by our franchisees, to adapt our standardized plans and specifications based on our prototype(s) of Gong cha Stores for the remodeling or finish-out of your Franchised Store (see Item 11 under the subheading "Construction and Layout of Store" for additional information). As described in Item 11, we may from time to time develop or approve variations with respect to our prototype locations and plans.

8. **Rent, Security Deposits and Utility Deposits** – If you do not own a location for your Franchised Store, you must purchase or lease a space. Locations for Standard Gong cha Stores will typically need approximately 500 to 1,500 square feet and locations for Express Gong cha Stores will typically need approximately 200 to 500 square feet. The estimate in the chart above includes your first month's rent payment, security deposits and utility deposits (for example, telephone, electricity, gas and water). We have assumed the security deposit to your landlord will equal one month's rent. The estimates assume that rent commences upon the Franchised Store's opening. You, however, will need to lease a space in advance to build-out the Franchised Store. However, you may attempt to negotiate an abatement from the lessor for this period.

We anticipate that Gong cha Stores will typically be located in either traditional in-line shopping center sites or non-traditional sites, although free standing locations will be considered as long as they are in areas of high traffic in urban and suburban areas, and preferably near large residential communities, office buildings and other commercial areas. Rent varies considerably from market to market, and from location to location within each market. Rents may vary beyond the range that we have provided, based on factors such as market conditions in the relevant area, the type and nature of improvements needed to the premises, the size of the site for the Franchised Store, the terms of the lease, the desirability of the location, and your ability to negotiate with your lessor.

The estimates assume that you will lease the premises for your Franchised Store and, therefore, do not include costs related to the purchase of land or the construction of any buildings. If you decide to purchase the property for the location of your Franchised Store, you will incur additional costs that we cannot estimate.

9. **Professional Fees** – The estimate assumes that you will employ an attorney to help you negotiate your lease for the Franchised Store premises. In addition, you may choose to employ an attorney, accountant, and other consultants to help you evaluate our franchise offering and your establishment of a new business, and in obtaining all required permits and licenses to establish and operate the Franchised Store. In addition, you may also form a corporation or other entity to operate the business.

10. **Insurance Deposit** – The estimate represents an initial deposit for the coverage necessary to operate the business and represents approximately three months of coverage. Insurance costs will vary depending upon factors such as the size and location of the Franchised Store. Your obligations with respect to insurance are more fully described in Item 8.

11. **Initial Inventory of Food, Beverage, Paper Supplies and Smallwares** – These expenses include an initial inventory of Products, as well as an initial inventory of paper supplies and certain smallwares. You will need to replenish your initial inventory on an as needed basis as food items and other supplies are used.

12. **Training Expenses** – You will incur expenses associated with our training program. For this training program, we provide instructors and instructional materials at no charge for up to two (2) persons, but you must pay for transportation, lodging, meals, wages, and worker's compensation insurance (if you send any employees) for your trainees. As to the amounts shown, the low end of the estimate assumes that the trainees are within driving distance to the training location, and the high end assumes that other travel will be needed, and includes travel expenses. See Item 11 under the heading "Training" for additional details regarding the program.

13. **Grand Opening Advertising** – This advertising and marketing promotion is intended to provide initial awareness and momentum for your new Franchised Store. You must spend a minimum of $6,000 on this advertising. We reserve the right to require that you deposit this amount with us to distribute as may be necessary to conduct the Grand Opening Advertising Program. Additional details regarding advertising and promotion can be found in Item 11.

14. **Additional Funds** – You will need additional capital to support on-going expenses, such as payroll, rent and utilities, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount shown in the chart above will be sufficient to cover on-going expenses for the start-up phase or initial period of the business, which we calculate to be three months. Such amounts are the minimum recommended levels and are only estimates. There is no assurance that additional working capital will not be necessary during this initial period or after. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established. The disclosure laws require us to include this estimate of all costs and expenses to operate your franchise during the "initial period" of your business, which is defined as three months or a longer period if "reasonable for the industry." We are not aware of any established longer "reasonable period" for our industry, so our disclosures cover a three month period.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To insure that the highest degree of quality and service is maintained, you must operate the Franchised Store in strict conformity with the methods, standards, and specifications as we may from time to time prescribe in the Manuals or otherwise in writing.

Products and Purchases

All Products sold or offered for sale at the Franchised Store must meet our then-current standards and specifications and be approved by us. You must purchase, install, and use all fixtures, furnishings, equipment, décor, supplies, computers and communications hardware and software, signs and materials as we may reasonably require in the Manuals or other written materials (collectively, "**Store Items**"). You must purchase all additional Products and other Store Items solely from manufacturers, distributors, and suppliers who demonstrate to our continuing reasonable satisfaction the ability to meet our standards and specifications, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manuals or otherwise in writing. You may not purchase, offer or sell any Products, or use at your Franchised Store any Products or Store Items, that we have not previously approved as meeting our standards and specifications. We have the right to be an approved supplier of some items. We may disapprove of Products and suppliers based on our desire to consolidate System purchases through fewer suppliers. We may designate a single supplier, which may be us or one of our affiliates, for any products, equipment, supplies, or services, in which event you must purchase such items exclusively from the designated supplier.

If you desire to purchase unapproved products, or Products (except for Proprietary Products, which are discussed below) or Store Items from other than approved suppliers, you must submit to us a written request to approve the proposed product or supplier, together with such evidence of conformity with our specifications as we reasonably require. We will have the right to require that our representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered for evaluation and testing either to us or to an independent testing facility designated by us. You must pay a charge, not to exceed the reasonable cost of the evaluation and testing. We will use our best efforts to complete our review within six months. If we do not give our written approval within this six month period, we will be deemed to have disapproved the proposed new supplier. We may, from time to time, revoke our approval of particular Products, Store Items or suppliers if we determine, in our sole discretion, that the Products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease to sell any disapproved product and/or cease to purchase from any disapproved supplier.

Our specifications either: (1) are contained in the Manuals; or (2) will be provided to you upon request. We, however, have no obligation to make available to prospective suppliers the standards and specifications that we deem confidential. When approving suppliers, we consider whether they demonstrate the ability to meet our standards and specification and whether they possess adequate quality controls and capacity to supply your needs promptly and reliably. However, our approval may be withheld for any reason.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some Products, equipment, or services to some or all of the Gong cha Stores in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all Products, equipment and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would not be in the best interests of the System or the franchised network of Gong cha Stores. There are currently no purchasing or distribution cooperatives in our System.

We and our affiliate may receive payments, rebates or other compensation from suppliers on account of the suppliers' dealings with us, you, or other Gong cha Stores in the System. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase Products,

equipment, supplies, services and other items at a price that will benefit us and our franchisees.

We provide no material benefits to franchisees based on their use of suppliers or sources we approve. With the exception of our officers interest in us and our affiliate, no officer of ours owns an interest any approved supplier.

The Proprietary Products that are or may be offered and sold in Gong cha Stores are manufactured in accordance with our Master Franchisor's proprietary recipes, formulae and specifications. In order to maintain the high standards of quality, taste, and uniformity associated with Proprietary Products sold at all Gong cha Stores in the System, you must purchase Proprietary Products only from us or the suppliers and distributors that we designate in our sole discretion, and you may not offer or sell any Proprietary Products that have not been purchased from us or our designated supplier at or from the Franchised Store. We will have the right to periodically introduce additional Proprietary Products, or to withdraw Proprietary Products.

Certain Products must be purchased through us. Those Products include tea products, certain proprietary paper goods, uniforms, creamer, syrup, certain equipment and certain cookware, among other items. We may add or delete items from this list of Products from time to time. We will derive revenue through the sale and distribution of these Products to our franchisees. We estimate that your purchases of such Products will represent approximately 5% to 20% of your total purchases in establishing the Franchised Store, and approximately 90% to 95% in the continuing operation of the Franchised Store. For the period from January 1, 2023 to December 31, 2023, our total revenues from all sources were $2,916,888 of which approximately $1,754945 or 60.16% was received from purchases by franchisees.

Our Master Franchisor and its affiliates will derive revenue as a result of our system-wide supply chain program, or as a result of purchases or leases of products and services described in this Item 8 by franchisees, including unit and multi-unit franchisees. During the fiscal year ending December 31, 2023, we received no revenue from required purchases and leases of products and services by Gong cha® master franchisees in the United States. Our affiliate, GCPS, had revenues of approximately $6.4 million from required purchases and leases of products and services to master franchisees in the United States in 2023. Further, as our predecessor GCG was the franchisor and a product supplier for part of 2023, GCG had revenues of approximately $1.8 million from required purchases and leases of products and services to master franchisees in the United States in 2023.

Computer System

You will need to acquire (either by purchase or lease) the computer hardware and software system that we may specify from time to time. The computer hardware and software system refers to cash register or point of sale systems, hardware, software for the management and operation of the Franchised Store and for reporting and sharing information with us, and communication systems (including modems, cables, etc.). See Item 11 under the heading "Computer System" for more information.

You must utilize the inventory, ordering and accounting platform that we designate, which is currently called Netsuite. You must order inventory directly through the webstore provided by Netsuite. There are certain fees payable to us that you are responsible for in connection with this platform, which is currently $4.00 per order, and which fee is subject to change. We reserve the right to change the inventory, ordering and accounting platform at any time, and all fees in connection with any such platform are subject to change.

Insurance

You also must obtain, before beginning any operations under the Franchise Agreement, and must maintain in full force and effect at all times during the term of the Franchise Agreement, at your own expense, an insurance policy or policies protecting you, us, our affiliates, and our respective officers, directors, partners, and employees. The policies must provide protection against any demand or claim relating to personal and bodily injury, death, or property damage, or any liability arising from your operation of the Franchised Store. Required insurance will include, but not be limited to, comprehensive general liability coverage, including employment practices coverage; personal injury coverage; automobile coverage, including underinsured or uninsured coverage; business interruption insurance; and property damage coverage. All policies must be written by a responsible carrier or carriers whom we determine to be acceptable, must name us and our affiliates as additional insureds, and must provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in the Manuals. Additionally, we may designate one or more insurance companies as the insurance carrier(s) for Gong cha Stores. If we do so, we may require that you obtain your insurance through the designated carrier(s).

Presently we require you to maintain the following minimum insurance amounts: (1) builder's risk insurance during any periods of construction or renovation; (2) all risks coverage for full repair and replacement value of all of the equipment, fixtures and supplies used in your Franchised Store; (3) worker's compensation and employer's liability insurance, as well as any other insurance required by law; (4) comprehensive general liability insurance with limits of at least $1,000,000 per occurrence, and $2,000,000 general aggregate, including the following coverages: personal injury (employee and contractual inclusion deleted); employment practices; products/completed operation; assault and battery; terrorism; and tenant's legal liability; (5) automobile liability insurance, and property damage liability, including owned, non-owned, and hired vehicle coverage, with at least $1,000,000 combined single limit; (6) excess liability coverage over general liability, automobile liability, and employer's liability, with at least $4,000,000 per occurrence; (7) insurance coverage required by your lease or sublease, or as we may otherwise require; and (8) business interruption insurance for actual losses sustained of no less coverage than $1,000,000 per occurrence.

We do not derive revenue as a result of our franchisees purchasing insurance coverage from designated carriers. We provide no material benefits to franchisees based on their use of an approved insurance carrier.

Leases

If you will occupy the premises of your Franchised Store under a lease, then you must, before executing the lease, submit the lease to us for our review and approval, which will not be unreasonably withheld. Your lease or sublease (or rider to the lease or sublease) must contain the lease terms and conditions that we may reasonably require in writing, a current list of which is included as an Exhibit to the Franchise Agreement and the Area Development Agreement (see Item 22). We do not derive revenue or other material consideration as a result of our franchisees leasing space for the Franchised Store. We provide no material benefits to franchisees for leasing any particular space for the Franchised Store.

Design and Construction

You must hire a licensed architect to prepare all required construction plans and specifications to suit the shape and dimensions of the site. We have the right to designate one or more suppliers of design and/or architecture services to perform these services for our system. During any period that we have

designated a design or architecture firm prior to the time you begin to develop your Franchised Store, you must employ this designated supplier to prepare all designs and plans for the Franchised Store. If we have not designated suppliers for design and architecture services for your geographic area, you must locate and employ a qualified design consultant and architect who are licensed in your jurisdiction and who are reputable and experienced in providing design and architecture services. (see Item 11 under the subheading "Construction and Layout of Store" for additional information)

You must hire a qualified licensed general contractor, who is acceptable to us, to construct the Franchised Store.

We do not derive revenue or other material consideration as a result of our franchisees using a designated architect or contractor. We provide no material benefits to franchisees based on their use of a designated architect or contractor.

Advertising

As noted in Item 11 below, we will have the right to review and approval all marketing plans and promotional materials that you propose to use. You may not implement any marketing plan or use any promotional material without our prior written consent.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section(s) in Franchise Agreement	Section(s) in Area Development Agreement	Item in Disclosure Document
(a) Site selection and acquisition / lease	Section 5	3.2, 3.3 and 5.1	7, 8 and 11
(b) Pre-opening purchases/leases	Section 5	3.2 and 3.3	7, 8 and 11
(c) Site development and other pre-opening requirements	Section 5	3	7, 8 and 11
(d) Initial and ongoing training	Section 6	5.5	6, 7 and 11
(e) Opening	Section 5	1.1, 3.1, 3.2, and Exhibit A	7, 8 and 11
(f) Fees	Sections 4 and 13	4 and 7.4	5 and 6
(g) Compliance with standards and policies/Operating Manual	Sections 8, 10, and 13	5	8, 11, and 14
(h) Trademarks and proprietary information	Sections 8.8, 8.11, 9, and 10.2	1.4	13 and 14

Obligation	Section(s) in Franchise Agreement	Section(s) in Area Development Agreement	Item in Disclosure Document
(i) Restrictions on products/services offered	Sections 1.3, 8.6, 8.7 and 8.8	1	5, 8 and 16
(j) Warranty and customer service requirements	Sections 8.9 and 23	None	16
(k) Territorial development and sales quotas	Section 1 and Exhibit A	1, 3.2 and Exhibit A	12
(l) On-going product/service purchases	Section 8	None	8
(m) Maintenance, appearance and remodeling requirements	Sections 5 and 8	None	8
(n) Insurance	Section 14	None	7 and 8
(o) Advertising	Section 13	None	6, 7, 8, and 11
(p) Indemnification	Section 21.4	12.4	None
(q) Owner's participation / management and staffing	Sections 8.3 and 8.4	5.2	15
(r) Records/reports	Section 12	5.3 and 5.4	6
(s) Inspections/audits	Section 8.10	5.4	6 and 11
(t) Transfer	Section 15	7	17
(u) Renewal	Section 2.2	None	17
(v) Post-termination obligations	Sections 17 and 18.3	6.6	17
(w) Non-competition covenants	Section 18	8	17
(x) Dispute resolution	Section 27	16	17
(y) Liquidated Damages	Sections 17.1	None	6

ITEM 10
FINANCING

We do not offer direct or indirect financing. We do not guarantee your notes, leases or other obligations.

ITEM 11
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Pre-opening Obligations

Under the Franchise Agreement. Before you open your Franchised Store:

1. We will approve or deny your proposed site for each Franchised Store. (Franchise Agreement, Section 5.1)

2. We will provide you with our standard initial training program for up to two (2) persons (unless you are an Area Developer and the Franchise Agreement is for your fourth or subsequent Franchised Store) including one manager. (Training is also discussed below in this Item 11 under the subheading "Training.") We will be responsible for the cost of instruction and materials, subject to the terms stated in the Franchise Agreement. (Franchise Agreement, Sections 3.2, 6)

3. We will, at no charge to you, provide you or the approved design firm and/or architect with our prototype plans and specifications for the construction of a Gong cha Store and for the exterior and interior design and layout, fixtures, equipment, furnishings, and signs. You will be responsible for hiring your own architect or employing a design firm and/or architecture firm designated by us to adapt the plans to your site (with our approval as described below under the heading "Construction and Layout of Store"), and for hiring a contractor to build the Franchised Store in accordance with those approved plans. You are also responsible for compliance with all local and other requirements relating to the plans, including for example, zoning, code, and compliance with the Americans with Disabilities Act. (Franchise Agreement, Sections 3.1, 5.3)

4. We have the right to inspect and approve the Franchised Store for opening before the initial opening. You may not start operation of your Franchised Store until receiving our approval to do so. (Franchise Agreement, Section 5.3, 5.4)

5. We will provide on-site pre-opening and opening supervision and assistance. (Franchise Agreement, Section 3.3)

6. We will lend you, for the duration of the Franchise Agreement, copies of the Manual (which is more fully described in Item 14 below). (Franchise Agreement, Section 3.4)

7. We will assist you in developing a Grand Opening Advertising Program (which is more fully described in Item 7 of this Disclosure Document and in this Item under "Advertising"); you will be responsible for the cost of this program. (Franchise Agreement, Sections 3.6, 13.5)

8. We will provide you a list of our then-current designated or approved suppliers. (Franchise Agreement, Section 3.9)

Under the Area Development Agreement: Before you open the Franchised Store:

1. We will approve or deny your proposed site for each Franchised Store. (Area Development Agreement, Section 3.2)

2. We will provide you with site selection guidelines, including our minimum standards for Store sites, and other site selection counseling and assistance as we deem appropriate. (Area Development Agreement, Section 5.1)

3. If we determine that on-site evaluation is appropriate, we will, at no charge to you, provide you with such on-site evaluations as we consider advisable for each Franchised Store to be developed under the Development Schedule. (Area Development Agreement, Section 5.1)

We are not required by the Franchise Agreement or Area Development Agreement to furnish any other service or assistance to you before the opening of your Franchised Store.

Continuing Obligations

We are required by the Franchise Agreement to provide certain assistance and service to you. During the operation of your Franchised Store:

1. We may conduct, as we deem advisable, periodic inspections of the Franchised Store and may provide evaluations of the Products sold and services rendered at the Franchised Store. (Franchise Agreement, Sections 3.8, 8.7.2, 8.7.3)

2. We will make available additional training programs, as we deem appropriate. (Franchise Agreement, Sections 6.4, 6.7)

3. We will give you periodic and continuing advisory assistance as to the operation and promotion of the Franchised Store, as we deem advisable. (Franchise Agreement, Section 3.7)

4. We will have the right, in our sole discretion, to establish and administer the System Ad Fund as stated in the Franchise Agreement and as described below in this Item 11. (Franchise Agreement, Section 13.2)

The Franchise Agreement does not require us to provide any other assistance or services to you during the operation of the Franchised Store. As the Area Development Agreement relates to the development of Franchised Stores, the Area Development Agreement does not require us to provide any other assistance or services during the operation of the Franchised Store.

Site Selection

Under the Franchise Agreement

If you do not already possess a location that we find acceptable for a Gong cha Store when you sign our Franchise Agreement, we will provide you with procedures for locating, evaluating, and obtaining our approval of a site. You will be given up to two (2) months in which to find and secure a suitable site (through lease or purchase) for your Gong cha Store within the area that we designate as your site selection area. In the event you do not find and secure a suitable site within this time frame we may terminate the Franchise Agreement and you will receive no refund of any fees paid. In order for us to review a proposed site for approval, you must submit to us a completed site approval package in a form specified by us, which includes a trade area and site marketing research analysis (prepared by a company approved in advance by us), an option contract, letter of intent or other evidence satisfactory to us that describes your favorable prospects for obtaining such site, photographs of the site, demographic statistics, and other such other information or materials that we may reasonably require (collectively, the "**SAP**"). We will have 20 business days after we receive the SAP from you to approve or disapprove, in our sole

discretion, the proposed location for the Franchised Store. You must, on terms that we deem acceptable, secure a lease or a binding agreement for the purchase of the approved site. The lease or purchase agreement must be submitted to us for our approval prior to its signing. Under any of the above circumstances, you must be opened and operating the earlier of eight (8) months following the execution of the Franchise Agreement or six (6) months following the time you leased or acquired the Approved Location. In the event you do not open within this time frame we may terminate the Franchise Agreement and you will receive no refund of any fees paid.

Under an Area Development Agreement

For each proposed site for a Franchised Store to be developed under the Area Development Agreement, you must also submit to us a completed SAP. We will have 20 business days after we receive the SAP from you to approve or disapprove, in our sole discretion, the location for the Franchised Store. You must, on terms that we deem acceptable, secure a lease or a binding agreement for the purchase of the approved site.

Under the Franchise Agreement and Area Development Agreement, we will be deemed to have disapproved a proposed location unless we have expressly approved it in writing. In approving a location for a Franchised Store, we consider the location, neighborhood, traffic patterns, visibility, parking facilities, size, lease, and zoning. If you do not locate and secure an acceptable site within the required time frames, you will be in default of your agreement with us for which we may terminate your agreement.

Under the Franchise Agreement and Area Development Agreement, our approval (or failure to disapprove) of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Store or for any other purpose, or as to any expected level of sales, revenues or profits. Approval by us of the site indicates only that the site meets the minimum requirements for a Gong cha Store location.

Construction and Layout of Store

You are responsible for developing your Franchised Store. We will provide our standard plans and specifications for a prototype Gong cha Store, including interior design and layout, to you or to the design firm or architect that we have designated or approved (as described below). These plans and layouts are not intended, with respect to your particular location, to contain, address or comply with the requirements of any federal, state or local law, code or regulation, including those concerning the Americans with Disabilities Act (the "**ADA**") or similar rules governing public accommodations for persons with disabilities. We may from time to time change our prototypes and plans (including our specifications for the interior and exterior appearances) of Gong cha Stores, and develop or approve variations on our prototypes and plans to reflect locations with differing sizes, structural elements, visibility and other relevant factors.

You must hire a licensed architect to prepare all required construction plans and specifications to suit the shape and dimensions of the site. We have the right to designate one or more suppliers of design and/or architecture services to perform these services for our system. During any period that we have designated a design or architecture firm prior to the time you begin to develop your Franchised Store, you must employ the designated supplier to prepare all designs and plans for the Franchised Store. If we have not designated suppliers for design and architecture services for your geographic area, you must locate and employ a qualified design consultant and architect who are licensed in your jurisdiction and who are reputable and experienced in providing design and architecture services. You will be responsible for paying for all design and architecture services.

You will be solely responsible for ensuring that such plans and specifications comply with the ADA and all other applicable regulations, ordinances, building codes and permit requirements and with lease or sublease requirements and restrictions, if any. You must submit final plans and specifications to us for approval before construction of the Franchised Store begins. Our review is not designed to assess compliance with federal, state or local laws and regulations and is limited to review of such plans to access compliance with our design standards for Gong cha Stores, including such items as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the functioning of Gong cha Stores. Additionally, prior to opening the Franchised Store (and prior to renovating it after the initial opening), you must sign and deliver to us an ADA Certification (in the form that is attached as an Exhibit to the Franchise Agreement) certifying to us that the Franchised Store and any proposed renovations comply with the ADA.

Opening of Franchised Store

We estimate that the time period between the signing of the Franchise Agreement and the start of operations will be approximately six (6) to eight (8) months. Factors that may affect this time period include your ability to obtain financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures and signs. Unless we agree in writing otherwise, you must conduct the opening of your Franchised Store by the earlier of eight (8) months following the execution of the Franchise Agreement or six (6) months following the time you leased or acquired the Approved Location. In the event you do not open within this time frame we may terminate the Franchise Agreement and you will receive no refund of any fees paid.

We may, in our discretion, elect, instead of terminating the Franchise Agreement, to use other remedial measures for your failure to meet this time frame, which includes: (i) loss of the limited exclusivity, or reduction in the scope of protections for the Territory; (ii) reduction in the size or scope of the Territory; and/or (iii) implementation of a penalty of $3,000 for each month (prorated for partial months) you fail to open the Franchised Store following a six (6) week period after expiration of the above described opening time frame.

Computer System

You will need to acquire (either by purchase or lease) the computer hardware and software system (a "**Computer System**") that we may specify from time to time. (Franchise Agreement, Section 7.1.) The term Computer System refers to cash register or point of sale systems, hardware, software for the management and operation of the Franchised Store and for reporting and sharing information with us, and communication systems (including modems, cables, etc.). Our requirements may fluctuate as does the price and availability of new computer technology. As of the date of this Disclosure Document our requirements are described below. We have not approved any hardware or software in place of these systems and programs, although we reserve the right to do so in the future. Currently, in addition to other related items, we require the following:

T2 Dual Screen POS and Order Terminal;
K2 Self-Service Kiosk;
K2 Mini Self-Service Kiosk;
Label Printer;
Kitchen Printer;
Credit Card Reader; and
Cash Drawer (Large).

You must purchase a portion of the hardware for the Computer System at an approximate cost of $1,200 to $1,900 for a Standard Gong cha Store and $800 to $1,900 for an Express Gong cha Store. The current POS Computer System we require is Peblla. The remainder of the hardware, as well as the software, is provided on a subscription basis at a cost of approximately $120 to $130 per month plus 1.1% of kiosk and app transactions, in addition to $99 per month for the online ordering and app service, all amounts of which are subject to change. There may be additional costs. The hardware and software that we currently use is not proprietary to us, but is proprietary property to the vendor and you may be required to sign a license or maintenance agreement in order to obtain and use the proprietary program. Should we develop a proprietary point of sale system or program in the future, we may require you to sign a license or maintenance agreement in order to obtain and use our proprietary program. Additionally, we currently require that you maintain contracts for hardware and software maintenance, support and upgrade services for the communications and information systems. You will be required to maintain a high-speed internet connection at all times (i.e., T1 line, DSL, cable modem).

You must utilize the inventory, ordering and accounting platform that we designate, which is currently called Netsuite. You must order inventory directly through the webstore provided by Netsuite. There are certain fees payable to us that you are responsible for in connection with this platform, which is currently $4.00 per order, and which fee is subject to change. We reserve the right to change the inventory, ordering and accounting platform at any time, and all fees in connection with any such platform are subject to change.

You must also utilize Zenput, which is a communication and collaboration application at a cost of $15 per month, which cost is subject to change.

We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the system to meet operational needs and changes. We may require you to bring any computer hardware and software, related peripheral equipment, communications systems into conformity with our then-current standards for new Gong cha Stores. Other than providing you with information regarding our specifications and requirements for the Computer System, we are not required to assist you in obtaining hardware, software or related services. We will endeavor to keep these changes infrequent and reasonable in cost, but the Franchise Agreement does not impose a limit as to the number or cost of such changes to the Computer System.

You must provide us with access to your Computer System in the form and manner that we may request. We reserve the right to download sales, other data and communications from your Computer System. There is no contractual limitation on our right to receive this information. We will exclusively own all data provided by you, downloaded from your Computer System, and otherwise collected from your Computer System. We will have the right to use such data in any manner that we deem appropriate without compensation to you.

We will also have the right to establish a website or other electronic system providing private and secure communications (*e.g.*, an extranet or intranet) between us, our franchisees, and other persons and entities that we determine appropriate, which requires you to have high speed internet access at all times. If we require, you must establish and maintain access to the extranet or intranet in the manner we designate. Additionally, we may from time to time prepare agreements and policies concerning the use of the intranet that you must acknowledge and/or sign. (Franchise Agreement, Section 7.5)

Customer Information/Privacy and Data Protection

All "**Customer Information**" that we obtain from you and that you collect from your Franchised Store customers and all revenues we derive from such Customer Information will be our property and our

Confidential Information that we may use for any reason without compensation to you.

You will: (i) comply with all applicable privacy laws ("**Privacy Laws**"); (ii) comply with all mandatory policies in the Manuals that relate to Privacy Laws and the privacy and security of Customer Information; (iii) comply with any posted privacy policy and other representations made to the individual identified by Customer Information you process, and communicate any limitations required thereby to any authorized receiving party in compliance with all Privacy Laws; (iv) refrain from any action or inaction that could cause us to breach any Privacy Laws; (v) maintain reasonable physical, technical and administrative safeguards for information that is in your possession or control in order to protect the same from unauthorized processing, destruction, modification, or use that would violate the Franchise Agreement or any Privacy Law; (vi) do and execute, or arrange to be done and executed, each act, document and thing we deem necessary in our business judgment to keep us in compliance with the Privacy Laws; and (vii) immediately report to us the theft or loss of Customer Information (other than the Customer Information of your own officers, directors, shareholders, employees or service providers).

You will, upon request, provide us with information, reports, and the results of any audits performed on you regarding your data security policies, security procedures, or security technical controls related to Customer Information. You will, upon our request, provide us or our representatives with access to your systems, records, processes and practices that involve processing of Customer Information in order to mitigate a security incident or so that an audit may be conducted.

You will indemnify, defend and hold us harmless from loses arising out of or relating to: (i) any theft, loss or misuse of Customer Information; and (ii) your breach of any of the terms, conditions or obligations relating to data security, privacy, or Customer Information set forth in the Franchise Agreement.

You will immediately notify us upon discovering or otherwise learning of any theft, loss or misuse of Customer Information. You will, at our direction, (i) undertake remediation efforts at your sole expense, (ii) undertake effort to prevent the recurrence of the same type of incident, and (iii) reasonably cooperate with any remediation efforts undertaken by us. You will not make any public comment regarding and data security incident without our approval. Any notifications to the media or to Gong cha Store customers regarding theft or loss of Customer Information will be handled exclusively by us at our discretion, and you may not contact Gong cha Store customers relating to such theft or loss unless you are under a legal obligation to do so, in which event (i) you must notify us in writing promptly after concluding that you have the legal obligation to notify Gong cha Store customers and (ii) you will limit the notices to Gong cha Store customers to those required by the legal obligation or as pre-approved by us. You will reasonably cooperate in connection with any notices to Gong cha Store customers regarding theft or loss and you will assist with sending such notices if so requested.

Advertising

Recognizing the value of advertising, and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, we reserve the right to require that you spend certain amounts on advertising and promotion each year during the term of the Franchise Agreement (the "**Advertising Obligations**"). See Item 6 for a summary of the total amount we can require you to expend on advertising and promotion. The primary source of advertising will be in-house.

We will determine what proportion of the Advertising Obligations you must: (1) contribute to a fund for the system-wide advertising, promotion and marketing of the System (the "**System Ad Fund**"); (2) contribute to a regional or market advertising fund (if one is established for your region (a

"**Cooperative Ad Fund**")); or (3) spend on "**local advertising and promotion**." No matter how we determine to split your Advertising Obligations, the total amount you must pay or spend on all Advertising Obligations may only exceed 2% of the Net Sales of your Franchised Store, if the Cooperative Ad Fund you must contribute to chooses a contribution that would cause your Advertising Obligations to exceed 2%. (Section 13.1 of Franchise Agreement.) Our affiliate-owned Gong cha Stores may, but are not obligated to, contribute to the System Ad Fund or Cooperative Ad Fund on the same basis as franchisees in the System, generally, are required to contribute.

System Ad Fund

We (or our designee, which might be a corporate subsidiary or an advertising agency or consulting firm) will maintain and administer the System Ad Fund, as follows:

(a) We (or our designee) will direct all advertising programs, with the sole right to decide the concepts, materials, and media used in these programs and the placement and allocation of the programs. The System Ad Fund is intended to maximize general public recognition, acceptance, and use of the System. Neither we nor our designee will be obligated to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or *pro rata* from expenditures by the System Ad Fund.

(b) The System Ad Fund, and all contributions to and earnings from the System Ad Fund, will be used exclusively to meet the costs of marketing and any other activities that we believe will enhance the System's image and, in our sole discretion, promote general public awareness of and favorable support for the System. This includes, among other things, the costs of preparing and conducting media advertising campaigns; direct mail advertising; marketing surveys and other public relations activities; developing and maintaining our Website (except for the portion, if any, specifically relating to soliciting franchisees); employing advertising or public relations agencies; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; and providing promotional and other marketing materials and services to the Gong cha Stores operated under the System.

(c) You must contribute to the System Ad Fund by EFT (electronic funds transfer) at the same time as the Royalty Fee is due. All sums you pay to the System Ad Fund will be maintained in an account separate from our other monies. The System Ad Fund is not and will not be our asset, and we or our designee will maintain separate bookkeeping accounts for the System Ad Fund. We will have the right to charge the System Ad Fund for the reasonable administrative costs and overhead that we incur in activities reasonably related to the direction and implementation of the System Ad Fund and advertising programs for you and the System (for example, salaries, costs of our personnel for creating and implementing, associated overhead, advertising, merchandising, promotional and marketing programs). The System Ad Fund and its earnings will not otherwise inure to our benefit or be used to solicit the sale of franchises.

(d) We may make available to franchisees, from time to time, marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, and similar marketing and promotional materials produced from contributions to the System Ad Fund. Additionally, we may sell such items to franchisees in the System at a reasonable price, and any proceeds from any those sales will be contributed to the System

Ad Fund.

(e) If all of the money in the System Ad Fund is not used in the year in which it is received, these amounts will be used in the next fiscal year. Although the System Ad Fund is intended to be of perpetual duration, we maintain the right to terminate the System Ad Fund. The System Ad Fund will not be terminated, however, until all monies in the System Ad Fund have been spent for advertising or promotional purposes.

(f) We reserve the right to contribute any portion of the System Ad Fund to the national brand marketing fund controlled by our Master Franchisor.

(g) Upon request, we will make available to you an annual accounting of the System Ad Fund receipts and disbursements. We do not audit the System Ad Fund.

In the most recently concluded fiscal year ending December 31, 2023, the System Ad Fund was spent in the following approximate manner: 45% on marketing material production, 42% on new product marketing, 7% on social media management services, 4% on the Website, and 2% on in-store marketing.

Cooperative Ad Fund

We will have the right, as we see fit, to establish a Cooperative Ad Fund for your region, or we may approve of a Cooperative Ad Fund that has been organized by franchisees in a region. The purpose of a Cooperative Ad Fund is to conduct advertising campaigns for the Gong cha Stores located in that region. The size or membership of a cooperative shall be determined by us, on a case by case basis, in our sole discretion. Factors we consider are demographic statistics and the number of Gong cha Stores operating in a particular area, among other things. Contributions to a Cooperative Ad Fund will not exceed the total Advertising Obligation unless the Cooperative votes to exceed such amount. Any amounts paid to a Cooperative Ad Fund will count as part of your local advertising and promotion requirement. As of the date of this Disclosure Document, there are no Cooperative Ad Funds in existence.

If a Cooperative Ad Fund for your area was established before you began to operate your Franchised Store, then when you open your Franchised Store, you must immediately join that Cooperative Ad Fund. If a Cooperative Ad Fund for your area is established after you begin to operate your Franchised Store, then you will have 30 days to join the new Cooperative Ad Fund. An individual Gong cha Store will not be required to be a member of more than one Cooperative Ad Fund. If we (or an affiliate) contribute to a Cooperative Ad Fund, we will have the same voting rights for our Gong cha Stores as do our franchisees with respect to their Stores.

The following provisions will apply to each Cooperative Ad Fund (if and when organized):

(a) Cooperative Ad Funds will be established, organized, and governed in the form and manner that we have approved in advance in writing. The activities carried on by each Cooperative Ad Fund shall be decided by a majority vote of its members. Any Gong cha Store that we operate in the region shall have the same voting rights as those owned by franchisees. Each Gong cha Store franchisee shall be entitled to cast one (1) vote for each Gong cha Store it operates that belongs to the Cooperative Ad Fund.

(b) Cooperative Ad Funds will be organized according to written governing documents for the exclusive purpose of administering regional advertising programs and developing (subject to our approval) standardized promotional materials for use by the members in

local advertising and promotion. Such governing documents are currently not available for review.

(c) Cooperative Ad Funds may not use advertising, promotional plans, or materials without our prior written approval, as described below under the heading "Local Advertising and Promotion."

(d) You must submit your required contribution to the Cooperative Ad Fund according to the schedule we designate for the Cooperative Ad Fund. At the same time, you will have to submit the reports that we or the Cooperative Ad Fund require. We may require you to submit this payment by EFT or by check. We also may require that your payments and reports to the Cooperative Ad Fund be made to us for distribution to the Cooperative Ad Fund. The Cooperative shall be required to prepare annual financial statements available for our and member's review.

(e) We maintain the right to terminate any Cooperative Ad Fund. A Cooperative Ad Fund will not be terminated, however, until all monies in that Cooperative Ad Fund have been expended for advertising or promotional purposes; unless there are no remaining Gong cha Stores in the Cooperative Ad Fund, in which event, we will transfer the remaining monies to the System Ad Fund.

Local Advertising and Promotion

Certain criteria will apply to any local advertising and promotion that you conduct. All of your local advertising and promotion must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You, or any Cooperative Ad Fund, may not use any advertising or promotional plans that we have not approved in writing. If you wish to use your own advertising materials or promotional plans, you must submit to us samples of all proposed plans and materials. If we do not give our written approval within five days, we will have been deemed to have disapproved the plans or materials.

All copyrights in and to advertising and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if necessary, require your independent contractors to sign the documents) that we deem necessary to implement this provision. (The requirements in this paragraph, as well as in the previous paragraph, will also apply to any Cooperative Ad Funds.)

As discussed in Item 7, in addition to (and not in place of) the Advertising Obligations, you must prepare and conduct a grand opening advertising program (the "**Grand Opening Advertising Program**"), in accordance with our specifications for that program. All materials used in the Grand Opening Advertising Program will be subject to our prior written approval, as described above. The Grand Opening Advertising Program is considered "local advertising and promotion" and is therefore subject to the restrictions described below. We will work with you to develop your Grand Opening Advertising Program for your market.

We, our affiliates or approved suppliers may periodically make available to you, for purchase, certain advertising plans and promotional materials for your use in local advertising and promotion.

As used in the Franchise Agreement, the term "**local advertising and promotion**" refers to advertising and promotion related directly to the Franchised Store, and unless otherwise specified, consists only of the direct costs of purchasing advertising materials (including, but not limited to, camera-

ready advertising and point of sale materials), media (space or time), promotion, direct out-of-pocket expenses related to costs of advertising and sales promotion (including, but not limited to, advertising agency fees and expenses, cash and "in-kind" promotional payments to landlords, postage, shipping, telephone, and photocopying), and such other activities and expenses as we, in our sole discretion, may specify. Local advertising and promotion does not, however, include any of the following: salaries and expenses of your employees; charitable, political, or other contributions or donations; and the value of discounts given to customers.

Advisory Council

We may, in our discretion, form an advisory council made up of franchisees and franchisor representatives. Franchisees will be chosen to participate in the council based on, in part, performance and length of time in the System. The advisory council will act in an advisory capacity only and will not have decision making authority. Once an advisory council has been formed we reserve the right to change or dissolve it at any time.

Websites

Websites (as defined below) are considered as "advertising" under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used (as described above). As used in the Franchise Agreement, the term "**Website**" means an interactive electronic document, contained in a network of computers linked by communications software, that you operate or authorize others to operate and that refers to the Franchised Store, Proprietary Marks, us, or the System. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, the Franchise Agreement provides that you may not establish a Website, nor may you offer, promote, or sell any products or services, or make any use of the Proprietary Marks, through the Internet without our prior written approval, which may or may not be provided in our sole discretion. As a condition to granting any such consent, we will have the right to establish any requirement that we deem appropriate, including among other things a requirement that your only presence on the Internet will be through one or more web pages that we establish on our Website. We may rescind any consent at any time in our sole discretion.

Social Media

You must comply with our social media management policy as described in our Manuals. You may not, without our prior written approval, use the Proprietary Marks or any abbreviation or other name associated with us and/or the System as part of any e-mail address, domain name, and/or other identification of us in any electronic medium. You must agree not to transmit or cause any other party to transmit advertisements, solicitations, marketing information, promotional information or any other information whatsoever regarding Gong cha Stores by e-mail or any other "Electronic Media" without our prior written consent and in accordance with such specific programs, policies, terms and conditions as we may from time to time establish. Electronic Media includes social media sites (such as Facebook and Instagram), blogs, microblogs, video-sharing and photo-sharing sites (such as YouTube), review sites (such as Yelp), marketplace sites (such as eBay and Craigslist), Wikis, chat rooms and virtual worlds.

Training

Before your Franchised Store opens, you must complete all of our initial training requirements. Unless you are an Area Developer and you are opening your fourth or subsequent Franchised Store (the differing requirements for Area Developers are described below) you (or, if you are other than an individual, your Designated Principal) and, if applicable, the General Manager must attend and

successfully complete, to our satisfaction, the initial training program that we offer at a location designated by us. (See Item 15 for details regarding our requirements for the management and operation of the Franchised Store.) Additionally, we may also require that other persons, up to a total of two (2) individuals (including the Designated Principal and General Manager), attend and successfully complete the initial training program. We will bear the cost of all training (instruction and required materials) for the initial training program and all other training, except as described below regarding additional training and assistance that we provide at your Franchised Store. You will bear all other expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, and worker's compensation insurance (see Items 6 and 7 of this Disclosure Document). If you are an Area Developer, then by the time you are developing your fourth Franchised Store, you must be prepared (by meeting all of our requirements) to train the General Manager and other managerial personnel for your fourth and subsequent Franchised Stores. This requires that you have management personnel who have completed to our satisfaction our initial training program and who continue to meet our standards and requirements for providing this training to other managers, and that you conduct the training of these additional managers according to the programs and requirements that we specify in the Manuals and other written materials. If we determine that you or your managers do not meet these requirements, we may require that your additional managers attend and complete the initial training program we provide for new franchisees. If we require that additional or replacement managers attend and complete the initial training program, we reserve the right to require you to pay our per diem training charges.

If you (or the Designated Principal) or the General Manager cease active employment in the Franchised Store, then you must enroll a qualified replacement (who must be reasonably acceptable to us) in our initial training program promptly following cessation of employment of said individual, provided that you may train General Managers in accordance with Section 6.3 of the Franchise Agreement. You must maintain a minimum of one certified manager in the Franchised Store at all times. The replacement Designated Principal and any required managers shall complete the initial training program as soon as is practicable, but in no event later than any time periods we specify from time to time in the Manuals and otherwise in writing. Replacements managers must be trained according to our standards and you may be permitted to provide such training directly, provided you meet our then-current standards for qualifying as a training facility. We have the right to review any personnel you trained and to require that such persons attend and complete, to our satisfaction, our initial training program.

As part of the opening of your Franchised Store, we will conduct pre-opening training and opening assistance at your Franchised Store. We will bear the costs associated with providing this training. We will provide one or more of our representatives for the purpose of facilitating the opening of your Franchised Store. Prior to the time our representative(s) arrives at your Franchised Store, you must have hired and substantially completed the training of your initial staff of employees. During this pre-opening training and opening assistance, our representative will assist you in establishing and standardizing procedures and techniques essential to the operation of a Gong cha Store and will assist in training personnel. We will not be responsible for training or offering guidance with respect to compliance with any laws, ordinance or other legal matters. If you request additional days of on-site training in connection with your opening, or at a later time, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out of pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers. (See Item 6 regarding the costs.) If you are opening your second or subsequent Gong cha Store, then we are not obligated to provide the above described pre-opening training and opening assistance at your Franchised Store. In this event, you will be obligated to provide this training yourself.

The subjects covered in the initial training program are described below. Initial training programs are scheduled throughout the year on an as needed basis. We have the right to change the

duration and content of our initial training program.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Company Introduction and Business Concept	1 Hour		Headquarter
Marketing/Logistics Overview	1 Hour		Headquarter
Training Overview	1 Hour		Headquarter
Manager Training		2 Hours	Designated affiliate-owned Gong cha Store
Kitchen Preparation Work		18 Hours	Designated affiliate-owned Gong cha Store
Drink Building		18 Hours	Designated affiliate-owned Gong cha Store
POS/Topping		18 Hours	Designated affiliate-owned Gong cha Store
Customer Service/Response Training		6 hours	Designated affiliate-owned Gong cha Store

The initial training, as described above, is currently conducted at our headquarters in Foster City, California and our affiliate-owned Gong cha Stores. Pre-opening training and opening assistance will also be conducted on-site at your Franchised Store for a period of time as is deemed required by us. The initial training must be completed at least 30 days in advance of the scheduled opening of your Franchised Store.

Additionally, we may require that you or your Designated Principal and General Manager attend such refresher courses, seminars, and other training programs as we may require from time to time, provided that required refresher and additional training will not exceed (a) four days (per trainee) each year at our headquarters and/or our affiliate-owned Store(s), and (b) three days (per trainee) each year to attend a convention for the franchise system. We may also offer voluntary training programs. If these refresher and additional training programs are conducted at our headquarters in Foster City, California, or at our affiliate-owned Gong cha Store, we will bear the costs associated with providing these training programs, not including the costs of transportation, lodging, meals, wages, and worker's compensation insurance. However, if you request that we provide any of this training at your Franchised Store, and we do so, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out of pocket costs and expenses associated with the additional training, including lodging, food and travel arrangement of the trainers (see Item 6 regarding the costs).

Currently, our training staff is run by Michelle Chen, whose biographical information is

contained in Item 2 of this Disclosure Document. We will use additional instructors on our training staff to conduct our training programs. Our additional instructors generally have substantial operations experience, with strong abilities in training and development. They have demonstrated successful operations and performance with our affiliate-owned operations.

Currently, we do not provide training related to safety measures to be taken by franchisees at its Gong cha Store specific to California law AB 1228's requirements and standards. In the event we are required to provide or assist with such training, we will comply.

Gift Card Program and Loyalty Program

We may institute a program for all franchisees to sell or otherwise issue gift cards or certificates (together "**Gift Cards**"). When the Gift Card program is made a part of the System, you must participate by offering Gift Cards to your customers and honoring all Gift Cards presented to you as payment for products, regardless of whether the Gift Card was issued by you or another Gong cha Store. Currently, all Gift Cards are sold or issued by you directly or from us online through our website. If you sell or issue a Gift Card you must transfer the amount paid into our Gift Card holding account. When any Gift Card is redeemed in your Franchised Store, we will transfer the amount of this redeemed Gift Card to you. You pay the Royalty Fee on sales paid by redeemed Gift Cards in your Franchised Store. Our Gift Cards have no expiration date, therefore we remain liable to you upon any Gift Card redemption for an undetermined amount of time. We control all amounts received through the sale or issuance of all Gift Cards, and you are not entitled to any of this revenue unless a Gift Card is redeemed in your Franchised Store.

You must participate in promotional programs developed by us for the System, including programs and services for frequent customers, senior citizens, children, and other categories, which may include providing discount or complimentary Products. As indicated above, currently we require our franchisees to use FiveStars to administer our customer reward/loyalty program at a cost of $175 per month. This amount and this vendor is subject to change, as are the specifics of how implement any such program.

Manuals

You will be required to comply with all of the specifications, procedures, and standards set out in our Manuals, which Manuals are subject to change in our discretion. Our Manuals contain a total of 40 pages (excluding appendices). The table of contents to our Manuals is as follows:

Management Principles
- Before Opening
  - Business Concept – Page 1
  - Uniform and Appearance Regulation – Page 2
  - Store Cash Management – Pages 3 – 4
  - Employee Free Drinks – Page 5
  - Working Safety & First aid with burn – Pages 6 – 7
- During Operation & Standards
  - Service Process Management – Page 8
  - Standard Serving Dialogue – Pages 9 – 11
  - Dealing with the Customer Complaints – Page 12
  - Phone orders for Delivery Process – Page 13
- After Closing
  - SOP for Maintenance and Cleanness - Pages 12 – 15
  - New Employee Training Exam – Page 16

Standard Operation Procedures
Preparation Before Business Hour
New Open Pages 17 - 18
Taste Sampling Activity – Page 19
Liquid Tea Preservations – Page 20
Measures for Irregular Situation – Pages 21 – 25
Kitchen & Bar SOP
Boiling Tea Process – Page 26
Tips for Shaker – Page 27
Equipment
Instruction of Smoothie Maker – Page 28
Instruction of Syrup Dispenser – Page 29
Instruction of Sealing Machine – Pages 30 – 31
Instruction of Induction - Page 32
Raw Material – Page 33
Tables List
Gong Cha Unusual Raw Material Application Form – Page 33
Daily Work Check List – Page 37
Service Check List – Page 35 – 36
Appendices – Page 40
Appendix A – Premade Milk Tea Policy
Appendix B – Store Walk Policy
Appendix C – Store Excellence Visit (SEV Guidebook)

ITEM 12
TERRITORY

Franchise Agreement and Area Development Agreement

The following describes how Territories and Development Areas are determined, and the rights that you and we have under the Franchise Agreement and the Area Development Agreement.

Under the Franchise Agreement

Your Franchise Agreement will specify the site that will be the Approved Location for your Franchised Store. Your Franchise Agreement may also specify a protected territory ("**Territory**"). If your Franchised Store is located in a Non-Traditional Site, as described below, or in a major metropolitan location, we reserve the right to not grant you a Territory. The size and scope of the Territory will be contained in the Franchise Agreement and will be determined based upon various factors such as (a) whether the Approved Location is an urban area or a suburban area; (b) the number of residents living in the area; (c) the number of people working in the area; and (d) the number of competitive Stores in the area; among other factors. The Territory is not the same area as, and will be smaller than, the site selection area in which you will be looking for a site. If your Franchised Store will be located at a Non-Traditional Site (as described below, such as mall food courts, airports, hospitals, cafeterias, commissaries, schools, hotels, office buildings and stadiums, arenas, ballparks, festivals, fairs, military bases and other mass gathering locations or events), you will not be granted a Territory.

During the term of the Franchise Agreement, we will not establish or operate, nor license any other person to establish or operate, a Gong cha Store in the Territory, except as may be permitted under the Franchise Agreement and those exceptions are described below. There are no circumstances under which the Territory may be altered prior to expiration or termination of the Franchise Agreement. Your

territorial protection is not dependent upon achievement of a certain sales volume, market penetration, or other factors, other than compliance with the Franchise Agreement.

As a result of our reserved rights described below, 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.

If, during the term of the Franchise Agreement, you wish to relocate your Franchised Store, or if the Franchised Store is damaged or destroyed and cannot be repaired within 60 days, you must submit to us in writing the materials require in order to consider your request, including information concerning the proposed new location for the Franchised Store and our fee (see Item 6). You must also meet certain other requirements, including but not limited to being in compliance with the Franchise Agreement, the location meets our then-current requirements for a Gong cha Store and is located within your Territory, and you must sign our then-current form of Franchise Agreement. If we permit you to relocate, you will not pay a new Franchise Fee when you sign the new Franchise Agreement. (Franchise Agreement, Section 8.25).

You are limited to offering and selling Products at the Franchised Store, and only to retail customers of the Franchised Store for (a) customer consumption on the premises of the Franchised Store, (b) customer carry-out consumption of Products sold at the Franchised Store, (c) off-premises catering activities; provided that all such activities shall be conducted only in accordance with the requirements of the Franchise Agreement and the procedures set forth in the Manuals and all applicable laws, and (d) sales through third-party food ordering and delivery service providers approved by us; provided that all such activities shall be conducted only in accordance with the requirements of this Agreement and the procedures set forth in the Manuals and all applicable laws. You must acknowledge that you may engage in off-premises catering activities and sales through third-party food ordering and delivery service providers approved by us in accordance with such specific programs, policies, terms and conditions as we may from time to time establish. You may not, without our prior written approval, engage in any other type of sale of, or offer to sell, or distribution of Products, including, but not limited to: selling, distributing or otherwise providing, any Products to third parties at wholesale, or for resale or distribution by any third party; and selling, distributing or otherwise providing any Products through toll free numbers for delivery, or electronic means (e.g., the Internet).

You may only directly solicit customers within your Territory. Determination of what constitutes "direct" solicitation or marketing shall be determined in our sole judgment, but shall include direct mail and telephone solicitation. However, you may engage in marketing and promotional efforts, subject to our approval, such as Internet, social media or other mass media marketing efforts outside of your Territory so long as such activities are ancillary to your marketing activities within your Territory. In the event of any dispute as to whether or not soliciting or marketing activities have been conducted outside your Territory, such dispute shall be submitted for our determination and our decision shall be final.

You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell the Proprietary Products or Products to any business or other customer for resale purposes.

Although we have not done so, we and our affiliates may sell Products under the Proprietary Marks within and outside your Territory through any method of distribution other than a Gong cha Store, including sales through such channels of distribution as wholesalers, distributors, grocery or convenience stores or through outlets that are primarily retail in nature, mail order, toll free numbers, the Internet, catalog sales, telemarketing or other direct marketing sales (together, "**alternative distribution channels**"). You may not use alternative distribution channels to make sales outside or inside your Territory and you will not receive any compensation for our sales through alternative distribution

channels.

We have not yet established other franchises or company-owned or affiliate-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark, but we reserve the right to do so in the future, without first obtaining your consent.

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

Under the Area Development Agreement

If you sign an Area Development Agreement, the Area Development Agreement will specify the Development Area within which you may locate potential sites for Gong cha Stores, subject to our approval. The size and scope of the Development Area will be determined on a case-by-case basis, as we mutually agree upon prior to signing the Area Development Agreement and will be specified in the Area Development Agreement. The factors that we consider in determining the size of a Development Area include current and projected market demand, demographics and population, traffic patterns, location of other Gong cha Stores, your financial and other capabilities, the number of Gong cha Stores you wish to develop and our development plans. During the term of the Area Development Agreement, if you comply with the obligations under the Area Development Agreement and all of the Franchise Agreements between you (and your affiliates) and us, we will not establish or operate, or license anyone other than you to establish or operate, a Gong cha Store in the Development Area. Except as described below, there are no circumstances under which the Area Development Agreement may be altered prior to expiration or termination of the Area Development Agreement. Your territorial protection is not dependent upon achievement of a certain sales volume, or other factors, other than compliance with the Area Development Agreement and Development Schedule.

If you do not comply with a deadline under the Development Schedule (a "**Missed Deadline**"), you will be in default under the Area Development Agreement. For one Missed Deadline, we will provide you with an opportunity to cure your default and we will determine and notify you of a new deadline for that one Missed Deadline (without changing the remainder of the Development Schedule). If you fail to come into compliance by that new deadline, and/or upon the occurrence of a second Missed Deadline, we may terminate your Area Development Agreement, or we may elect to take one or more of the following actions: (a) cease crediting the Area Development Fees paid towards the Franchise Fees for the Franchised Stores to be developed (see Item 5 for explanation of credits); (b) eliminate the limited exclusivity or reduce the scope of protections granted to you within the Development Area; (c) reduce the scope of the Development Area; (d) reduce the number of Franchised Stores for you to develop, or (e) retain all Area Development Fees paid to us. If we elect to take one or more of these actions, we will provide written notice of such action, and the Area Development Agreement will be amended to reflect the changes.

Our Reserved Rights under the Franchise Agreement and Area Development Agreement

Under both the Franchise Agreement and Area Development Agreement, we and our affiliates retain all the rights that we do not specifically grant to you. Among the rights that we retain are the following (the following list is only for purposes of illustration and is not meant to limit our rights):

(1) We may own, acquire, establish, and/or operate and license others to establish and operate businesses, including Gong cha Stores operating under the Proprietary Marks and the System selling the Products at any location outside your Territory or Development Area regardless of their

proximity to, or potential impact on, your Territory or Development Area or Franchised Stores.

(2) We may own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from the Franchised Store, at any location within or outside the Territory or Development Area, notwithstanding their proximity to the Territory or Development Area or the Approved Location or their actual or threatened impact on sales of the Franchised Store.

(3) We may own, acquire, establish, and/or operate, and license others to establish and operate, Gong cha Stores under the Proprietary Marks at Non-Traditional Sites (as defined below) at any location within or outside the Territory or Development Area. "**Non-Traditional Sites**" means outlets that serve primarily the customers located within the facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, stadiums, amusement parks and centers, theaters and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, department stores, indoor shopping centers, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include, but are not limited to, military complexes, buyer club businesses, educational facilities, business and industrial complexes), and other types of institutional accounts.

(4) We may sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Proprietary Products) through wholesalers, distributors, grocery or convenience stores or through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet, including those products bearing our Proprietary Marks, provided that distribution within the Territory or Development Area shall not be from a Gong cha Store established under the System that is operated from within the Territory or Development Area.

(5) We may sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Proprietary Products) to any customer, business or enterprise located within or outside the Territory or Development Area through any delivery or catering process determined in our sole discretion, including those products bearing our Proprietary Marks, regardless of potential impact on your Territory or Development Area or Franchised Stores.

Additionally, during the term of your Area Development and Franchise Agreement, we may (i) acquire one or more retail businesses that are the same as, or similar to, Gong cha Stores then operating under the System (each an "**Acquired Business**"), which may be at any location within or outside the Territory or Development Area, notwithstanding their proximity to the Territory or Development Area or the Approved Location or their actual or threatened impact on sales of the Franchised Store, and we may (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Gong cha Store under the System at any location. If we operate and/or license others to operate any Acquired Business, then the following terms apply:

(1) If you are in compliance with your agreements with us, then for any Acquired Business that is both located within your Territory or Development Area and is purchased by us for operation by us or our affiliates, we may, in our discretion, offer you the option to purchase and operate, as a Gong cha Store, those Acquired Business(es). We will provide you with written notice of our purchase of such Acquired Business(es), the terms and conditions applicable to your option to purchase such Acquired Business(es), and such other information that we deem necessary to include in the notice. The terms and conditions offered to you will include, without limitation, the following: (a) the purchase price for such Acquired Business will be determined using a ratio equal to the sales of such Acquired Business during the prior year, as compared to the total sales during such year of all Acquired Businesses that we purchased in the same transaction; and (b) the requirement that you enter into our then-current form of

System franchise agreement for the Acquired Business, provided that you will not be required to pay an initial franchise fee for an Acquired Business. If you do not elect to purchase, or fail to complete the purchase of, an Acquired Business, we shall have the right to operate the Acquired Business ourselves, or through its affiliates or third party licensees or franchisees, under any trade name or trademarks including the Proprietary Marks.

(2) If an Acquired Business is part of a system of retail businesses that we acquire (an "**Acquired System**"), you will have no right to purchase, and we will not be obligated to offer you any option to purchase, any Acquired Business that is operated by a licensee or franchisee under the Acquired System. We may license such unit to be operated under any trade name or trademarks, including the Proprietary Marks, and may also license to the licensee or franchisee additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Territory or Development Area.

ITEM 13
TRADEMARKS

The Franchise Agreement will grant you rights to use the Proprietary Marks in connection with your Franchised Store. Gong Cha Global Limited or GCG has registered for the following Proprietary Marks, along with all required affidavits, on the Principal Register of the United States Patent and Trademark Office:

Proprietary Mark	Registration Number	Registration Date
GONG CHA (Classes 30, 32 & 43)	4498711	March 18, 2014
Gong cha (Classes 16, 21, 30, 35 & 43)	6231001	December 29, 2020
Gong cha (Classes 16, 21, 30, 35 & 43)	6585699	December 14, 2021

GCG owns the Proprietary Marks (as described below), and through the Master Franchising Agreement will license them to us so that we may sublicense them to our franchisees. The Master Franchising Agreement was effective as of February 15, 2015. The Master Franchising Agreement provides us with two six-year renewal terms. The Master Franchising Agreement was recently renewed for the first six-year renewal term, effective as of July 1, 2021, with renewal rights for one additional six-year renewal term following expiration of the first renewal term. Upon termination or expiration of the Master Franchising Agreement we and you must stop using the Proprietary Marks, and we will no longer

have access to the Gong Cha Proprietary Products to distribute to our franchisees. In the event that the Master Franchising Agreement expires or is terminated, we may, at our option, terminate the Franchise Agreement and Area Development Agreement by giving 30 days' notice. In such event, alternatively, we may choose not to terminate the Franchise Agreement, and require that you modify your Gong cha Store operation to a re-branded System or we may transfer your Franchise Agreement and Area Development Agreement to Gong Cha Global, who will then act as your franchisor.

Our Master Franchisor's affiliate, GCG, is the owner of the Proprietary Marks, and has granted our Master Franchisor a license to use and to sublicense others to use the IP Rights, including the Proprietary Marks, through the License Agreement dated May 1, 2023, as amended, as further described in Item 1. The License Agreement will expire on May 1, 2033, and automatically renews for up to 4 additional 5-year terms. Under the License Agreement our Master Franchisor can use and sublicense the Proprietary Marks and other IP Rights licensed under the Franchise Agreement. If our Master Franchisor commits any material breach of the License Agreement that is remediable, GCG must provide 90 days to remedy the issue before terminating the License Agreement. In addition, our Master Franchisor and GCG may terminate the License Agreement upon mutual agreement, with the termination to be effective 180 days after agreement. If the License Agreement were terminated or expired without renewal or extension, our Master Franchisor would have to stop using the Proprietary Marks and other IP Rights licensed under the License Agreement, unless GCG elects in its sole discretion to allow our Master Franchisor to continue to operate under the terms of your Franchise Agreement or Area Development Agreement, in which case your Franchise Agreement or Area Development Agreement shall be assigned and novated to GCG or its designee effective as of the date of such termination or expiration..

There are no currently effective determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the Trademark Administrator of this state or any court. There is no pending infringement, opposition or cancellation proceeding. There is no pending material litigation involving the trademarks which may be relevant to their use in this state or in any other state.

We do not know of any infringing uses that could materially affect your use of the Proprietary Marks in this state or elsewhere.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our right to use and to license others to use, or your right to use, the Proprietary Marks. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. If there is any litigation due to your use of the Proprietary Marks, you must execute all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action.

Except as indicated, there are no other agreements currently in effect which limit our rights to use or license the use of any Proprietary Mark. We reserve the right to substitute different proprietary marks for use in identifying the System and businesses operating under it if we, in our sole discretion, determine that substitution of different marks as Proprietary Marks will be beneficial to the System. You must promptly implement any substitution of new Proprietary Marks.

If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue the use of any Proprietary Marks and/or use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable period of time after receiving notice. We will not be obligated to reimburse you for any cost attributable to or associated with any

modified or discontinued Proprietary Marks or for any expenditures you make to promote a modified or substitute trademark or service mark.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

No patents are material to the operation of your Franchised Store.

Copyrights

We claim copyright protection covering various materials used in our business and the development and operation of Gong cha Stores, including the Manuals, advertising and promotional materials, and similar materials. We have not registered these materials with the United States Registrar of Copyrights, but we are not required to do so.

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

All rights, title, and interest in advertising and promotional materials that you develop or prepare (or that are prepared by someone on your behalf) or that bear any Proprietary Marks will belong to us. You must sign any documents we reasonably deem necessary to evidence our right, title, and interest in and to any advertising and promotional materials. We will have the right to use these materials and to provide them to other franchisees of the System, without compensation to you, regardless of how the materials were developed. Additionally, we may from time to time require that you sign a license agreement for the use of proprietary materials that we provide to you in an electronic format.

Confidential Information

Except for the purpose of operating the Franchised Store under a Franchise Agreement and developing Franchised Stores under an Area Development Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know-how concerning the development and operation of the Franchised Store that may be communicated to you or that you may learn by virtue of your operation of a Gong cha Store. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Store. Any information, knowledge, know-how, and techniques that we designate as confidential will be deemed "confidential" for purposes of the Franchise Agreement and the Area Development Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, we may require you, your Designated Principal, other owners, managers, and your employees with access to confidential information to sign confidentiality and non-competition agreements

or obligate themselves to such covenants. Each of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Franchised Store. These agreements must be in a form that we find satisfactory, and in some cases include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Our current forms of these agreements are included as Exhibit C and Exhibit E to the Franchise Agreement (which is included in this Disclosure Document, see Item 22).

Confidential Manuals

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Manuals. We will lend you one set of our Manuals for the term of the Franchise Agreement, which you must return to us at the expiration or termination of the Franchise Agreement. The Manuals may consist of multiple volumes of printed text, computer disks, other electronic stored data, videotapes, and periodic updates or bulletins that we issue to franchisees and others operating under the System. You must treat the Manuals, all supplements and revisions to the Manuals, including bulletins and the information contained in them, as confidential, and must use best efforts to maintain this information (whether in written or electronic format) as secret and confidential. You must not reproduce these materials (except for the parts of the Manuals that are meant for you to copy, which we will clearly mark as such) or otherwise make them available to any unauthorized person. The Manuals will remain our sole property. You must keep them in a secure place on the Franchised Store premises.

We may revise the contents of the Manuals, and you must comply with each new or changed standard. We will notify you in writing of revisions to the Manuals. You must ensure that the Manuals are kept current at all times. If there is a dispute as to the contents of the Manuals, the terms of the master copies that we maintain at our home office will control.

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

If the Designated Principal or your General Manager fails to satisfactorily complete our initial training program or if your General Manager is no longer an employee, you must designate a replacement Designated Principal or General Manager as soon as is practical, who is acceptable to us and who satisfactorily completes our training program. We may require you to reimburse our training costs (see Items 6 and 11).

Under the Franchise Agreement, you (or, if you are an entity, your Designated Principal) must be involved in the general oversight and management of the operations of the Franchised Store. Additionally, you must designate either yourself, your Designated Principal (if you are an entity) or a General Manager (subject to our reasonable approval) to assume the full-time responsibility for daily supervision and operation of the Franchised Store. If we determine that you or your Designated Principal does not have the necessary food service experience to manage the full-time responsibility for daily supervision and operation of the Franchised Store, we will require that you hire a General Manager, subject to our reasonable approval, to assume this role. We will have the right to rely upon the Designated Principal and/or your General Manager to have the responsibility and decision-making authority regarding your business and operations.

Under the Area Development Agreement, you (or, if you are an entity, your Designated Principal) must be involved in the general oversight and management of the development of the Franchised Stores,

as well as the operations of the Franchised Stores that are developed under the Area Development Agreement. We will have the right to rely upon the Designated Principal to have the responsibility and decision-making authority regarding your business and operations.

Under both the Franchise Agreement and the Area Development Agreement, if you are other than an individual, we may require that your owners personally sign a guaranty, indemnification and acknowledgement (in the forms included as Exhibit C to the Franchise Agreement and Exhibit C to the Area Development Agreement), guarantying and acknowledging the legal entity's covenants and obligations under that agreement. Additionally, your employees with access to confidential information or who have received training may be required to sign agreements to maintain confidentiality and not compete with businesses under the System (our current form for this agreement is included in Exhibit E to the Franchise Agreement). See Items 14 and 17 for a further description of these obligations.

In order to prevent any interruption of the operations which would cause harm to the Franchised Store, we have the right, but not the obligation, to step-in and designate an Interim Manager to temporarily manage the Franchised Store in the event that: (a) you fail to comply with any provision of the Franchise Agreement and do not cure this failure; (b) we determine that the operation of the Franchised Store is in jeopardy; (c) we determine that operational problems and deficiencies require that we operate the Franchised Store; (d) you abandon or fail to actively operate the Franchised Store; (e) your Designated Principal dies or is determined to be temporarily or permanently disabled; or (f) we deem you incapable of operating the Franchised Store. If we exercise our Step-in Rights, then: (a) we will keep in a separate account all monies generated by the operation of the Franchised Store, less the expenses of the Franchised Store, including reasonable compensation and expenses for our representatives (including an Interim Manager) as well as other expenses incurred; (b) you agree to hold us and our representatives harmless for all actions occurring during the course of such temporary management of the Franchised Store and acknowledge that the Interim Manager and such representatives will have no liability to you, except to the extent directly caused by gross negligence or willful misconduct; (c) you agree to pay us our then current management fee (see Item 6); (d) you agree to pay us, in addition to the management fee, all of our reasonable costs and expenses, including, but not limited to, attorneys' fees incurred as a consequence of exercising our Step- In Rights; and (e) you acknowledge that us and our representatives (including an Interim Manager) will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, damages, or obligations you or the Franchised Store incur, or to any of your or the Franchised Store's suppliers, vendors or creditors for any supplies, products, or other assets or services you or the Franchised Store purchases, while managed by us or an Interim Manager. This remedy is in addition to other remedies available to us.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may sell and provide only products and services that we have approved in writing and which conform to our standards and specifications (see also Item 8 above). We have the right, without limit, to change the types of authorized products and services. You must carry and sell all Products that we approve and specify to be offered by all Gong cha Stores, unless we otherwise provide our written approval. If you operate an Express Gong cha Store your menu offerings will be limited, as we determine, in comparison to a Standard Gong cha Store.

You may only sell to retail customers at or from the Approved Location. All sales must be: (1) face-to-face, for customer consumption on the premises of the Franchised Store; and (2) face-to-face, for customer carry-out or take-away consumption. If you wish to engage in off-premises catering activities, you may apply in writing for our approval to do so. If we provide our approval, you may engage in these activities provided that you comply with the programs, policies terms, and conditions that

we may establish from time to time. Additionally, you may not engage in any other type of sale, offer to sell, or distribution of Products, except with our prior written consent. For example, you may not sell products by catalog, mailing, toll free numbers, or by use of the Internet.

You must not use the Franchised Store for any other business or operation or for any other purpose or activity at any time without first obtaining our prior written consent. You must keep the Franchised Store open and in normal operation for the minimum hours and days as we may specify. You must operate the Franchised Store in strict conformity with the methods, standards, and specifications as we prescribe in the Manuals or in writing.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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.

THE FRANCHISE RELATIONSHIP

Under the Franchise Agreement

Provision		Section(s) in Franchise Agreement	Summary
(a)	Length of the franchise term	Section 2.1	10 years.
(b)	Renewal or extension of the term	Section 2.2	Two renewal terms of 5 years each.
(c)	Requirements for franchisee to renew or extend	Section 2.2	At time of renewal we remain the master franchisee of Gong Cha Global, notice, satisfaction of monetary obligations, compliance with Franchise Agreement, mutual release, sign new Franchise Agreement, pay renewal fee, and others; see Sections 2.2.1 - 2.2.10 in Franchise Agreement. If you seek to renew your franchise at the expiration of the initial term or any renewal term, you will be asked to sign a new Franchise Agreement that contains terms and conditions materially different from those in your previous Franchise Agreement, such as different fee requirements and different territorial rights.
(d)	Termination by franchisee	None	

Provision		Section(s) in Franchise Agreement	Summary
(e)	Termination by franchisor without cause	Section 16.5	Upon expiration or termination of the Master Franchising Agreement between us and Gong Cha Global, we may terminate your Franchise Agreement upon 30 days' notice or, alternatively, we may require that you modify your Gong cha Store operation to a re-branded System or we may transfer your Franchise Agreement to Gong Cha Global, who will then act as your franchisor.
(f)	Termination by franchisor with cause	Section 16	Default under Franchise Agreement, bankruptcy, abandonment, and other grounds; see Section 16 of the Franchise Agreement. Under the U.S. Bankruptcy Code, we may not be able to terminate the agreement merely because of a bankruptcy filing.
(g)	"Cause" defined – defaults which can be cured	Sections 16.3 and 16.4	All other defaults not specified in Sections 16.1 and 16.2 of the Franchise Agreement
(h)	"Cause" defined – non-curable defaults	Sections 16.1 and 16.2	Bankruptcy, abandonment, conviction of felony, and others; see Section 16.2 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
(i)	Franchisee's obligations on termination/non-renewal	Section 17	Cease operating the Franchised Store, payment of amounts due, and others; see Section 17.1 – 17.11 of the Franchise Agreement.
(j)	Assignment of contract by franchisor	Section 15.1	There are no limits on our right to assign the Franchise Agreement.
(k)	"Transfer" by franchisee - defined	Section 15.2	Includes transfer of any interest.
(l)	Franchisor approval of transfer by franchisee	Section 15.2	We have the right to approve transfers and can apply standards to determine (for example) whether the proposed transferee meets our requirements for a new franchisee.

Provision		Section(s) in Franchise Agreement	Summary
(m)	Conditions for franchisor approval of transfer	Sections 15.3 and 15.4	Release, signature of new Franchise Agreement, payment of transfer fee, and others; see Sections 15.3.1 – 15.3.11 and 15.4 of the Franchise Agreement.
(n)	Franchisor's right of first refusal to acquire franchisee's business	Section 15.6	We can match any offer.
(o)	Franchisor's option to purchase franchisee's business	None	
(p)	Death or disability of franchisee	Sections 15.7 and 15.8	Your estate must transfer your interest in the Franchised Store to a third party we have approved, within a year after death or six months after the onset of disability.
(q)	Non-competition covenants during the term of the franchise	Sections 18.2 and 18.5	Includes prohibition on engaging in any other business offering similar products, and soliciting or diverting customers to other businesses, and others; see Section 18.2 of the Franchise Agreement.
(r)	Non-competition covenants after the franchise is terminated or expires	Sections 18.3 and 18.5	Includes a two year prohibition similar to "q" (above), at the Approved Location.
(s)	Modification of the agreement	Section 25	Must be in writing signed by both parties.
(t)	Integration/merger clause	Section 25	Only the final written terms of the Franchise Agreement are binding(subject to applicable federal and state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement (or other agreement) may not be enforceable..
(u)	Dispute resolution by arbitration or mediation	Section 27.2 and 27.3	Except for certain claims, we and you must first mediate, and if unsuccessful arbitrate, all disputes at a location within 5 miles of our then current principal place of business. (Currently in Foster City, California.)
(v)	Choice of forum	Section 27.4	All mediations, arbitrations and litigation proceedings must be conducted in the city of our then current principal place of business. (Currently in Foster City, California.)

Provision		Section(s) in Franchise Agreement	Summary
(w)	Choice of law	Section 27.1	California.

Under the Area Development Agreement

Provision		Section(s) in Area Development Agreement	Summary
(a)	Length of the franchise term	Section 2 and Exhibit A	Last date in Development Schedule
(b)	Renewal or extension of the term	None	
(c)	Requirements for area developer to renew or extend	None	
(d)	Termination by area developer	None	
(e)	Termination by franchisor without cause	Section 6.6	Upon expiration or termination of Master Franchising Agreement between us and Gong Cha Global, we may terminate upon 30 days' notice or, alternatively, we may transfer your Franchise Agreement to Gong Cha Global, who will then act as your franchisor.
(f)	Termination by franchisor with cause	Section 6	We can terminate if you default.
(g)	"Cause" defined – curable defaults	Sections 6.3 and 6.4	All other defaults not specified in Sections 6.1 and 6.2 of Area Development Agreement.
(h)	"Cause" defined – non-curable defaults	Sections 6.1 and 6.2	Bankruptcy, termination of any individual Franchise Agreement for a Franchised Store operated by you or a person or entity affiliated with you, conviction of felony, and improper transfer.
(i)	Area developer's obligations on termination/non-renewal	Section 6.6	Cease establishing or operating Franchised Stores under the System for which Franchise Agreements have not been signed at the time of termination and compliance with covenants.
(j)	Assignment of contract by franchisor	Section 7.1	There are no limits on our right to assign the Area Development Agreement.

Provision		Section(s) in Area Development Agreement	Summary
(k)	"Transfer" by area developer – defined	Section 7.2	Includes a transfer of an interest in the Area Development Agreement, developer entity, or any material asset of your business.
(l)	Franchisor approval of transfer by area developer	Section 7.2	We have the right to approve transfers.
(m)	Conditions for franchisor's approval of transfer	Sections 7.2 and 7.3	Any of the conditions for transfer described in the Franchise Agreement executed pursuant to the Area Development Agreement that we deem applicable, and simultaneous transfer of Franchise Agreements executed pursuant to the Area Development Agreement.
(n)	Franchisor's right of first refusal to acquire area developer's business	None	
(o)	Franchisor's option to purchase area developer's business	None	
(p)	Death or disability of area developer	None	
(q)	Non-competition covenants during the term of the franchise	Section 8.2	Includes prohibition on engaging in any other business offering similar products, and soliciting or diverting customers to other businesses.
(r)	Non-competition covenants after the franchise is terminated or expires	Section 8.3	Includes a two year prohibition similar to "q" (above), within the Development Area, or within 25 miles of any Gong cha Store in operation or under construction on the effective date of termination or expiration located anywhere.
(s)	Modification of the agreement	Section 15	Must be in writing signed by both parties.
(t)	Integration/merger clause	Section 15	Only the final written terms of the Area Development Agreement are binding (subject to applicable federal and state law). Any representations or promises outside of the Disclosure Document and Area Development Agreement (or other agreement) may not be enforceable..

Provision		Section(s) in Area Development Agreement	Summary
(u)	Dispute resolution by arbitration or mediation	Section 16.2 and 16.3	Except for certain claims, we and you must first mediate, and if unsuccessful arbitrate, all disputes at a location within 5 miles of our then current principal place of business. (Currently in Foster City, California.)
(v)	Choice of forum	Section 16.4	All mediations, arbitrations and litigation proceedings must be conducted in the city of our then current principal place of business. (Currently in Foster City, California.)
(w)	Choice of law	Section 16.1	California.

The provision of the Franchise Agreement or Area Development Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

See Exhibit 2, the State Specific Addendum, for special state disclosures.

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (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.

The following Table 1 includes the actual average Gross Sales for the twelve month period ending December 31, 2023 achieved by our twenty-two (22) franchisee-owned Gong cha Stores that were opened for the entirety of such period.

The following Table 2 includes the actual average Gross Sales for the twelve month period ending December 31, 2023 achieved by our four (4) affiliate-owned Gong cha Stores that were opened for the entirety of such period.

The following Table 3 includes the actual average Gross Sales for the twelve month period ending December 31, 2023 achieved by our eleven (11) franchisee-owned Gong cha Stores that were opened for the entirety of such period that are located in Southern California.

The following Table 4 includes the actual average Gross Sales for the twelve month period ending December 31, 2023 achieved by our eleven (11) franchisee-owned Gong cha Stores that were opened for the entirety of such period that are located in Northern California.

We did not report the two (2) franchisee-owned Gong cha Stores that closed during the period reported. We did not report the one (1) affiliate-owned Gong cha Store that closed during the period reported. All reported Gong cha Stores below are Standard Gong cha Stores.

The below figures do not reflect all operating expenses, franchise expenses such as Royalty Fees or advertising costs, or other costs or expenses that must be deducted from a Gross Sales figure in order to obtain or calculate your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Gong cha Store. Franchisees or former franchisees, if any, listed in this Disclosure Document, may be one source of this information.

We have compiled the following information from the internal, unaudited financial statements of our affiliate for the period indicated. These financial statements were not prepared in accordance with Generally Accepted Accounting Principles (GAAP), but are believed to be reliable. We have compiled the following information from sales reports generated by our franchisees for the period indicated, which reports have not been verified beyond such receipt.

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

Table 1

Operating Results for the Reported 22 Franchisee-Owned Gong Cha Stores For the Period from January 1, 2023 through December 31, 2023					
	Average	**Number of Stores Which Performed Better than Average**	**Median**	**High**	**Low**
Gross Sales	$429,130	11 of 22 (50%)	$424,979	$786,359	$221,056

Table 2

Operating Results for the Reported 4 Affiliated-Owned Gong Cha Stores For the Period from January 1, 2023 through December 31, 2023					
	Average	**Number of Stores Which Performed Better than Average**	**Median**	**High**	**Low**
Gross Sales	$377,325	2 of 4 (50%)	$356,980	$528,300	$267,040

Table 3

Operating Results for the Reported 11 Franchisee-Owned Gong Cha Stores in Southern California For the Period from January 1, 2023 through December 31, 2023					
	Average	**Number of Stores Which Performed Better than Average**	**Median**	**High**	**Low**
Gross Sales	$463,125	5 of 11 (45%)	$400,313	$786,360	$221,056

Table 4

Operating Results for the Reported 11 Franchisee-Owned Gong Cha Stores in Northern California For the Period from January 1, 2023 through December 31, 2023					
	Average	**Number of Stores Which Performed Better than Average**	**Median**	**High**	**Low**
Gross Sales	$395,135	6 of 11 (55%)	$449,644	$529,035	$242,624

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

Notes:

(1) Gross Sales includes all revenue related to the Franchised Stores before discounts, promotions and customer refunds, excluding sales taxes collected and remitted to the proper authorities.

(2) The figures above do not account for royalties or any other payments franchisees may occur.

(3) The figures do not include other costs of sales, operating expenses, or other costs or expenses that must be deducted from gross revenue or gross sales figures to obtain net income or profit.

(4) The affiliate-owned units shown offer or will offer substantially the same products and services to the public as you will as a franchisee operating a franchised unit.

Other than the preceding financial performance representation, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Larry Chen, Gong Cha CA Franchise, LLC, 1111 Triton Drive, Suite 200, Foster City, California 94404, (650) 670-6873, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

For Us:

Table No. 1
Systemwide Outlet Summary
For years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	21	20	-1
	2022	20	24	+4
	2023	24	26	+2
Company-Owned or Affiliate-Owned	2021	5	6	+1
	2022	6	5	-1
	2023	5	4	-1
Total Outlets	2021	26	26	0
	2022	26	29	+3
	2023	29	30	+1

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2021 to 2023

State	Year	Number of Transfers
California	2021	2
	2022	2
	2023	1
Total	2021	2
	2022	2
	2023	1

Table No. 3
Status of Franchised Outlets
For years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
California	2021	21	1	2	0	0	0	20
	2022	20	4	0	0	0	0	24
	2023	24	4	1	1	0	0	26
Totals	2021	21	1	2	0	0	0	20
	2022	20	4	0	0	0	0	24
	2023	24	4	1	1	0	0	26

Table No. 4
Status of Company-Owned or Affiliate-Owned Outlets
For years 2021 to 2023

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
California	2021	5	1	0	0	0	6
	2022	6	1	0	2	0	5
	2023	5	0	0	1	0	4
Totals	2021	5	1	0	0	0	6
	2022	6	1	0	2	0	5
	2023	5	0	0	1	0	4

Table No. 5
Projected Openings as of December 31, 2023

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned or Affiliate-Owned Outlets in the Next Fiscal Year
California	6	7	0
Total	6	7	0

All numbers are as of December 31st for each year.

A list of the names of all US franchisees and area developers and the addresses and telephones numbers of their franchises will be provided in Exhibit 6 to this Disclosure Document when applicable.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every US franchisee or area developer who had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document will be listed on Exhibit 7 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.**

During the last three fiscal years, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us.

There is no trademark-specific franchisee organization associated with us.

For Our Master Franchisor:

Table No. 1(a)
Systemwide Store Summary
For years 2021 to 2023 (1)

Store Type	Year	Stores at the Start of the Year	Stores at the End of the Year	Net Change
Subfranchised / Sublicensed	2021	83	116	+33
	2022	116	157	+41
	2023	157	187	+30
Master Franchisee-owned or Affiliate-owned	2021	27	31	+4
	2022	31	33	+2
	2023	33	37	+4
Total Stores	2021	110	147	+37
	2022	147	190	+43
	2023	190	224	+34

(1) The information included in this Item 20 Table No. 1(a), and Item 20 Tables No. 2(a) through 5(a) immediately below, is for unit-level Gong cha Stores operated by our Master Franchisor (GCF), or its affiliates or third-party franchisees, or GCF's Existing Master Franchisees, or their affiliates or third-party subfranchisees / sublicensees. As of December 31, 2023, GCF (or its predecessor) had entered into master franchise agreements with 7 Existing Master Franchisees granting development rights covering the following states and district: California, Colorado, Connecticut, District of Columbia, Florida, Georgia, Idaho, Louisiana, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Texas, Virginia and Washington. While franchised and subfranchised / sublicensed unit-level stores are operated under different forms of agreement with GCF or U.S.

master franchisees, all the unit-level Gong cha® stores included in Item 20 Tables No. 1(a) through 5(a) are substantially similar to each other. The numbers relating to the Existing Master Franchisees and their subfranchisees / sublicensees in Item 20 Tables No. 1(a) through 5(a) were reported to GCF by its Existing Master Franchisees, and then compiled into Item 20 Tables No. 1(a) through 5(a).

Table No. 2(a)
Transfers of Stores from Third-party
Subfranchisees / Sublicensees to New Owners
(other than the Master Franchisee)
For years 2021 to 2023 (1)

State	Year	Number of Transfers
California	2021	2
	2022	2
	2023	1
Florida	2021	0
	2022	0
	2023	1
Massachusetts	2021	0
	2022	0
	2023	1
New Jersey	2021	1
	2022	1
	2023	0
Oklahoma	2021	0
	2022	0
	2023	1
Texas	2021	0
	2022	4
	2023	2
Totals	2021	3
	2022	7
	2023	6

(1) All numbers are as of December 31 of each year. There were no transfers during the last 3 years in states not listed here.

Table No. 3(a)
Status of Franchised Stores
(Owned by Third-party Subfranchisees / Sublicensees)
For years 2021 to 2023 (1)

State	Year	Stores at Start of Year	Stores Opened	Termi-nations	Non-renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Stores at End of the Year
California	2021	21	1	2	0	0	0	20
	2022	20	4	0	0	0	0	24
	2023	24	4	1	1	0	0	26
Connecticut	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	1	0	0	0	0	3
District of	2021	1	0	0	0	0	0	1
Columbia	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Florida (2)	2021	1	2	0	0	0	0	3
	2022	3	2	1	0	0	0	4
	2023	4	0	0	0	0	0	4
Georgia (2)	2021	2	2	0	0	0	0	4
	2022	4	2	0	0	0	0	6
	2023	6	3	2	0	0	0	7
Maryland	2021	4	3	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
Massachusetts	2021	7	5	0	0	0	0	12
	2022	12	4	0	0	0	0	16
	2023	16	3	0	0	0	0	19
New Hampshire	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1

State	Year	Stores at Start of Year	Stores Opened	Termi-nations	Non-renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Stores at End of the Year
New Jersey	2021	11	6	0	0	0	0	17
	2022	17	5	0	0	0	0	22
	2023	22	8	0	0	0	0	30
New York	2021	15	8	0	0	0	0	23
	2022	23	7	0	0	0	0	30
	2023	30	8	2	0	0	0	36
North Carolina [2]	2021	1	2	0	0	0	0	3
	2022	3	1	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Oklahoma	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Pennsylvania	2021	0	0	0	0	0	0	0
	2022	0	3	0	0	0	0	3
	2023	3	4	0	0	0	0	7
Rhode Island	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2
South Carolina [2]	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Texas	2021	15	4	0	0	0	0	19
	2022	19	8	0	0	0	0	27
	2023	27	4	0	0	0	0	31
Virginia	2021	4	1	0	0	0	0	5
	2022	5	1	0	0	0	0	6
	2023	6	0	0	0	0	0	6

State	Year	Stores at Start of Year	Stores Opened	Termi-nations	Non-renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Stores at End of the Year
Totals	2021	83	35	2	0	0	0	116
	2022	116	42	1	0	0	0	157
	2023	157	36	5	1	0	0	187

(1) All numbers are as of December 31 of each year. There was no activity during the last 3 years in states not listed.

(2) In 2023, one Existing Master Franchisee acquired control of rights to these states, and the underlying subfranchise agreements, of a former U.S. master franchisee via an asset purchase agreement.

Table No. 4(a)
Status of Master Franchisee-owned or Affiliate-owned Stores
For years 2021 to 2023 (1)

State	Year	Stores at Start of the Year	Stores Opened	Stores Reacquired From Franchisee	Stores Closed	Stores Sold to Franchisee	Stores at End of the Year
California	2021	5	1	0	0	0	6
	2022	6	1	0	2	0	5
	2023	5	0	0	1	0	4
Colorado	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
	2023	1	2	0	0	0	3
District of	2021	1	1	0	0	0	2
Columbia	2022	2	0	0	0	0	2
	2023	2	1	0	0	0	3
Georgia	2021	6	0	0	0	0	6
	2022	6	0	0	0	3	3
	2023	3	0	0	0	0	3
Illinois	2021	0	0	0	0	0	0
	2022	0	3	0	0	0	3
	2023	3	1	0	2	0	2
Louisiana	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	1	0	0	0	1

State	Year	Stores at Start of the Year	Stores Opened	Stores Reacquired From Franchisee	Stores Closed	Stores Sold to Franchisee	Stores at End of the Year
Maryland	2021	4	2	0	1	0	5
	2022	5	1	0	0	0	6
	2023	6	1	0	0	0	7
New York	2021	6	0	0	0	0	6
	2022	6	1	0	0	0	7
	2023	7	2	0	0	0	9
Virginia	2021	5	1	0	0	0	6
	2022	6	0	0	0	0	6
	2023	6	0	0	0	0	6
Totals	2021	27	5	0	1	0	31
	2022	31	7	0	2	3	33
	2023	33	8	0	3	0	38

(1) All numbers are as of December 31 of each year. There was no activity during the last 3 years in states not listed.

Table No. 5(a)
Projected Openings as of December 31, 2023
(Systemwide Summary)

State	Franchise or Subfranchise / Sublicense Agreements Signed but Stores Not Opened	Projected New Stores Owned by Third-Party Franchisees or Subfranchisees / Sublicensees in 2024	Projected New Stores Owned by Franchisor, Master Franchisee or Their Respective Affiliates in 2024
California	6	7	0
Colorado	1	1	0
Connecticut	0	1	0
District of Columbia	0	0	1
Florida	1	2	0
Georgia	1	2	0
Massachusetts	8	8	0
Michigan	0	1	0
New Hampshire	0	1	0
New Jersey	3	4	1
New York	3	4	0

Nevada	1	1	0
Oklahoma	0	1	0
Pennsylvania	2	3	0
Puerto Rico	0	2	0
Rhode Island	1	0	0
Texas	2	4	0
Virginia	0	0	1
Totals	29	42	3

Exhibit 6 lists the names of GCF's third-party franchisees and the third-party subfranchisees / sublicensees of GCF's Existing Master Franchisees as of December 31, 2023, along with address and telephone number of each of their Gong cha Stores. In addition, Exhibit 7 lists GCF's third-party franchisees and the third-party subfranchisees / sublicensees of our Existing Master Franchisees who have had a franchise agreement or subfranchise / sublicense agreement terminated, canceled, or not renewed by GCF or their respective Existing Master Franchisee, or who otherwise voluntarily or involuntarily, ceased to do business under their franchise or subfranchise / sublicense agreement during the fiscal year ended December 31, 2023. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

ITEM 21
FINANCIAL STATEMENTS

Attached to this Disclosure Document in Exhibit 8 are our audited financial statements for the periods ending December 31, 2021, 2022 and 2023. Our fiscal year end is December 31st.

Also attached to this Disclosure Document as Exhibit 8 are the audited financial statements of our Master Franchisor, Gong Cha USA Franchising, LLC, for the period from inception (January 10, 2023) to December 31, 2023. Gong Cha USA Franchising, LLC has not been in business for 3 years and therefore cannot provide 3 years of financial statements. Gong Cha USA Franchising, LLC's fiscal year end is December 31st.

ITEM 22
CONTRACTS

The following contracts are attached to this Disclosure Document:

Exhibit 3 – Franchise Agreement, including the following agreements:

- Guaranty (as Exhibit C)
- Authorization for Prearranged Payments (as Exhibit D)
- Non-Disclosure and Non-Compete Agreement for Employees (as Exhibit E)
- Telephone Number Assignment and Power of Attorney (as Exhibit F)
- ADA Certification (as Exhibit G)
- Lease Rider (as Exhibit H)

Exhibit 4 – Area Development Agreement, including the following agreements:

- Guaranty Indemnification and Acknowledgment (as Exhibit C)

- Area Developer Certification (as Exhibit D)

Exhibit 5 – Non-Use and Non-Disclosure Agreement

ITEM 23
RECEIPT

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 1
STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

CALIFORNIA Department of Financial Protection and Innovation: 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll Free (866) 275-2677 2101 Arena Boulevard Sacramento, CA 95834 (916) 445-7205 1350 Front Street San Diego, CA 92101 (619) 525-4233 One Sansome Street, Suite 600 San Francisco, CA 94105 (415) 972-8559 Agent: California Commissioner of Financial Protection and Innovation	**CONNECTICUT** State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230 Agent: Banking Commissioner
HAWAII Commissioner of Securities Department of Commerce and Consumer Affairs 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2744 Agent: Commissioner of Securities of the Department of Commerce and Consumer Affairs	**ILLINOIS** Franchise Division Office of Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465 Agent: Illinois Attorney General
INDIANA 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 200 West Washington Street Indianapolis, IN 46204 (317) 232-6531	**MARYLAND** Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360 Agent: Maryland Securities Commissioner

MICHIGAN Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, Michigan 48913 (517) 373-7177 Agent: Michigan Department of Commerce Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909	**MINNESOTA** Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-6328 Agent: Minnesota Commissioner of Commerce
NEBRASKA Nebraska Department of Banking and Finance 1200 N Street P.O. Box 95006 Lincoln, Nebraska 68509-5006	**NORTH CAROLINA** Department of the Secretary of State PO Box 29622 Raleigh, NC 27626-0622
NEW YORK Bureau of Investor Protection and Securities New York State Department of Law 23rd Floor 120 Broadway New York, New York 10271 (212) 416-8211 Agent: New York Secretary of State 162 Washington Street Albany, New York 12231 (518) 474-4750	**NORTH DAKOTA** Office of Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, North Dakota 58505 (701) 328-2910 Agent: North Dakota Securities Commissioner
OREGON Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387 Agent: Director of Oregon Department of Insurance and Finance	**RHODE ISLAND** Division of Securities Suite 232 233 Richmond Street Providence, Rhode Island 02903 (401) 222-3048 Agent: Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA Division of Securities c/o 118 West Capitol Pierre, South Dakota 57501 (605) 773-4013 Agent: Director of South Dakota Division Securities	**TEXAS** Secretary of State P.O. Box 12887 Austin, Texas 78711

VIRGINIA State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051 Agent: Clerk of the State Corporation Commission	**WASHINGTON** Director Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507 (360) 902-8760 Agent: Securities Administrator, Director of Department of Financial Institutions General Admin. Bldg., 3rd Floor 210-11th Avenue, S.W. Olympia, Washington 98504
WISCONSIN Securities and Franchise Registration Wisconsin Securities Commission 345 West Washington Street, 4th Floor Madison, Wisconsin 53703 (608) 266-3431 Agent: Wisconsin Commissioner of Securities	

EXHIBIT 2
STATE SPECIFIC ADDENDUM

AMENDMENT TO GONG CHA CA FRANCHISE, LLC
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA

The Gong Cha CA Franchise, LLC Disclosure Document (the "Disclosure Document") and Franchise Agreement between _____ ("Franchisee") and Gong Cha CA Franchise, LLC, a California limited liability company ("Gong Cha"), dated _____ ___, 20___ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this "Amendment"):

CALIFORNIA LAW MODIFICATIONS

1. The California Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Relations Act, Cal. Bus. Prof. Code, Division 8, Chapter 5.5, Section 20000-20043 (the "Act"). To the extent that the Disclosure Document and/or Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. All appendices to the Disclosure Document are hereby amended to include the following provision: "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."

b. Item 17 of the Disclosure Document and the Agreement are hereby amended to include the following paragraph: "California Business and Professions Code Sections 20000 through 20043 provides rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control"

c. The Agreement contains provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

d. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

e. The Agreement requires binding arbitration. The arbitration will occur at (Foster City, California) with the costs being borne by each party equally. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

g. THE GONG CHA WEBSITE (www.gong-cha-usa.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.

h. Section 31125 of the California Corporations Code requires Gong Cha to give franchisee a Disclosure Document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

i. The Agreement requires prospective Franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Act in order to purchase our franchise. Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Act.

j. Franchisee must sign a general release if Franchisee renews or transfers its franchise. California Corporations Code §31512 voids a waiver of Franchisee's rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of Franchisee's rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

k. Item 3 of the Disclosure Document is supplemented by the addition of the following paragraph: "No person identified in Item 2 above 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 these persons from membership in such association or exchange."

l. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

m. Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.

n. The financial performance representation does not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Franchise Disclosure Document, may be one source of this information.

o. 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.

p. **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.**

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Disclosure Document and Franchise Agreement on the ___ day of _____, 20__.

FRANCHISOR:

GONG CHA CA FRANCHISE, LLC
a California limited liability company

By:_____
Name:_____
Title:_____

FRANCHISEE:

_____

By:_____
Name:_____
Title:_____

EXHIBIT 3
FRANCHISE AGREEMENT

GONG CHA

GONG CHA CA FRANCHISE, LLC

FRANCHISE AGREEMENT

FRANCHISEE

APPROVED LOCATION

EFFECTIVE DATE OF AGREEMENT

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into on this _____day of _____, 20___ (the "**Effective Date**"), by and between:

- Gong Cha CA Franchise, LLC, a California limited liability company, whose principal place of business is 1111 Triton Drive, Suite 200, Foster City, California 94404 ("**Franchisor**"); and

- _____a [resident of] [corporation organized in] [limited liability company organized in] *[select one]*, having offices at ____ _____ _____ _____ ("**Franchisee**").

BACKGROUND:

A. Franchisor is a California master franchisee of Gong cha USA Franchising, LLC, a Delaware limited liability company ("**Master Franchisor**"). Master Franchisor has granted to Franchisor the right to operate, and sub-license to franchisees, the Gong cha business format and system (the "**System**") relating to the establishment and operation of standard full menu Gong cha stores (each a "**Standard Gong cha Store(s)**") and relating to the establishment and operation of express limited menu Gong cha stores (each an "**Express Gong cha Store(s)**"), which operate at retail locations that display the System interior and exterior trade dress and feature and operate under the Proprietary Marks (as defined below). Standard Gong cha Stores and Express Gong cha Stores shall be collectively referred to herein as "**Gong cha Stores**" and each a "**Gong cha Store**." Gong cha Stores offer boba (bubble) teas, tea based beverages (such as milk teas and fruity teas) and smoothies, along with related products and services, and operate using System proprietary recipes, formulae and techniques ("**Proprietary Products**"), as well as other non-proprietary food, beverage, and other compatible items designated from time to time (collectively, "**Products**").

B. The distinguishing characteristics of the System include distinctive exterior and interior design, decor, color schemes, fixtures, and furnishings; recipes, standards and specifications for products, equipment, materials, and supplies; uniform standards, specifications, and procedures for operations; purchasing and sourcing procedures; procedures for inventory and management control; training and assistance; and marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain indicia of origin, emblems, trade names, service marks, logos, and trademarks, including applications and/or registrations therefor, as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System including the mark "Gong cha" and other marks (the "**Proprietary Marks**"). The Proprietary Marks are owned by Master Franchisor and have been licensed to Franchisor so that Franchisor may sub-license them to its franchisees.

D. Franchisee desires to enter into the business of operating a Gong cha Store under the System and using the Proprietary Marks, and wishes to enter into this Agreement with Franchisor for that purpose, and to receive the training and other assistance provided by Franchisor in connection therewith.

E. Franchisee acknowledges that it has read this Agreement and the Franchisor's Franchise Disclosure Document and that it understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain the Master Franchisor's and Franchisor's

high standards of quality and service and the uniformity of those standards at all Gong cha Stores in order to protect and preserve the goodwill of the Proprietary Marks.

F. Franchisee has applied for a franchise to own and operate a Gong cha Store at the location identified in Exhibit A, and such application has been approved by the Franchisor in reliance upon all of the representations made herein.

NOW, THEREFORE, the parties agree as follows:

1. GRANT

1.1 **Grant and Acceptance**. Franchisor grants to Franchisee the right, and Franchisee hereby undertakes the obligation, upon the terms and conditions set forth in this Agreement to: (a) establish and operate either a Standard Gong cha Store or an Express Gong cha Store, as indicated in Exhibit A (the "**Franchised Store**"), (b) use, only in connection therewith, the Proprietary Marks and the System, as they may be changed, improved, or further developed from time to time by Master Franchisor and/or Franchisor; and (c) operate the Franchised Store only at the Approved Location (as defined in Section 1.2 below) in accordance with this Agreement. Franchisee acknowledges and agrees that it shall only establish and operate the Franchised Store as either a Standard Gong cha Store or an Express Gong cha Store, as set forth in Exhibit A, and that Franchisee shall not convert the Franchised Store to the other Gong cha concept without the prior written consent of Franchisor.

1.2 **Site Selection Area**. Franchisee shall locate and secure, through lease or purchase, subject to Franchisor's approval, the Approved Location (as defined below) for the Franchised Store within the area described in Exhibit A (the "**Site Selection Area**"). Franchisee shall be limited to locating and securing a site for the Franchised Store within this Site Selection Area. Franchisee agrees and acknowledges that the Site Selection Area is solely for the purpose of locating a site, and shall in no way be considered an exclusive or protected area for the Franchised Store. In the case that another franchisee of Franchisor has been granted franchise rights to operate a Gong cha Store within the Site Selection Area, Franchisee's Approved Location must not encroach upon such franchisee's specified territory.

1.3 **Approved Location**. Franchisee shall develop and operate the Franchised Store only at the site specified in Exhibit A to this Agreement as the "**Approved Location**". The Approved Location shall be described in Exhibit A subsequent to the execution of this Agreement, upon Franchisor's approval of the location and execution of the related lease or purchase agreement. Franchisee shall not relocate the Franchised Store without Franchisor's prior written consent and/or otherwise in writing by Franchisor, as provided in Section 8.25 below.

1.4 **Limit on Sales**. Franchisee's rights hereunder shall be limited to offering and selling Products at the Franchised Store, and only to retail customers of the Franchised Store for (a) customer consumption on the premises of the Franchised Store at the Approved Location (the "**Premises**"), (b) customer carry-out consumption of Products sold at the Franchised Store, (c) off-Premises catering activities; provided that all such activities shall be conducted only in accordance with the requirements of this Agreement and the procedures set forth in the Manuals (as defined in Section 10 below) and all applicable laws, and (d) sales through third-party food ordering and delivery service providers approved by Franchisor; provided that all such activities shall be conducted only in accordance with the requirements of this Agreement and the procedures set forth in the Manuals and all applicable laws. Franchisee expressly acknowledges that it may engage in off-Premises catering activities and sales through third-party food ordering and delivery service providers approved by Franchisor in accordance with such specific programs, policies, terms and conditions as Franchisor may from time to time establish. Franchisee shall not, without the prior written approval of Franchisor, engage in any other type of sale of, or offer to sell, or distribution of Products, including, but not limited to: selling, distributing or

otherwise providing, any Products to third parties at wholesale, or for resale or distribution by any third party; and selling, distributing or otherwise providing any Products through toll free numbers for delivery, or electronic means (e.g., the Internet).

1.5 **Limit on Marketing**. It is understood and agreed that Franchisee shall be limited to directly soliciting customers within Franchisee's Territory. Franchisee covenants and agrees that it shall not directly solicit or market to persons located outside of Franchisee's Territory. Determination of what constitutes "direct" solicitation or marketing shall be determined in the sole judgment of Franchisor, but shall include direct mail and telephone solicitation. Notwithstanding the foregoing, Franchisee may engage in marketing and promotional efforts, subject to Franchisor's approval, such as Internet, social media or other mass media marketing efforts outside of Franchisee's Territory so long as such activities are ancillary to marketing activities within the Territory. In the event of any dispute as to whether or not soliciting or marketing activities have been conducted outside Franchisee's Territory, such dispute shall be submitted for determination by Franchisor and Franchisor's decision shall be final and binding upon Franchisee and such other franchisee(s).

1.6 **Territory and Reserved Rights**. Except as otherwise provided in this Agreement, during the term of this Agreement, Franchisor shall not establish or operate, nor license any other person to establish or operate, a Gong cha Store at any location within the territory specified in Exhibit A (the "**Territory**"). Franchisor retains the following rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights therein:

1.6.1 To own, acquire, establish, and/or operate and license others to establish and operate, Gong cha Stores under the System at any location outside the Territory, notwithstanding their proximity to the Territory or the Approved Location or their actual or threatened impact on sales of the Franchised Store;

1.6.2 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar to or different from the Franchised Store, at any location within or outside the Territory, notwithstanding their proximity to the Territory or the Approved Location or their actual or threatened impact on sales of the Franchised Store;

1.6.3 To own, acquire, establish, and/or operate and license others to establish and operate, Gong cha Stores under the Proprietary Marks at Non-Traditional Sites (as defined below) at any location within or outside the Territory. As used in this Agreement, "**Non-Traditional Sites**" shall mean outlets that serve primarily the customers located within a facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, stadiums, amusement parks and centers, theaters and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, department stores, in-door shopping centers, office buildings, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include, but are not limited to, military complexes, buyer club businesses, educational facilities, business and industrial complexes), and other types of institutional accounts;

1.6.4 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Products) through grocery or convenience stores or through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet, including those products bearing Franchisor's Proprietary Marks, provided that distribution within the Territory shall not be from a Gong cha Store established under the System that is operated from within the Territory;

1.6.5 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Products) to any customer, business or enterprise located within or outside the Territory through any delivery or catering process determined in Franchisor's sole discretion, including those products bearing Franchisor's Proprietary Marks, notwithstanding the actual or threatened impact on sales of the Franchised Store;

1.6.6 To (i) acquire one or more retail businesses that are the same as, or similar to, Gong cha Stores then operating under the System (each an "**Acquired Business**"), which may be at any location within or outside the Territory, notwithstanding their proximity to the Territory or the Approved Location or their actual or threatened impact on sales of the Franchised Store, and to (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Gong cha Store under the System, subject to the following conditions that apply to each Acquired Business located within the Territory:

1.6.6.1 Except as provided in Section 1.6.6.2 below, and provided that Franchisee is in compliance with this Agreement and any other agreement with Franchisor, Franchisor shall offer to Franchisee the option to purchase and operate, as a Gong cha Store, an Acquired Business that is purchased by Franchisor for operation by Franchisor or its affiliates. Franchisor shall provide Franchisee with written notice of Franchisor's purchase of the Acquired Business(es), the terms and conditions applicable to the Franchisee's option to purchase such Acquired Business(es), and such other information that Franchisor deems necessary to include in the notice. The terms and conditions offered to Franchisee shall include, without limitation, the following: (a) the purchase price will be based on Franchisor's purchase price for such Acquired Business, and if the Acquired Business was part of an Acquired System (as defined below in Section 1.6.6.2), then Franchisee's purchase price for such Acquired Business shall be determined using a ratio equal to the sales during the prior year of such Acquired Business as compared to the total sales in such prior year of all Acquired Businesses purchased by Franchisor in the same transaction; and (b) the requirement that Franchisee enter into Franchisor's then-current form of System franchise agreement for the Acquired Business. If Franchisee does not elect to purchase, or fails to complete the purchase of, an Acquired Business, Franchisor shall have the right to operate itself, or through its affiliates or third party licensees or franchisees, the Acquired Business under any trade name, service mark, or trademarks including the Proprietary Marks.

1.6.6.2 If an Acquired Business is part of a system of retail businesses that Franchisor acquires (an "**Acquired System**"), Franchisee shall have no right to purchase, and Franchisor shall not be obligated to offer Franchisee any option to purchase, any Acquired Business that is operated by a licensee or franchisee under the Acquired System. Franchisor may license such unit to be operated under any trade name or trademarks including the Proprietary Marks, and may also license to the licensee or franchisee additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Territory.

1.7 **No Territory Established**. If there is no Territory established in Exhibit A, Franchisee expressly acknowledges and agrees that Franchisor may own, acquire, establish, and/or operate and license others to establish and operate, Gong cha Stores under the System at any location, and exercise all of the rights reserved to it in Section 1.6 at any location, notwithstanding the proximity to or the actual or threatened impact on sales of the Franchised Store.

2. TERM AND RENEWAL

2.1 **Initial Term**. This Agreement shall be in effect upon its acceptance and execution by Franchisor and, except as otherwise provided herein, this Agreement shall expire ten (10) years from the Effective Date.

2.2 **Renewal**. Franchisee may apply to operate the Franchised Store for two (2) additional consecutive terms of five (5) years each, if the following conditions are met prior to each renewal:

2.2.1 At the time of each renewal Franchisor is the master franchisee of Master Franchisor, and such master franchising agreement between Franchisor and Master Franchisor is in full force and effect, and has not expired or been terminated;

2.2.2 For each renewal Franchisee shall give Franchisor written notice of Franchisee's election to renew at least six (6) months, but not more than twelve (12) months, prior to the end of the term of this Agreement;

2.2.3 For each renewal Franchisee shall not have any past due monetary obligations or other outstanding obligations to Franchisor and its affiliates, the approved suppliers of the System, or the lessor of the Premises;

2.2.4 For each renewal Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor or its affiliates, the approved suppliers of the System, or the lessor of the Premises; and Franchisee shall have substantially complied with all the terms and conditions of such agreements during the terms thereof;

2.2.5 For each renewal Franchisee and Franchisor shall execute a mutual general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, and their respective officers, directors, agents, and employees;

2.2.6 For each renewal Franchisee shall execute the then-current form of franchise agreement offered by Franchisor, which shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, requirements to pay additional and/or higher fees such as royalties and advertising contributions;

2.2.7 For each renewal Franchisee shall comply with the then-current qualification and training requirements of Franchisor;

2.2.8 For each renewal Franchisee shall make or provide for, in a manner satisfactory to Franchisor, such renovation and modernization of the Premises as Franchisor may reasonably require, including installation of new equipment and renovation of signs, furnishings, fixtures, and decor to reflect the then-current standards and image of the System;

2.2.9 For each renewal Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Premises (or such other location acceptable to Franchisor) for the duration of the renewal term;

2.2.10 Franchisee, at the time of each renewal, satisfies Franchisor's standards of financial responsibility and, if requested by Franchisor, Franchisee demonstrates to Franchisor that Franchisee has sufficient financial resources and means to continue to operate the Franchised Store during the renewal term.

2.2.10 For each renewal Franchisee shall remit to Franchisor a renewal fee in an amount equal to Ten Thousand Dollars ($10,000).

3. DUTIES OF FRANCHISOR

3.1 **Franchisor's Plans**. Franchisor shall make available to Franchisee, design plans and specifications for the construction of a Gong cha Store and for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. Franchisee acknowledges that such standard design plans and specifications shall not contain the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the Americans with Disabilities Act (the "**ADA**") or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Gong cha Store, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee understands and acknowledges that Franchisor has the right to modify the prototype design plans and specifications, and develop additional prototype design plans and specifications, as Franchisor deems appropriate from time to time (however Franchisor will not modify the prototype plans and specifications for the Franchised Store developed pursuant to this Agreement once those prototype architectural plans and specifications have been given to Franchisee). Franchisee shall adapt the standard plans to the Franchised Store 's location, as provided in Section 5.3 hereof, subject to Franchisor's approval.

3.2 **Initial Training**. Franchisor shall provide its initial training for operators and managers ("**Initial Training**"), as described in Section 6 of this Agreement, for up to two (2) trainees (unless this Agreement is for the fourth or subsequent Gong cha Store being developed pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), in which event the terms set forth in Section 6.1.3 below shall apply with respect to the pre-opening training of Franchisee, the Designated Principal and any General Manager). Franchisor shall also provide such ongoing training as it may, from time to time, deem appropriate. Franchisee agrees to pay Franchisor, upon execution of this Agreement, an initial training fee of Five Thousand Dollars ($5,000) (the "**Initial Training Fee**"). The Initial Training Fee shall be deemed fully earned by Franchisor upon receipt thereof and is non-refundable.

3.3 **Opening Training**. Franchisor shall make available to Franchisee at Franchisor's expense and at Franchisee's Premises any assistance that Franchisor may deem is required, based on the experience and judgment of Franchisor, in pre-opening, opening and initial business operation of the Franchised Store. Such assistance will include providing Franchisees with the services of one (1) or more representative of Franchisor for supervisory assistance and guidance in connection with the opening and initial operations of the Franchised Store. Franchisee acknowledges that Franchisor shall not be responsible for offering guidance with respect to compliance with any laws, ordinances or other legal matters. Prior to the arrival of Franchisor's representative(s), Franchisee shall have substantially completed all training of Franchisee's initial staff of employees for the Franchised Store, as shall be necessary for Franchisee to comply with its staffing obligations under Section 8.4 below. Should Franchisee request additional assistance from Franchisor in order to facilitate the opening of the Franchised Store, and should Franchisor deem it necessary and appropriate to comply with the request, Franchisee shall pay Franchisor's per diem charges and Franchisor's out of pocket expenses in providing such additional assistance as set forth from time to time in the Manuals. For the purposes of this Section 3.3, Franchisor shall have the right to determine the time or times at which such representatives shall be made available to Franchisee. Notwithstanding the foregoing, if this Agreement is for the second or subsequent Gong cha Store being developed by Franchisee pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee) or otherwise, then Franchisee shall be responsible for conducting opening training, and Franchisor shall not be responsible for providing assistance to Franchisee with respect to pre-opening, opening and initial business operation at Franchisee's Premises.

3.4 **Loan of Manuals**. Franchisor shall provide Franchisee, on loan, copies of Franchisor's confidential operations manuals and other manuals, instructional materials, and written policies and correspondence (collectively, the "**Manuals**"), as more fully described in Section 10 hereof.

3.5 **Advertising Programs and Materials**. Franchisor shall review and shall have the right to approve or disapprove all advertising and promotional materials that Franchisee proposes to use, pursuant to Section 13 below. Franchisor shall administer the System or Cooperative Ad Funds, if such funds exist or are created, in the manner set forth in Section 13 below.

3.6 **Grand Opening Advertising**. Franchisor shall assist Franchisee in developing and conducting the Grand Opening Advertising Program (as described in Section 13.5 below), which program shall be conducted at Franchisee's expense.

3.7 **Guidance**. Franchisor may provide periodic advice or offer guidance to Franchisee in the marketing, management, and operation of the Franchised Store as Franchisor determines at the time(s) and in the manner determined by Franchisor.

3.8 **Inspections**. Franchisor shall conduct, as it deems advisable, inspections of the operation of the Franchised Store by Franchisee.

3.9 **List of Suppliers**. Franchisor shall, in the Manuals (or otherwise in writing as determined by Franchisor), provide Franchisee with a list of suppliers designated and/or approved by Franchisor to supply Products, equipment, signage, materials and services to franchisees in the System.

3.10 **Delegation**. Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by any distributor, designee, employee, or agent of Franchisor, as Franchisor may direct.

3.11 **Fulfillment of Obligations**. In fulfilling its obligations pursuant to this Agreement, and in conducting any activities or exercising any rights pursuant to this Agreement, Franchisor (and its affiliates) shall have the right: (i) to take into account, as it sees fit, the effect on, and the interests of, other franchised businesses and systems in which Franchisor (or its affiliates) has an interest and Franchisor's (and its affiliates') own activities; (ii) to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which Franchisor (or its affiliates) has an interest, or with Franchisor's affiliates; (iii) to introduce proprietary and non-proprietary items or operational equipment used by the System into other franchised systems in which Franchisor (or its affiliates) has an interest; and/or (iv) to allocate resources and new developments between and among systems, and/or Franchisor's affiliates, as it sees fit. Franchisee understands and agrees that all of Franchisor's obligations under this Agreement are subject to this Section 3.11, and that nothing in this Section 3.11 shall in any way affect Franchisee's obligations under this Agreement.

4. FEES

4.1 **Franchise Fee**. In consideration of the execution of this Agreement and Franchisor's granting to Franchisee the franchise covered hereby, Franchisee agrees to pay to Franchisor an initial franchise fee (the **"Franchise Fee"**) as reflected in Exhibit A, which sum shall be deemed fully earned by Franchisor upon receipt thereof and is non-refundable as set forth in Section 4.2 below. If Franchisee does not obtain a lease or sublease for the Franchised Store within two (2) months of the Effective Date (pursuant to Section 5.1), or if the Store is not open and operating the earlier of six (6) months following the Effective Date or four (4) months after the Approved Location is identified and secured (pursuant to Section 5.4), Franchisor may, at its option, terminate this Agreement without providing any refund to Franchisee. The Franchise Fee shall be paid in full upon the execution of this Agreement, subject to a development credit, if any, that may be applied from the remaining portion (if any) of the Area Development Fees that Franchisee previously paid to Franchisor pursuant to a separate Area Development Agreement executed between Franchisor and Franchisee relating to the Franchised Store.

4.2 **Refundability**. Payment of the Franchise Fee shall be non-refundable in consideration of administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to franchise others.

4.3 **Royalty Fee**. In consideration of this franchise granted hereby, the services to be provided by Franchisor hereunder, the right to prepare and sell the Products to the general public, and for the use of the Proprietary Marks, Franchisee shall pay to Franchisor, each Week during the term of this Agreement, in addition to the Franchise Fee set forth herein, a Royalty Fee equal to six percent (6%) of Net Sales generated by, from, or through the Franchised Store (**"Royalty Fee"**) and report to Franchisor, in the manner specified by Franchisor, its Net Sales (a "**Sales Report**"). As used in this Agreement, the following terms shall apply:

4.3.1 The term "**Week**" means the period starting with the commencement of business on Monday and concluding at the close of business on the following Sunday (or, if the Franchised Store is not open on a particular Sunday in accordance with this Agreement or the Manuals, the immediately preceding business day); however, Franchisor shall have the right to designate in writing any other period of not less than seven days to constitute a "Week" under this Agreement.

4.3.2 The term "**Net Sales**" means all revenue from the sale of all Products and all other income of every kind and nature related to, derived from, or originating from the Franchised Store, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit, including, without limitation, all revenue from the sale of food and beverages to employees, and the gross sales amount of all food and beverages provided to all other individuals and customers on a complimentary basis by the Franchised Store, as well as any proceeds from business interruption insurance. Net Sales are not reduced by the amount of any discounts on products or services sold to employees, family members, or other businesses Franchisee owns or controls or by the amount paid to, collected by, or shared with third-party food ordering and delivery systems approved by Franchisor, all of which transactions must be entered into the Computer System (as defined in Section 7.1) at the full, standard retail price for purposes of calculating Net Sales. However, Net Sales excludes the amount of actual, documented refunds, discounts and credits made to customers in good faith, and/or sales taxes collected from customers by Franchisee and actually transmitted to the appropriate taxing authorities.

4.3.3 In the event Franchisor miscalculates any Royalty Fee payment, or any other fee or payment herein, resulting in an overpayment from Franchisee to Franchisor, such miscalculation shall not be considered a breach under this Agreement. Franchisor agrees that in such event it will promptly provide Franchisee with a credit of any overpaid amount resulting from any such miscalculation.

4.4 **Advertising Contributions**. Franchisee shall make Weekly advertising contributions for marketing and promotion as Franchisor may direct pursuant to Section 13.1 based on the Net Sales of the Franchised Store.

4.5 **When Payments Due**. All payments required by Sections 4.3 and 4.4 above based on the Net Sales for the preceding Week, and the Sales Report required by Section 4.3 for the Net Sales for the preceding Week, shall be paid and submitted so as to be received by Franchisor by the third (3rd) business day after the close of each Week. Franchisee shall deliver to Franchisor any and all reports, statements and/or other information required under Section 12.2 below, at the time and in the format reasonably requested by Franchisor. Franchisee shall establish an arrangement for electronic funds transfer or deposit of any and all payments required to be made by Franchisee to Franchisor (or an affiliate of Franchisor) in connection with the Franchised Business or under this Agreement or related agreement. Franchisee shall execute Franchisor's current form of "Authorization Agreement for

Prearranged Payments," a copy of which is attached to this Agreement as Exhibit D, and Franchisee shall comply with the payment and reporting procedures specified by Franchisor in the Manuals. Franchisee expressly acknowledges and agrees that Franchisee's obligations for the full and timely payment of the Royalty Fee and advertising contributions shall be absolute, unconditional, fully earned, and due upon Franchisee's generation and receipt of Net Sales. Franchisee further expressly acknowledges and agrees that Franchisee's obligations for the full and timely payment of all other amounts owed Franchisor (or an affiliate of Franchisor) in connection with the Franchised Business or provided for in this Agreement or related agreement shall be absolute, unconditional, fully earned, and due immediately upon demand. Franchisee shall not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow or set-off same against any claims or alleged claims Franchisee may allege against Franchisor, the System Ad Fund, the Cooperative Ad Fund or others. Franchisee shall not, on grounds of any alleged non-performance by Franchisor or others, withhold payment of any fee, including, without limitation, Royalty Fees or advertising contributions, nor withhold or delay submission of any reports due hereunder including, but not limited, to Sales Reports. Franchisee further agrees that it shall, at all times throughout the term of this Agreement, maintain a minimum balance of Two Thousand Five Hundred Dollars ($2,500.00) in Franchisee's bank account against which such electronic funds transfers shall be drawn for the Franchised Store operated under this Agreement.

4.6 **Security Deposit**. Franchisee shall deposit Two Thousand Five Hundred Dollars ($2,500.00) with Franchisor as a "**Security Deposit**." The Security Deposit shall be paid in full upon the execution of this Agreement and shall be held by Franchisor as security for the faithful performance by Franchisee of all obligations under this Agreement. The Security Deposit shall not be considered an advance payment of any amounts owed to Franchisor or a measure of Franchisor's damages in case of default by Franchisee. Franchisee shall not be entitled to receive any interest on the Security Deposit, and Franchisor may commingle the same with other monies of Franchisor. If Franchisor shall ever use the Security Deposit to pay any sums due hereunder, Franchisee shall immediately deposit with Franchisor an additional security deposit equal to the amount so used. Franchisee shall not assign or encumber the Security Deposit in any manner, and Franchisor shall not be bound by any such assignment or encumbrance. If Franchisee shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this Agreement, then the Security Deposit shall be returned to Franchisee within thirty (30) days after (i) the expiration of this Agreement and (ii) the payment of all sums due to Franchisor.

4.7 **Designated Accountants and Fees**. If required by Franchisor, Franchisee shall use a certified public accountant service designated or approved by Franchisor for bookkeeping and financial records management of the Franchised Store. Franchisee shall pay such service provider or Franchisor, as directed by Franchisor, a fee for these services for each month in such reasonable amount as the service provider or Franchisor may periodically designate.

4.8 **Additional Payments**. Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor, which is accompanied by reasonable substantiating material, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

4.9 **Overdue Payments and Reports**. Any payment, contribution, statement, or report due Franchisor (or an affiliate of Franchisor) under this Agreement or in connection with the Franchised Business not actually received on or before such due date shall be overdue. If any contribution or payment is overdue, Franchisee shall pay Franchisor immediately upon demand, in addition to the overdue amount: (i) a late payment fee in an amount equal to five percent (5%) of the overdue amount, and (ii) interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Franchisor may have.

4.10 **No Waiver**. Acceptance by Franchisor of the payment of any Royalty Fee, or any and all other payments provided for in this Agreement, shall not be conclusive or binding on Franchisor with respect to the accuracy of such payment until two (2) years after the effective date of termination or non-renewal of this Agreement. Acceptance of any payment on account of the Royalty Fee or any and all other payments provided for in this Agreement does not constitute any waiver of Franchisor's rights hereunder.

4.11 **No Subordination**. Franchisee shall not subordinate to any other obligation its obligation to pay Franchisor the royalties and/or any other fee or charge payable to Franchisor, whether under this Agreement or otherwise.

5. SITE SELECTION, CONSTRUCTION AND OPENING OF BUSINESS

5.1 **Identifying and Securing Sites**. Franchisee shall, within two (2) months of the Effective Date, be solely responsible for identifying, submitting for Franchisor's approval, and securing a site (through lease or purchase) for the Franchised Store. The following terms and conditions shall apply to Franchised Store:

5.1.1 Franchisee shall submit to Franchisor, in a form specified by Franchisor, a completed site approval package, which shall include: (i) a site approval form prescribed by Franchisor; (ii) a trade area and site marketing research analysis (prepared by a company approved in advance by Franchisor); (iii) an option contract, letter of intent, or other evidence satisfactory to Franchisor which describes Franchisee's favorable prospects for obtaining such site; (iv) photographs of the site; (v) demographic statistics; and (vi) such other information or materials as Franchisor may reasonably require (collectively, the "**SAP**"). Franchisor shall have twenty (20) business days after receipt of the SAP from Franchisee to approve or disapprove, in its sole discretion, the proposed site for the Franchised Store. In the event Franchisor does not approve a proposed site by written notice to Franchisee within said twenty (20) business days, such site shall be deemed disapproved by Franchisor. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor.

5.1.2 Following Franchisor's approval of a proposed site, Franchisee shall use its best efforts to secure such site, either through a lease/sublease that is acceptable to Franchisor, as provided in Section 5.2 below, or a binding purchase agreement, and shall do so within sixty (60) business days of approval of the site by Franchisor. Franchisee shall immediately notify Franchisor of the execution of the approved lease or binding purchase agreement.

5.1.3 Franchisee hereby acknowledges and agrees that approval by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Store or for any other purpose. Approval by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and Premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor, could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria.

5.2 **Lease Terms**. For the Franchised Store to be developed hereunder, if Franchisee will occupy the Premises from which the Franchised Store will be operated under a lease or sublease, Franchisee shall, prior to execution of such lease, submit the lease to Franchisor for its review and

approval; provided, however, if pre-submission to Franchisor is not possible, then Franchisee may sign the lease only on the condition, agreed to in writing by the lessor, that the lease shall become null and void if Franchisor does not approve such lease. Franchisor's approval of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require, including, without limitation, the terms and conditions set forth by Franchisor in the Manuals or otherwise in writing from time to time. Franchisor currently requires that the lease rider included as Exhibit H to this Agreement be executed in connection with any lease or sublease for the Franchised Store.

5.3 **Preparing a Location**. Before commencing any construction of the Franchised Store, Franchisee, at its expense, shall comply, to Franchisor's satisfaction, with all of the following requirements:

5.3.1 Franchisee shall employ a qualified, licensed architect or engineer who has been approved or designated (as described below) by Franchisor to prepare, subject to Franchisor's approval, preliminary plans and specifications for site improvement and/or construction of the Franchised Store based upon prototype plans and/or specifications furnished by Franchisor, as described in Section 3.1 above. Franchisor shall have the right to designate one or more suppliers of design services and/or architecture services to supply such services to the System. If Franchisor designates a design firm and/or architecture firm prior to the time Franchisee commences to develop the Franchised Store, Franchisee shall employ such designated supplier(s) to prepare all designs and plans for the Franchised Store, unless Franchisee obtains Franchisor's prior written approval to use an alternative professional. If Franchisor has not designated a design firm or architecture firm, Franchisee shall be responsible for locating and employing a qualified design consultant and architect who is/are licensed in the jurisdiction in which the Franchised Store will be located, and who is reputable and experienced in providing design and architecture services. Franchisee shall be solely responsible for payments for all design and architecture services. Franchisee expressly acknowledges and agrees that Franchisor shall not be liable for the unsatisfactory performance of any contractor, firm, supplier, professional or consultant retained by Franchisee, whether or not designated by Franchisor.

5.3.2 Franchisee shall comply with all federal, state and local laws, codes and regulations, including the applicable provisions of the ADA regarding the construction, design and operation of the Franchised Store. In the event Franchisee receives any complaint, claim, other notice alleging a failure to comply with the ADA, Franchisee shall provide Franchisor with a copy of such notice within five (5) days after receipt thereof.

5.3.3 Franchisee shall be responsible for obtaining all zoning classifications and clearances that may be required by state or local laws, ordinances, or regulations or that may be necessary or advisable owing to any restrictive covenants relating to the Approved Location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Franchisor's review and approval of plans shall be limited to review of such plans to assess compliance with Franchisor's design standards for Gong cha Stores, including such items as trade dress, presentation of Proprietary Marks, and the providing to the potential customer of certain products and services that are central to the functioning of Gong cha Stores. Such review is not designed to assess compliance with federal, state or local laws and regulations, including the ADA, as compliance with such laws is the sole responsibility of Franchisee. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a default and Franchisor may withhold its authorization to open the Franchised Store until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction. Prior to opening the Franchised Store and prior to renovating the Franchised Store after its initial opening, Franchisee shall execute an ADA Certification in the form

attached to this Agreement as Exhibit G that certifies in writing to Franchisor that the Franchised Store and any proposed renovations comply with the ADA.

5.3.4 Franchisee shall obtain all permits and certifications required for the lawful construction and operation of the Franchised Store and shall certify in writing to Franchisor that all such permits and certifications have been obtained.

5.3.5 Franchisee shall employ a qualified licensed general contractor who has been approved or designated by Franchisor to construct the Franchised Store and to complete all improvements, which general contractor may be Franchisor or an affiliate of Franchisor. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under Section 14 below. Franchisee expressly acknowledges and agrees that Franchisor shall not be liable for the unsatisfactory performance of any contractor retained by Franchisee.

5.3.6 Throughout the construction process, Franchisee shall comply with Franchisor's requirements and procedures for periodic inspections of the Premises, and shall fully cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request.

5.3.7 Franchisee agrees to use in the construction and operation of the Franchised Store only those brands, types or models of construction and decorating materials, fixtures, equipment, furniture and signs that the Franchisor has approved for the Franchised Store as meeting its specifications and standards for quality, design, appearance, function and performance. Franchisee further agrees to place or display at the Premises of the Franchised Store only such signs, emblems, lettering, logos and display materials that are from time to time approved in writing by the Franchisor. Franchisee may purchase approved types or models of construction and decorating materials, fixtures, equipment, furniture and signs from any supplier approved or designated by the Franchisor (which may include the Franchisor and/or its affiliates), which approval may not be unreasonably withheld. If Franchisee proposes to purchase any type or model of construction or decorating material, fixture, equipment, furniture or sign not then approved by the Franchisor, and/or any such item from any supplier which is not then approved by the Franchisor, Franchisee shall first notify Franchisor in writing and shall submit to Franchisor sufficient specifications, photographs, drawings and/or other information or samples for a determination by Franchisor of whether such brand or type of construction or decorating material, fixture, equipment, furniture or sign complies with its specifications and standards. Franchisor may, in its sole discretion, refuse to approve any such item(s) and/or supplier(s) that does not meet Franchisor's standards or specifications.

5.4 **Opening Date**. Unless delayed by the occurrence of events constituting "force majeure" as defined in Section 5.6 below, Franchisee shall construct, furnish, and open the Franchised Store in accordance with this Agreement the earlier of six (6) months following the Effective Date or four (4) months after the Approved Location is identified and secured through lease or purchase ("**Opening Time Line**"). If Franchisee does not construct, furnish, and open the Franchised Store in accordance with the foregoing Opening Time Line, Franchisor may, at its option, terminate this Agreement without providing any refund to Franchisee. Time is of the essence. Franchisor, in its discretion, may elect, in lieu of terminating this Agreement, to use other remedial measures for Franchisee's failure to meet the foregoing Opening Time Line, which include, but are not limited to: (i) loss of the limited exclusivity, or reduction in the scope of protections, granted to Franchisee under Section 1.5 herein for the Territory; (ii) reduction in the size or scope of the Territory; and/or (iii) implementation of a penalty payable by Franchisee to Franchisor of Three Thousand Dollars ($3,000) for each month (prorated for partial months) Franchisee fails to construct, furnish, and open the Franchised Store following a six (6) week period after expiration of the foregoing Opening Time Line. If Franchisor exercises any such rights, Franchisor shall not have

waived its right to, in the case of future defaults, exercise all other rights and invoke all other provisions that are provided in law and/or set out under this Agreement.

5.5 **Other Opening Conditions**. Franchisee shall provide Franchisor with (a) written notice of its specific intended opening date; and (b) request for Franchisor's approval to open on such date. Such notice and request shall be made no later than thirty (30) days prior to such intended opening date. Additionally, Franchisee shall comply with all other of Franchisor's pre-opening requirements, conditions and procedures (including, without limitation, those regarding pre-opening scheduling, training, and communications) as set forth in this Agreement, the Manuals, and/or elsewhere in writing by Franchisor, and shall obtain Franchisor's written approval as to the opening date prior to opening the Franchised Store.

5.6 **Force Majeure**. As used in this Agreement, "**force majeure**" means an act of God, war, civil disturbance, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, or any other cause beyond the reasonable control of Franchisee; provided, however, force majeure shall not include Franchisee's lack of adequate financing.

6. TRAINING

6.1 **Initial Training and Attendees**. Before opening the Franchised Store, Franchisee shall have satisfied all initial training obligations required by Franchisor, which are as follows:

6.1.1 Franchisee (or, if Franchisee is other than an individual, the Designated Principal (defined in Section 8.3 below)) and, if applicable, the General Manager and up to one (1) additional persons as Franchisor may require, (not to exceed a total of two (2) persons), shall attend and successfully complete, to Franchisor's satisfaction, the initial training program offered by Franchisor at a location designated by Franchisor (unless this Agreement is for the fourth or subsequent Gong cha Store being developed pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), in which event the requirements set forth in Section 6.1.3 below shall apply with respect to the pre-opening training of Franchisee, the Designated Principal and any General Manager). The duration of the initial training will depend on the function of the individual attending such training, and is subject to change. During the initial training, Franchisee shall receive instruction, training and education in the operation of the Franchised Store and indoctrination into the System. The duration and content of the initial training is subject to change in Franchisor's sole discretion. If any required attendee does not satisfactorily complete such training, Franchisor may require that a replacement person attend and successfully complete, to Franchisor's satisfaction, the initial training program.

6.1.2 If Franchisee is other than an individual, Franchisor may require (in addition to the training of the Designated Principal and General Manager) that any or all owners of beneficial interests in Franchisee (each a "**Principal**"), who are individuals and own at least a ten percent (10%) beneficial interest in Franchisee, attend and successfully complete, to Franchisor's satisfaction, such portions of the initial training program as determined by Franchisor appropriate for Principals not involved in the day-to-day operations of the Franchised Store.

6.1.3 If this Agreement is for the fourth or subsequent Gong cha Store being developed pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), then Franchisee shall be responsible for conducting the initial training of its Designated Principal, its General Manager (if applicable), and any other managerial personnel, in accordance with the requirements and conditions as Franchisor may from time to time establish for such training. Franchisor's requirements for initial training by Franchisee shall be set forth in the Manuals or other written materials and shall include, but are not limited to, the requirement that all such training activities be conducted: (a) by the Designated Principal(s) or personnel of Franchisee (or an affiliate of

Franchisee) who have completed Franchisor's initial training program to the satisfaction of the Franchisor, and who remain acceptable to Franchisor to provide initial training; and (b) following the procedures and conditions established by Franchisor. If Franchisor determines that the training provided by Franchisee does not satisfy Franchisor's standards and requirements, or that any newly trained individual is not trained to Franchisor's standards, then Franchisor may require that such newly trained individual(s) attend and complete an initial training program provided by Franchisor prior to the opening of the Franchised Store.

6.1.4 Franchisee must satisfy all pre-opening training requirements under this Section 6.1 by no later than thirty (30) days prior to the scheduled opening of the Franchised Store.

6.2 **New or Replacement Designated Principal and General Managers**. In the event that Franchisee's Designated Principal or (if required pursuant to Section 8.3.2) General Manager ceases active employment in the Franchised Store, Franchisee shall enroll a qualified replacement who is reasonably acceptable to Franchisor in Franchisor's training program reasonably promptly following cessation of employment of said individual. Franchisor reserves the right to require Franchisee to pay Franchisor's then-current per diem charges for any such training conducted by Franchisor. In the alternative, with respect to training a replacement General Manager, Franchisee may train such replacement(s) in accordance with Section 6.3 below. The replacement Designated Principal and/or any required managers shall complete the initial training program as soon as is practicable and in no event later than any time periods as Franchisor may specify from time to time in the Manuals and otherwise in writing. Franchisor reserves the right to review any Franchisee trained personnel and require that such persons attend and complete, to the satisfaction of Franchisor, the initial training program offered by Franchisor at a location designated by Franchisor.

6.3 **Training by Franchisee of Additional or Replacement General Managers**. Franchisee shall have the option of training any General Manager (following the training of the first General Manager by Franchisor) at the Franchised Store or other Gong cha Stores operated by Franchisee or its affiliates, provided that Franchisee is in compliance with all agreements between Franchisee and Franchisor and further provided that the training is conducted: (a) by the Designated Principal or other personnel who has completed Franchisor's initial training program to the satisfaction of the Franchisor (and who remains acceptable to Franchisor to provide such training) and (b) in accordance with any requirements or standards as Franchisor may from time to time establish in writing for such training. In the event Franchisor conducts such training, Franchisor reserves the right to require Franchisee to pay Franchisor's then-current per diem charges for training.

6.4 **Refresher Training**. Franchisor may also require that Franchisee or its Designated Principal and General Manager attend such refresher courses, seminars, and other training programs as Franchisor may reasonably require from time to time, provided that such training shall not exceed four (4) days per person each year, and attendance for up to three (3) days per person each year at conventions, if any, conducted for Franchisor's franchisees.

6.5 **Training Costs**. The cost of all training (instruction and required materials) shall be borne by Franchisor, except as provided in Section 6.7 below. All other expenses incurred in connection with training, including, without limitation, the costs of transportation, lodging, meals, wages, and worker's compensation insurance, shall be borne by Franchisee.

6.6 **Location of Training**. All training programs shall be at such times as may be designated by Franchisor. Training programs shall be provided at Franchisor's headquarters and/or such other locations as Franchisor may designate.

6.7 **Additional On-site Training**. If Franchisee requests that Franchisor provide additional on-site supervision or supplemental training or that any training programs offered or required by Franchisor be conducted for Franchisee at the Franchised Store, then Franchisee agrees that it shall pay Franchisor's then-current per diem charges and out-of-pocket expenses, which shall be as set forth in the Manuals or otherwise in writing.

7. TECHNOLOGY

7.1 **Computer Systems and Required Software**. The following terms and conditions shall apply with respect to the Computer System and Required Software:

7.1.1 Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by, between, or among Gong cha Stores, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at Gong cha Stores, between or among Gong cha Stores, and between and among the Franchised Store and Franchisor and/or Franchisee; (b) Cash Register Systems; (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; and (f) internet access mode and speed (collectively, the "**Computer System**").

7.1.2 Franchisor shall have the right, but not the obligation, to develop or have developed for it, or to designate: (a) computer software programs and accounting system software that Franchisee must use in connection with the Computer System ("**Required Software**"), which Franchisee shall install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install; (c) the tangible media upon which such Franchisee shall record data; and (d) the database file structure of Franchisee's Computer System.

7.1.3 Franchisee shall record all sales on computer-based point of sale systems approved by Franchisor or on such other types of cash registers as may be designated by Franchisor in the Manuals or otherwise in writing ("**Cash Register Systems**"), which shall be deemed part of the Franchisee's Computer System.

7.1.4 Franchisee shall make, from time to time, such upgrades and other changes to the Computer System and Required Software as Franchisor may request in writing (collectively, "**Computer Upgrades**").

7.1.5 Franchisor, in its sole discretion, reserves the right to charge Franchisee for any service, system or platform Franchisor provides or requires in connection with the Computer System and the Required Software. Any such charges are subject to change in Franchisor's sole discretion.

7.1.6 Franchisee shall comply with all specifications issued by Franchisor with respect to the Computer System and the Required Software, and with respect to Computer Upgrades. Franchisee shall also afford Franchisor unimpeded access to Franchisee's Computer System and Required Software as Franchisor may request, in the manner, form, and at the times requested by Franchisor.

7.2 **Data**. Franchisor may, from time-to-time, specify in the Manuals or otherwise in writing the information that Franchisee shall collect and maintain on the Computer System installed at the Franchised Store, and Franchisee shall provide to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained. All data pertaining to the Franchised Store, and all data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the business (including without limitation data pertaining to or otherwise concerning the

Franchised Store 's customers) or otherwise provided by Franchisee (including, without limitation, data uploaded to, or downloaded from Franchisee's Computer System) is and will be owned exclusively by Franchisor, and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. Copies and/or originals of such data must be provided to Franchisor upon Franchisor's request. Franchisor hereby licenses use of such data back to Franchisee for the term of this Agreement, at no additional cost, solely for Franchisee's use in connection with the business franchised under this Agreement.

7.3 **Privacy**. With respect to the privacy of information collected or maintained regarding customers or other individuals ("**Customer Information**"), Franchisee will: (i) comply with all applicable privacy laws ("**Privacy Laws**"); (ii) comply with all mandatory policies in the Manuals that relate to Privacy Laws and the privacy and security of Customer Information; (iii) comply with any posted privacy policy and other representations made to the individual identified by Customer Information Franchisee process, and communicate any limitations required thereby to any authorized receiving party in compliance with all Privacy Laws; (iv) refrain from any action or inaction that could cause Franchisor to breach any Privacy Laws; (v) maintain reasonable physical, technical and administrative safeguards for information that is in Franchisee's possession or control in order to protect the same from unauthorized processing, destruction, modification, or use that would violate this Agreement or any Privacy Laws; (vi) do and execute, or arrange to be done and executed, each act, document and thing we deem necessary in Franchisor's business judgment to keep Franchisor in compliance with the Privacy Laws; and (vii) immediately report to Franchisor the theft or loss of Customer Information (other than the Customer Information of Franchisee's own officers, directors, shareholders, employees or service providers). Franchisee will, upon request, provide Franchisor with information, reports, and the results of any audits performed on Franchisee regarding Franchisee's data security policies, security procedures, or security technical controls related to Customer Information. Franchisee will, upon Franchisor's request, provide Franchisor or Franchisor's representatives with access to Franchisee's systems, records, processes and practices that involve processing of Customer Information in order to mitigate a security incident or so that an audit may be conducted. Franchisee will indemnify, defend and hold Franchisor harmless from loses arising out of or relating to: (i) any theft, loss or misuse of Customer Information; and (ii) Franchisee's breach of any of the terms, conditions or obligations relating to data security, privacy, or Customer Information set forth in this Agreement. Franchisee will immediately notify Franchisor upon discovering or otherwise learning of any theft, loss or misuse of Customer Information. Franchisee will, at Franchisor's direction, (i) undertake remediation efforts at Franchisee's sole expense, (ii) undertake efforts to prevent the recurrence of the same type of incident, and (iii) reasonably cooperate with any remediation efforts undertaken by Franchisor. Franchisee will not make any public comment regarding and data security incident without Franchisor's approval. Any notifications to the media or to Gong cha Store customers regarding theft or loss of Customer Information will be handled exclusively by Franchisor at Franchisor's discretion, and Franchisee may not contact Gong cha Store customers relating to such theft or loss unless Franchisee are under a legal obligation to do so, in which event (i) Franchisee must notify Franchisor in writing promptly after concluding that Franchisee has the legal obligation to notify Gong cha Store customers and (ii) Franchisee will limit the notices to Gong cha Store customers to those required by the legal obligation or as pre-approved by Franchisor. Franchisee will reasonably cooperate in connection with any notices to Gong cha Store customers regarding theft or loss and Franchisee will assist with sending such notices if so requested.

7.4 **Telecommunications**. Franchisee shall comply with Franchisor's requirements (as set forth in the Manuals or otherwise in writing) with respect to establishing and maintaining telecommunications connections between Franchisee's Computer System and Franchisor's Intranet (as defined below), if any, and/or such other computer systems as Franchisor may reasonably require.

7.5 **Intranet**. Franchisor may establish a website providing private and secure communications between Franchisor, Franchisee, franchisees, licensees and other persons and entities as

determined by Franchisor, in its sole discretion (an "**Intranet**"). Franchisee shall comply with Franchisor's requirements (as set forth in the Manuals or otherwise in writing) with respect to connecting to the Intranet, and utilizing the Intranet in connection with the operation of the Franchised Store. The Intranet may include, without limitation, the Manuals, training or other assistance materials, and management reporting solutions (both upstream and downstream, as Franchisor may direct). Franchisee shall purchase and maintain such computer software and hardware as may be required to connect to and utilize the Intranet.

7.6 **Websites**. As used in this Agreement, the term "**Website**" means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, Franchisee agrees to the following:

7.6.1 Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Proprietary Marks, any or all of the Products, Gong cha Stores, the franchising of Gong cha Stores, and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage; Franchisor shall also have the right to discontinue operation of the website.

7.6.2 Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Franchised Store, with such web page(s) to be located within Franchisor's Website. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance and content of any such web pages; and Franchisor shall have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page.

7.6.3 Franchisee shall not establish a separate Website, without Franchisor's prior written approval (which Franchisor shall not be obligated to provide). If approved to establish a Website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such Website. Franchisee specifically acknowledges and agrees that any Website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval under Section 13 below.

7.6.4 Franchisor shall have the right to modify the provisions of this Section 7 relating to Websites as Franchisor shall solely determine is necessary or appropriate.

7.7 **Online Use of Marks; Electronic Media**. Franchisee shall not, without the prior written approval of Franchisor, use the Proprietary Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any e-mail address, domain name, and/or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements, solicitations, marketing information, promotional information or any other information whatsoever regarding Gong cha Stores by e-mail or any other "**Electronic Media**" without Franchisor's prior written consent and in accordance with such specific programs, policies, terms and conditions as Franchisor may from time to time establish. Electronic Media shall include, but not be limited to, social media sites (such as Facebook and Instagram), blogs, microblogs, video-sharing and photo-sharing sites (such as YouTube), review sites (such as Yelp), marketplace sites (such as eBay and Craigslist), Wikis, chat rooms and virtual worlds.

7.8 **No Outsourcing without Prior Written Approval**. Franchisee shall not hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of Franchisee's obligations without Franchisor's prior written approval

therefor. Franchisor's consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with Franchisor and Franchisee in a form that is reasonably provided by Franchisor.

7.9 **Changes to Technology**. Franchisee and Franchisor acknowledge and agree 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, reasonable new standards for the implementation of technology in the System; and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Section 7 were periodically revised by Franchisor for that purpose.

8. OTHER DUTIES OF FRANCHISEE

8.1 **Details of Operation**. Franchisee understands and acknowledges that every detail of the System and this Agreement is important to Franchisee, Franchisor, and other franchisees in order to develop and maintain high operating, quality and service standards, to increase the demand for the Products sold by all operators, to protect Gong cha Stores operating under the System, and to protect the reputation and goodwill of Franchisor.

8.2 **Compliance with the Agreement, including the Manuals**. Franchisee shall operate the Franchised Store in strict conformity with this Agreement and such standards and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing, and shall refrain from deviating from such standards, specifications, and procedures without the prior written consent of Franchisor.

8.3 **Management of Business & Designated Principal**. If Franchisee is other than an individual, prior to beginning training, Franchisee shall comply with the following:

8.3.1 Franchisee shall designate, subject to Franchisor's reasonable approval, one Principal who is both an individual person and owns at least a ten percent (10%) beneficial interest in Franchisee, and who shall be responsible for general oversight and management of the operations of the Franchised Store on behalf of Franchisee (the "**Designated Principal**"). In the event the person designated as the Designated Principal dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to supervise the operations of the Franchised Store, Franchisee shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

8.3.2 Franchisee shall designate either the Designated Principal or an experienced manager to assume the full-time responsibility for the daily supervision and operation of the Franchised Store (the "**General Manager**"). Franchisee shall inform Franchisor in writing whether Franchisee, the Designated Principal (if Franchisee is other than an individual), or a General Manager will assume this role. If, in Franchisor's sole determination, the Franchisee or the Designated Principal (if Franchisee is other than an individual) does not have the necessary food service experience to operate the Franchised Store in accordance with the standards and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing, Franchisee must designate a General Manager, subject to Franchisor's reasonable approval, with such necessary food service experience to assume the full-time responsibility for the daily supervision and operation of the Franchised Store.

8.3.3 Franchisee acknowledges and agrees that Franchisor shall have the right to rely upon either or both the Designated Principal or General Manager as having responsibility and decision-making authority regarding the Franchised Store 's operation and Franchisee's business.

8.4 **Staffing**. In order to protect and enhance the System and the goodwill associated with the Proprietary Marks, Franchisee agrees to maintain a competent, conscientious, staff (who are trained by Franchisee to Franchisor's standards and requirements) in numbers sufficient to promptly service customers and to take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; comply with such uniforms and/or dress code as Franchisor may prescribe; and meet such minimum standards as Franchisor may establish from time to time in the Manuals. Franchisee shall be solely responsible for all employment decisions and functions of the Franchised Store, including those related to hiring, firing, wage and hour requirements, recordkeeping, supervision, and discipline of employees, in addition to compliance with all applicable federal, state, and local laws, rules and regulations.

8.5 **Use of Premises**. Franchisee shall use the Premises solely for the operation of the Franchised Store; shall keep the Franchised Store open and in normal operation for such minimum hours and days as Franchisor may specify; shall refrain from using or permitting the use of the Premises for any other purpose or activity at any time without first obtaining the written consent of Franchisor.

8.6 **Conformity to Standards**. To insure that the highest degree of quality and service is maintained, Franchisee shall operate the Franchised Store in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Without limitation, Franchisee agrees as follows:

8.6.1 Franchisee shall purchase and install prior to the opening of the Franchised Store, and thereafter maintain, all fixtures, furnishings, equipment, decor, and signs, and maintain in sufficient supplies and materials, as Franchisor may prescribe in the Manuals or otherwise in writing. Franchisee shall refrain from deviating therefrom by the use of any unapproved item without the prior written consent of Franchisor.

8.6.2 Franchisee shall offer and sell only Products that Franchisor specifies from time to time, unless otherwise approved in writing by Franchisor; and Franchisee shall offer and sell all Products as Franchisor may specify from time to time as required offerings at the Franchised Store. Franchisee shall offer and sell the Products utilizing the ingredients and employing the preparation standards and techniques as specified by Franchisor. Franchisee is prohibited from offering or selling any products or services at or from the Franchised Store that have not previously been authorized by Franchisor, and shall discontinue selling and offering for sale any Products which Franchisor shall have disapproved, in writing, at any time. If Franchisee wishes to offer or sell any products or services that have not previously been authorized by Franchisor, Franchisee must first make a written request to Franchisor, requesting authorization to offer or sell such products or services in accordance with Section 8.7 below. Franchisor may deny such approval for any reason. In no way limiting the foregoing, Franchisor reserves the right to charge a special royalty fee of two and one-half percent (2.5%) of Net Sales generated by special products it approves for Franchisee to sell through the Franchised Store ("**Special Product Royalty Fee**"). The products subject to the Special Product Royalty Fee shall be determined and approved in Franchisor's sole discretion. This Special Product Royalty Fee is in addition to the Royalty Fee as defined in Section 4.3 and all other fees under this Agreement. If incurred, the Special Product Royalty Fee shall be paid in the same manner as the Royalty Fee is paid.

8.6.3 Franchisee shall permit Franchisor or its agents, at any reasonable time, to remove samples of Products, without payment therefor, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether said samples meet Franchisor's then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item

has not previously been approved by Franchisor or if the sample fails to conform to Franchisor's specifications.

8.6.4 Franchisor may designate an independent evaluation service to conduct a "mystery shopper" quality control and evaluation program with respect to Franchisor or affiliate-owned and/or franchised Gong cha Stores. Franchisee agrees that the Franchised Store will participate in such mystery shopper program, as prescribed and required by Franchisor, provided that Franchisor-owned, affiliate-owned, and franchised Gong cha Stores also participate in such program to the extent Franchisor has the right to require such participation. Franchisor shall have the right to require Franchisee to pay the then-current charges imposed by such evaluation service with respect to inspections of the Franchised Store, and Franchisee agrees that it shall promptly pay such charges; provided, however, that such charges shall not exceed One Thousand Five Hundred Dollars ($1,500) during each year of this Agreement.

8.6.5 Franchisee shall participate in all customer surveys and satisfaction audits, which may require that Franchisee provide discounted or complimentary Products, provided that such discounted or complimentary sales shall not be included in the Net Sales of the Franchised Store. Additionally, Franchisee shall participate in any complaint resolution and other programs as Franchisor may reasonably establish for the System, which programs may include, without limitation, providing discounts or refunds to customers.

8.7 **Purchases and Approved Suppliers**. Franchisee shall purchase all equipment, fixtures, furnishings, signs, décor, supplies, services, and products (including the Products) required for the establishment and operation of the Franchised Store from Suppliers designated or approved in writing by Franchisor (as used in this Section 8.7 the term **"Supplier"** shall include manufacturers, distributors and other forms of Suppliers). In determining whether it will approve any particular Supplier, Franchisor shall consider various factors, including but not limited to whether the Supplier (i) can demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such items; (ii) possesses adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; (iii) approval of who would enable the System, in Franchisor's sole opinion, to take advantage of marketplace efficiencies; and (iv) has been approved in writing by Franchisor prior to any purchases by Franchisee from any such Supplier, and have not thereafter been disapproved. Franchisor reserves the right to designate, at any time and for any reason, a single Supplier for any equipment, supplies, services, or products (including any Products) and to require Franchisee to purchase exclusively from such designated Supplier, which exclusive designated supplier may be Franchisor or an affiliate of Franchisor. In the event Franchisor establishes itself or an affiliate as a designated or exclusive Supplier of any piece of equipment, supply, service, or product (including any Product), Franchisee shall use the transportation or distribution supplier designated by Franchisor for the delivery of such Product, which transportation or distribution supplier may be Franchisor or an affiliate of Franchisor.

8.7.1 Notwithstanding anything to the contrary in this Agreement, Franchisee shall purchase all of its requirements for Proprietary Products from Franchisor or Franchisor's designee(s), as set forth in Section 8.8 below (through such distributor or distributors as Franchisor may designate). Franchisor shall have the right to introduce additional, substitute new, or discontinue Proprietary Products from time to time.

8.7.2 If Franchisee desires to purchase any Products (except for Proprietary Products) or other items, equipment, supplies, services from suppliers other than those previously designated or approved by Franchisor, Franchisee must first submit to Franchisor a written request for authorization to purchase such items. Franchisee shall not purchase from any Supplier until, and unless, such Supplier has been approved in writing by Franchisor. Franchisor may deny such approval for any

reason, including its determination to limit the number of approved Suppliers. Franchisee must submit to Franchisor such information and samples as Franchisor may reasonably require, and Franchisor shall have the right to require periodically that its representatives be permitted to inspect such items and/or Supplier's facilities, and that samples from the proposed Supplier, or of the proposed items, be delivered for evaluation and testing either to Franchisor or to an independent testing facility designated by Franchisor. Permission for such inspections shall be a condition of the initial and continued approval of such Supplier. A charge not to exceed the reasonable cost of the evaluation and testing shall be paid by Franchisee. Franchisor may also require that the Supplier comply with such other requirements as Franchisor may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to Franchisor by the Supplier on account of their dealings with Franchisee or other franchisees.

8.7.3 Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved Supplier and to revoke its approval upon the Supplier's failure to continue to meet any of Franchisor's then-current criteria. Upon receipt of written notice of such revocation, Franchisee shall cease to sell or use any disapproved item, Products and/or cease to purchase from any disapproved Supplier.

8.7.4 Nothing in the foregoing shall be construed to require Franchisor to approve any particular Supplier, nor to require Franchisor to make available to prospective Suppliers, standards for approval and/or specifications for formulas, which Franchisor shall have the right to deem confidential.

8.7.5 Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally known Suppliers who are willing to supply all or some Gong cha Stores with some or all of the products and/or services that Franchisor requires for use and/or sale in the development and/or operation of Gong cha Stores. In this event, Franchisor may limit the number of approved Suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all Products and other products and services, and/or refuse any of Franchisee's requests for approval if Franchisor believes that this action is in the best interest of the System or the franchised network of Gong cha Stores. Franchisor shall have unlimited discretion to approve or disapprove of the Suppliers who may be permitted to sell Products to Franchisee.

8.7.6 Franchisor and its affiliates may receive payments or other compensation from Suppliers on account of such Suppliers' dealings with Franchisee and other franchisees; and Franchisor may use all amounts so received for any purpose Franchisor and its affiliates deem appropriate.

8.7.7 Franchisee must at all times pay Franchisor (or an affiliate of Franchisor) and Suppliers for any and all items and Products it purchases in connection with the Franchised Business promptly as the debts and obligations to such persons become due. Failure to do so shall constitute a breach of this Agreement. Franchisee shall pay Franchisor (or an affiliate of Franchisor) for any and all items and Products it purchases from Franchisor (or an affiliate of Franchisor) in connection with the Franchised Business as such debts and obligations to become due through electronic funds transfer in accordance with the obligations and procedures set forth in Section 4.5. In no way limiting the foregoing, Franchisee agrees to adhere to all ordering, delivery and payment policies required by Franchisor and set forth in the Manuals or otherwise in writing with respect to all Products including the Proprietary Products.

8.8 **Proprietary Products**. Franchisee acknowledges and agrees that the Proprietary Products offered and sold at Gong cha Stores are manufactured in accordance with secret recipes,

standards, and specifications of Master Franchisor, and are Proprietary Products of Master Franchisor and/or its affiliates. In order to maintain the high standards of quality, taste, and uniformity associated with Proprietary Products sold at all Gong cha Stores in the System, Franchisee agrees to purchase Proprietary Products only from Franchisor, its affiliates or its designee(s), and not to offer or sell any other items not approved by Franchisor at or from the Franchised Store. In connection with the manufacturing, handling, storage, transport and delivery of any Proprietary Products purchased from Franchisor, its affiliates or designee(s), Franchisee acknowledges that any action or inaction by any third party (e.g., a food manufacturer or an independent carrier) in connection with the manufacturing, handling, storage, transport and delivery of the Proprietary Products shall not be attributable to nor constitute negligence of Franchisor. Franchisee acknowledges and agrees the Franchisor and/or its affiliates may earn revenues on account of such sales of Proprietary Products to Franchisee. Franchisee must at all times promptly pay Franchisor, its affiliates and/or its designee(s) for all Proprietary Products it purchases as such obligations become due. Failure to do so shall constitute a breach of this Agreement.

8.9 **No Warranties**. Franchisee acknowledges that in purchasing or leasing supplies, equipment and/or materials from suppliers approved by Franchisor, **FRANCHISOR EXPRESSLY DISCLAIMS ANY WARRANTIES OR REPRESENTATIONS AS TO THE CONDITION OF SAME, INCLUDING WITHOUT LIMITATION, EXPRESS OR IMPLIED WARRANTIES AS TO MERCHANTABILITY OR FITNESS FOR ANY INTENDED PURPOSE. FRANCHISEE AGREES TO LOOK SOLELY TO THE MANUFACTURER OR SUPPLIER OF SAME IN THE EVENT OF ANY DEFECTS THEREIN.**

8.10 **Inspections; Audits**. Franchisee shall permit Franchisor and its agents to enter upon the Premises at any time during normal business hours for the purpose of conducting inspections or audits of the Premises and the operations of Franchisee ("**Store Audit(s)**"). The primary purpose of a Store Audit is to determine if Franchisee is operating the Franchised Store in strict conformity with this Agreement and the Manuals, and to ensure compliance with quality and food safety policies and procedures at all Gong cha Stores. Each Store Audit shall provide Franchisee with a certain performance grade or score as further described in the Manuals. In the event Franchisee receives a failing Store Audit performance grade or score, Franchisor reserves the right to charge Franchisee a reinspection fee upon reinspection of the Franchised Store, as set forth in the Manuals or otherwise in writing. A failing performance grade or score shall be further considered a material breach of this Agreement. Franchisee shall cooperate with representatives in such Store Audits by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents, and without limiting other rights of Franchisor under this Agreement, shall take such steps as may be necessary to correct any deficiencies detected during any such Store Audit in accordance with a corrective action plan or as otherwise required by Franchisor. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right, but not the obligation, to correct any deficiencies which may be susceptible to correction by Franchisor and to charge Franchisee the actual expenses of Franchisor in so acting, which shall be payable by Franchisee upon demand. The foregoing shall be in addition to all other remedies available to Franchisor under this Agreement and at law.

8.11 **Trademarked Items**. Franchisee shall ensure that all advertising and promotional materials, signs, decorations, paper goods (including, without limitation, wrapping, packaging supplies, containers for Products, napkins, menus and all forms and stationery used in the Franchised Store), Products, and other items specified by Franchisor bear the Proprietary Marks in the form, color, location, and manner prescribed by Franchisor. Franchisee shall place and illuminate all interior and exterior signs and décor items in accordance with Franchisor's specifications.

8.12 **Menu and Pricing**. Franchisee shall sell or offer to sell those items only on the Gong cha Store menu as approved by Franchisor. Such menu shall be subject to change from time to time as Franchisor may determine solely in its discretion. Franchisee must obtain Franchisor's written approval

for any contemplated menu changes, including all additions to and/or deletions of items sold in the Franchised Store. Franchisee shall utilize the standard menu format as required by Franchisor. Such menu format shall be subject to change from time to time as Franchisor may determine solely in its discretion. Moreover, Franchisor may, in the exercise of its reasonable business judgment and to the extent permitted by applicable law, establish specific prices for menu items, or a range of acceptable prices, or minimum advertised pricing that, in any case, shall be adhered to by Franchisee and all other similarly situated Gong cha Stores.

8.13 **Compliance**. Franchisee shall comply with all federal, state and local laws, rules and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business licensed by this Agreement, including, without limitation, operation licenses, licenses to do business and fictitious name registration.

8.14 **Uniforms**. Franchisee shall be responsible for having all personnel employed by Franchisee wear standard related uniforms and attire during business hours in order to further enhance Franchisor's product and format. Franchisee shall be permitted to purchase such uniforms and attire from manufacturers or distributors approved by Franchisor, which uniforms and attire must be in strict accordance with Franchisor's design and other specifications.

8.15 **Governmental Requirements**. Franchisor and Franchisee understand and agree that the operation of the Franchised Store, maintenance of its Premises and equipment, conduct and appearance of its personnel, and the preparation and sale of products therefrom are all regulated by governmental statutes and regulations. To this end, the Franchisor and Franchisee agree that Franchisee owes an obligation to the patrons of the Franchised Store, Franchisor, and to itself, to fully and faithfully comply with all those applicable governing authorities, and all of the same are made a part of this Franchise Agreement as if fully set forth herein. It is further agreed that in the event any product dispensed at the Franchised Store evidences adulteration from the standards and specifications of Franchisor or is in violation of applicable law or regulations or in the event the food items, Premises, equipment, personnel or operation of the Franchised Store fail to be maintained in accordance with the governmental requirements, Franchisee shall immediately close the Franchised Store, terminate selling operations, destroy all contaminated or adulterated products and eliminate the source thereof and remedy all unsanitary conditions present, reopening for business only after Franchisor's inspection and laboratory analysis from samples obtained for that purpose by Franchisor, evidence a compliance with the applicable governmental requirements and with the standards of Franchisor.

8.16 **Prohibited Product Fine**. In the event Franchisee sells any food, beverage, products, premiums, novelty items, clothing, souvenirs or performs any services that Franchisor has not prescribed, approved or authorized, Franchisee shall (i) cease and desist offering or providing the unauthorized or unapproved food, beverage, product, premium, novelty item, clothing, souvenir or from performing such services and (ii) pay to Franchisor, on demand, a prohibited product or service fine equal to Two Hundred Fifty Dollars ($250) per day for each day such unauthorized or unapproved food, beverage, product, premium, novelty item, clothing, souvenir or service is offered or provided by Franchisee. The prohibited product or service fine shall be in addition to all other remedies available to Franchisor under this Agreement or at law. In no way limiting the indemnification obligations under Section 21.4, Franchisee shall indemnify and hold Franchisor, Franchisor's owners and affiliates, and their respective officers, directors, and employees harmless against any and all causes of action, claims, penalties, fees, losses, costs, expenses, liabilities, litigation, damages or other expenses (including, but not limited to, settlement costs and attorneys' fees) arising directly or indirectly from Master Franchisor imposing penalties or fees onto Franchisor as a result of Franchisee's use, offer or sale of unauthorized or unapproved food, beverage, Products, premiums, novelty items, clothing, souvenirs or services.

8.17 **Participation in Promotions**. Franchisee shall participate in promotional programs developed by Franchisor for the System, in the manner directed by Franchisor in the Manuals or otherwise in writing. In no way limiting the foregoing, Franchisee agrees that if required by Franchisor:

8.17.1 Franchisee shall participate in all programs and services for frequent customers, senior citizens, children, and other categories, which may include providing discount or complimentary Products.

8.17.2 Franchisee shall sell or otherwise issue gift cards or certificates (together "**Gift Cards**") that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor, and only in the manner specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor regardless of whether a Gift Card was issued by Franchisee or another Gong cha Store. Franchisee shall sell, issue, and redeem (without any offset against any Royalty Fee or other contribution) Gift Cards in accordance with procedures and policies specified by Franchisor in the Manuals or otherwise in writing, including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by other Gong cha Stores and for making timely payment to Franchisor, other operators of Gong cha Stores, or a third-party service provider for Gift Cards issued from the Franchised Store that are honored by Franchisor or other Gong cha Store operators.

8.18 **Health /Standards**. Franchisee shall meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Store under the Manuals and applicable health ordinances. Franchisee shall also comply with the requirements set forth in the Manuals for submitting to Franchisor a copy of a violation or citation relating to Franchisee's failure to maintain any health or safety standards in the operation of the Franchised Store.

8.19 **Maintenance of Premises**. Franchisee shall maintain the Franchised Store and the Premises in a clean, orderly condition and in excellent repair; and, in connection therewith, Franchisee shall, at its expense, make such repairs and replacements thereto (but no others without prior written consent of Franchisor) as may be required for that purpose, including such periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor as Franchisor may reasonably direct.

8.20 **Ongoing Upgrades**. As set forth in Section 8.6.1, throughout the term of this Agreement, Franchisee shall maintain all fixtures, furnishings, equipment, decor, and signs as Franchisor may prescribe from time to time in the Manuals or otherwise in writing. Franchisee shall make such changes, upgrades, and replacements as Franchisor may periodically require, in the time frames specified by Franchisor.

8.21 **Five-Year Refurbishment and Renovations**. At the request of Franchisor, but not more often than once every five (5) years, unless sooner required by Franchisee's lease, Franchisee shall refurbish the Premises, at its expense, to conform to the Gong cha Store design, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Gong cha Stores. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements, and shall be completed pursuant to such standards, specifications and deadlines as Franchisor may specify.

8.22 **Compliance with Lease**. Franchisee shall comply with all terms of its lease or sublease, its financing agreements (if any), and all other agreements affecting the operation of the Franchised Store ; shall undertake best efforts to maintain a good and positive working relationship with its landlord and/or lessor; and shall not engage in any activity which may jeopardize Franchisee's right to remain in possession of, or to renew the lease or sublease for, the Premises.

8.23 **Obligations to Third Parties**. Franchisee must at all times pay its distributors, contractors, suppliers, trade creditors, employees, lessors, lenders, tax authorities, and other creditors, promptly as the debts and obligations to such persons become due. Failure to do so shall constitute a breach of this Agreement.

8.24 **Notice of Legal Actions**. Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any suit to foreclose any lien or mortgage, or any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, including health agencies, which (i) relates to the operation of the Franchised Store, (ii) may adversely affect the operation or financial condition of the Franchised Store, or (iii) may adversely affect Franchisee's financial condition.

8.25 **No Relocation**. Franchisee shall not relocate the Franchised Store from the Approved Location without the prior written approval of Franchisor. If Franchisee desires to relocate the Franchised Store, the following terms and conditions shall apply:

8.25.1 Franchisee shall submit such materials and information as Franchisor may request for the evaluation of the requested plan of relocation. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval for relocation: (i) Franchisee not be in default under any provision of this Agreement, or any other agreement between Franchisee and Franchisor; (ii) the proposed substitute location meets Franchisor's then-current standards for Gong cha Stores; (iii) the lease (if applicable) for the proposed substitute location must comply with Franchisor's then-current lease requirements for Gong cha Stores (which may include the requirement that the lease contain certain terms and conditions, which may be different than, or in addition to, those terms Franchisor required as of the Effective Date with respect to the Approved Location), and Franchisee must obtain Franchisor's approval of the proposed lease; (iv) Franchisee must possess the financial resources to meet the costs associated with relocating; and (v) Franchisee enter into Franchisor's then-current form of Franchise Agreement (which shall replace this Agreement), provided that Franchisee shall not be required to pay an initial Franchise Fee, and execute a general release in favor of Franchisor in the form prescribed by Franchisor.

8.25.2 Any relocation of the Franchised Store shall be at Franchisee's sole cost and expense.

8.25.3 Franchisor shall have the right to charge Franchisee for costs and expenses incurred by Franchisor in connection with any approved relocation.

8.25.4 If, through no fault of Franchisee, the Premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then Franchisee shall have forty five (45) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the Premises, which approval shall not be unreasonably withheld.

8.25.5 Franchisee agrees that in the event of a relocation of the Franchised Store, Franchisee shall promptly remove from the first Franchised Store Premises, and discontinue using for any purposes, any and all signs, fixtures, furniture, posters, furnishings, equipment, menus, advertising materials, stationery supplies, forms and other articles which display any of the Proprietary Marks or any distinctive features or designs associated with Gong cha Stores. Furthermore, Franchisee shall, at its expense, immediately make such modifications or alterations as may be necessary to distinguish the first Franchised Store so clearly from its former appearance and from other Gong cha Stores and to prevent any possibility of confusion therewith by the public (including, without limitation, removal of all distinctive physical and structural features identifying Gong cha Stores and removal of all distinctive signs and emblems). Franchisee shall, at its expense, make such specific additional changes as the

Franchisor may reasonably request for this purpose. If Franchisee fails to initiate immediately or complete such alterations within such period of time as the Franchisor deems appropriate, Franchisee agrees that the Franchisor or its designated agents may enter the Premises of the first Franchised Store and adjacent areas at any time to make such alterations, at Franchisee's sole risk and expense, without responsibility for any actual or consequential damages to the property of Franchisee or others, and without liability for trespass or other tort or criminal act. Franchisee expressly acknowledges that its failure to make such alterations will cause irreparable injury to the Franchisor and consents to entry, at Franchisee's expense, of an ex-parte order by and court of competent jurisdiction authorizing the Franchisor or its agents to take such action, if the Franchisor seeks such an order. Compliance with the foregoing shall be a condition subsequent to the Franchisor's approval of any relocation request by Franchisee, and in the event complete de-identification of the first Franchised Store Premises is not promptly and completely undertaken, the Franchisor may then revoke its permission for relocation and declare a default under this Agreement.

8.26 **Franchisee Advisory Councils**. If Franchisor should, during the term of this Agreement, form or require the formation of a franchisee advisory council or association (hereinafter "**Advisory Council**") or such successor council to serve as an advisory council to Franchisor with respect to advertising, marketing, and other matters relating to franchised Gong cha Stores, Franchisee may be required to become a member of the Advisory Council. In such event, Franchisee shall pay to the Advisory Council all dues and assessments authorized by the Advisory Council and shall otherwise abide by the rules and regulations of the Advisory Council and shall at all times maintain its membership in the Advisory Council in good standing.

8.27 **Changes to the System**. Franchisee acknowledges and agrees that from time to time hereafter Franchisor may change or modify the System licensed to Franchisee by Franchisor presently identified by the Proprietary Marks, as Franchisor deems appropriate, including, without limitation, as a result of the loss of master franchising rights or to reflect the changing market and to meet new and changing consumer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Gong cha Stores. Changes to the System may include, without limitation, the adoption and use of new, modified, or substituted products, services, programs, standards, policies and procedures, forms, trade dress, equipment and furnishings and new techniques and methodologies, and (as described in Section 9 below) additional or substitute trademarks, service marks and copyrighted materials. Changes to the System may further include, without limitation, abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination; and modifying or substituting entirely the building, Premises, equipment, furnishings, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operational attributes which Franchisee is required to observe hereunder. Franchisee shall, upon reasonable notice by Franchisor, accept, implement, use and display in the operation of the Franchised Store any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at Franchisee's sole expense. Additionally, Franchisor reserves the right, in its sole discretion, to vary the System standards from store to store, as well as the services and assistance that Franchisor may provide to some franchisees based upon the peculiarities of a particular site or circumstance, existing business practices, or other factors that Franchisor deems to be important to the operation of any Gong cha Store or the System. Franchisee shall have no recourse against Franchisor or Master Franchisor on account of any variation to any franchisee and shall not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder. Except as provided herein, Franchisor nor Master Franchisor shall be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated hereby. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or Master Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities

including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

8.28 **Modifications Proposed by Franchisee**. Franchisee shall not implement any change to the System (including the use of any product or supplies not already approved by Franchisor) without Franchisor's prior written consent. Franchisee acknowledges and agrees that, with respect to any change, amendment, or improvement in the System or use of additional product or supplies for which Franchisee requests Franchisor's approval: (i) Franchisor shall have the right to incorporate the proposed change into the System and shall thereupon obtain all right, title, and interest therein without compensation to Franchisee, (ii) Franchisor shall not be obligated to approve or accept any request to implement change, and (iii) Franchisor may from time to time revoke its approval of a particular change or amendment to the System, and upon receipt of written notice of such revocation, Franchisee shall modify its activities in the manner described by Franchisor.

8.29 **Non-Disparagement**. Franchisee shall not communicate or publish, directly or indirectly, any disparaging comments or information about Franchisor or Master Franchisor during the term of this Agreement or thereafter. This provision shall include, but not be limited to, communication or distribution of information through the Internet via any Electronic Media, as defined herein.

9. PROPRIETARY MARKS

9.1 **Ownership**. Franchisor represents with respect to the Proprietary Marks that:

9.1.1 Master Franchisor has licensed the Proprietary Marks to Franchisor so that Franchisor may sublicense them to its franchisees.

9.1.2 Franchisee acknowledges that Franchisor has not made any representation or warranty to the effect that the Proprietary Marks which have not been registered with appropriate authorities shall be registered or are able to be registered therein, and the failure to obtain registrations of any of the Proprietary Marks shall not be deemed to be a breach of the terms of this Agreement. Moreover, Franchisee shall cooperate with Franchisor and Master Franchisor and their representatives, in the prosecution of any applications or registrations of any Proprietary Marks which have been filed with the appropriate authorities.

9.2 **License to Franchisee**. Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement in connection with the operation of the Franchised Store, and any unauthorized use thereof shall constitute an infringement of rights of Franchisor. Nothing in this Agreement shall be construed as authorizing or permitting their use at any other location or for any other purpose except as may be authorized in writing by Franchisor.

9.3 **Terms of Franchisee's Usage**. With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees that:

9.3.1 It shall use only the Proprietary Marks designated by Franchisor, and to use them only in the manner authorized and permitted by Franchisor. Further, Franchisee shall not use any confusingly similar Trademarks in connection with its franchise or any other business in which it has an interest;

9.3.2 It shall use the Proprietary Marks only for the operation of the business franchised hereunder and only at the location authorized hereunder, or in Franchisor-approved advertising for the business conducted at or from that location;

9.3.3 It shall operate and advertise the Franchised Store only under the name "Gong cha" and use the Proprietary Marks without prefix or suffix, unless otherwise authorized or required by Franchisor.

9.3.4 It shall not use the Proprietary Marks as part of its corporate or other legal name, or as part of any e-mail address, domain name, or other identification of Franchisee in any electronic medium. Franchisee may, as necessary to conduct the business of the Franchised Store and to obtain governmental licenses and permits for the Franchised Store, indicate that Franchisee shall be operating the Franchised Store under the trade name "Gong cha," provided that Franchisee shall also clearly identify itself as the owner and operator of the Franchised Store ;

9.3.5 It shall identify itself as the owner of the Franchised Store (in the manner required by Franchisor) in conjunction with any use of the Proprietary Marks, including on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations on the Premises as Franchisor may designate in writing;

9.3.6 It shall not use the Proprietary Marks in such a way as to incur any obligation or indebtedness on behalf of Franchisor; and

9.3.7 It shall execute any documents deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability. At Franchisor's request, Franchisee shall assign, transfer or convey to Franchisor, in writing, all additional rights, if any, that may be acquired by Franchisee as a result of its use of the Proprietary Marks.

9.4 **Franchisee Acknowledgments**. Franchisee expressly understands and acknowledges that:

9.4.1 During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of Franchisor's or Master Franchisor's right to use and to license others to use, the Proprietary Marks;

9.4.2 Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks;

9.4.3 Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of Franchisor and Master Franchisor, and, upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks;

9.4.4 The right and license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others: (a) to use the Proprietary Marks itself in connection with selling the Products; (b) to grant other licenses for the Proprietary Marks; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing any rights therein to Franchisee;

9.4.5 Franchisor reserves the right to approve all signs, memos, stationery, business cards, advertising material forms and all other objects and supplies using the Proprietary Marks. All advertising, publicity, point of sale materials, signs, decorations, furnishings, equipment, or other materials employing the Proprietary Marks shall be in accordance with this Agreement and the Confidential Operations Manuals, and Franchisee shall obtain Franchisor's approval prior to such use;

9.4.6 Franchisor shall have the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder at the sole discretion of Franchisor. If it becomes advisable at any time, in the discretion of Franchisor or Master Franchisor, to modify or discontinue use of any Proprietary Mark and/or to adopt or use one or more additional or substitute Proprietary Marks, then Franchisee shall be obligated to comply with any such instruction by Franchisor. In such event and at Franchisor's direction, Franchisee shall adopt, use and display only such new or modified Proprietary Marks and shall promptly discontinue the use and display of outmoded or superseded Proprietary Marks, at Franchisee's expense. Franchisee waives any other claim arising from or relating to any Proprietary Mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any proprietary mark addition, modification, substitution or discontinuation. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages;

9.4.7 Upon the expiration, termination or non-renewal of this Agreement, Franchisee shall immediately cease using the Proprietary Marks, color combinations, designs, symbols or slogans; and Franchisor may cause Franchisee to execute such documents and take such action as may be necessary to evidence this fact. After the effective date of expiration, termination or non-renewal, Franchisee shall not represent or imply that he is associated with Franchisor. To this end, Franchisee irrevocably appoints Franchisor or its nominee to be Franchisee's attorney-in-fact to execute, on Franchisee's behalf, any document or perform any legal act necessary to protect the Proprietary Marks from unauthorized use. Franchisee acknowledges and agrees that the unauthorized use of the Proprietary Marks will result in irreparable harm to Franchisor for which Franchisor may obtain injunctive relief, monetary damages, reasonable attorneys' fees and costs;

9.4.8 In order to develop and maintain high uniform standards of quality and service and to protect the reputation and goodwill of Franchisor and Master Franchisor, Franchisee agrees to do business and advertise using only the Proprietary Marks designated by the Franchisor. Franchisee shall not do business or advertise using any other name. Franchisee is not authorized to and shall not use the word "Gong cha" by itself, as a part of the legal name of any corporation, partnership, proprietorship or other business entity to which Franchisee is associated, or with a bank account, trade account or in any legal or financial connection;

9.4.9 In order to preserve the validity and integrity of the Proprietary Marks, and to assure that Franchisee is properly employing them in the operation of Franchisee's business, Franchisor and its agents shall have the right at all reasonable times to inspect Franchisee's business, financial books and records, and operations. Franchisee shall cooperate with and assist Franchisor's representative in such inspections;

9.4.10 Franchisee shall be required to affix the ™ or ® symbol upon all advertising, publicity, signs, decorations, furnishings, equipment or other printed or graphic material employing the words "Gong cha" or any other of the Proprietary Marks, whether presently existing or developed in the future;

9.4.11 Franchisee acknowledges that it does not have any right to deny the use of the Proprietary Marks to any other franchisees. In consideration therefore, Franchisee shall execute all documents and take such action as may be requested to allow Franchisor or other franchisees to have full use of the Proprietary Marks;

9.4.12 If, during the term of this Agreement, there is a claim of prior use of any of the Proprietary Marks in the area in which Franchisee is doing business or in another area or areas,

Franchisee shall so use any of Franchisor's other Proprietary Marks in such a way and at Franchisor's discretion in order to avoid a continuing conflict;

9.4.13 Franchisee shall immediately notify Franchisor of any apparent infringement of or challenge to Franchisee's use of the Proprietary Marks, or any claim, demand, or suit based upon or arising from the unauthorized use of, or any attempt by any other person, firm, or corporation to use, without authorization, or any infringement of or challenge to, any of the Proprietary Marks. Franchisee also agrees to immediately notify Franchisor of any other litigation instituted by any person, firm, corporation or governmental entity against Franchisor or Franchisee; and

9.4.14 Franchisor and Master Franchisor have no obligation to undertake the defense or prosecution of any litigation concerning Franchisee that relates to any of the Proprietary Marks. Franchisor and Master Franchisor shall have sole and complete discretion in the conduct of any defense, prosecution or other action it chooses to undertake with respect to any litigation concerning Franchisee that relates to any of the Proprietary Marks.

10. MANUALS

10.1 **The Manuals and Furnishings to Franchisee**. In order to protect the reputation and goodwill of Franchisor, and to maintain high standards of operation under the System, Franchisee shall operate the Franchised Store in accordance with the standards, specifications, methods, policies, and procedures specified in the Manuals, which Franchisee shall receive on loan from Franchisor, in a manner chosen by Franchisor, via electronic access, hard copy volumes, computer disks, videotapes, or otherwise, including such amendments thereto, as Franchisor may publish from time to time, upon completion by Franchisee of initial training. Franchisee expressly acknowledges and agrees that Franchisor may provide a portion or all (including updates and amendments) of the Manuals, and other instructional information and materials in, or via, electronic media, including without limitation, the use of the Internet.

10.2 **The Manuals are Proprietary and Confidential**. Franchisee shall treat the Manuals, any other materials created for or approved for use in the operation of the Franchised Store, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information (both in electronic and other formats) as proprietary and confidential. Franchisee shall not download, copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person, except as authorized in advance by the Franchisor.

10.3 **The Manuals Remain Franchisor's Property**. The Manuals shall remain the sole property of Franchisor and shall be accessible only from a secure place on the Premises, and shall be returned to Franchisor, as set forth in Section 17.8 below, upon the termination or expiration of this Agreement.

10.4 **Revisions to the Manuals**. Franchisor may from time to time revise the contents of the Manuals to improve or maintain the standards of the System and the efficient operation thereof, or to protect or maintain the goodwill associated with the Proprietary Marks or to meet competition, and Franchisee expressly agrees to comply with each new or changed standard. Franchisee shall insure that the Manuals are kept current at all times. In the event of any dispute as to the contents of the Manuals, the terms of the master copies maintained at the home office of Franchisor shall be controlling.

10.5 **Part of Agreement**. From the date of the opening of the Franchised Store, the mandatory specifications, standards and operating procedures prescribed by Franchisor and communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth

herein. All references herein to this Agreement shall include the provisions of the Manuals and all such mandatory specifications standards and operating procedures.

11. CONFIDENTIAL INFORMATION

11.1 **Agreement with respect to Confidentiality**. Franchisee acknowledges and agrees that it shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person or entity any confidential information, knowledge, or know-how concerning Franchisor, the System, the Products and/or the marketing, management or operations of the Franchised Store that may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Franchised Store. Any and all information, knowledge, know-how, and techniques which Franchisee learns in connection with the System, the Products and/or the marketing, management or operations of the Franchised Store shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

11.2 **Individual Covenants of Confidentiality**. Franchisee shall require its manager(s) and any personnel having access to any confidential information of Franchisor to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Franchised Store. Such covenants shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them, the current form of which is attached as Exhibit E.

11.3 **Remedies for Breach**. Franchisee acknowledges that any failure to comply with the requirements of this Section 11 will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

11.4 **Grantback**. Franchisee agrees to disclose to Franchisor all ideas, concepts, methods, techniques and products conceived or developed by Franchisee, its affiliates, owners or employees during the term of this Agreement relating to the development and/or operation of the Franchised Store. Franchisee hereby grants to Franchisor and agrees to procure from its affiliates, owners or employees a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques in all Gong cha Stores operated by Franchisor or its affiliates, franchisees and designees. Franchisor shall have no obligation to make any payments to Franchisee with respect to any such ideas, concepts, methods, techniques or products. Franchisee agrees that Franchisee will not use or allow any other person or entity to use any such concept, method, technique or product without obtaining Franchisor's prior written approval.

12. ACCOUNTING AND RECORDS

12.1 **Books and Records**. With respect to the operation and financial condition of the Franchised Store, Franchisor may require that Franchisee adopt, until otherwise specified by Franchisor, a fiscal year that coincides with Franchisor's then-current fiscal year, as specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall maintain for a period of not less than seven (7) years during the term of this Agreement, and, for not less than seven (7) years following the termination, expiration, or non-renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing, including but not limited to: (i)

daily transaction reports; (ii) cash receipts journal and general ledger; (iii) cash disbursements and weekly payroll journal and schedule; (iv) monthly bank statements, deposit slips and cancelled checks; (v) all tax returns; (vi) suppliers' invoices (paid and unpaid); (vii) dated daily and weekly transaction journal; (viii) semi-annual fiscal period balance sheets and fiscal period profit and loss statements; and (ix) such other records as Franchisor may from time to time request.

12.2 **Franchisee's Reports to Franchisor**. In addition to the Sales Reports required pursuant to Section 4.3 above, Franchisee shall:

12.2.1 Prepare by the twentieth (20^{th}) day of each calendar month a balance sheet, profit and loss statement, cash flow statement and an activity report for the last preceding calendar month, which shall be in the form prescribed by Franchisor. Franchisee shall maintain and submit such statements and reports to Franchisor at the times as Franchisor may designate or otherwise request.

12.2.2 Submit to Franchisor on April 15th of the year following the end of each calendar year, unless Franchisor designates in writing a different due date, during the term of this Agreement, a profit and loss statement for such year and a balance sheet as of the last day of such year, prepared on an accrual basis in accordance with U.S. generally accepted accounting principles ("**GAAP**"), including but not limited to all adjustments necessary for fair presentation of the financial statements. Franchisee shall certify such financial statements to be true and correct. Additionally, Franchisor reserves the right to require Franchisee to prepare (or cause to be prepared) and provide to Franchisor annual financial statements, (that includes a fiscal year-end balance sheet, an income statement of the Franchised Store for such fiscal year reflecting all year-end adjustments, and a statement of changes in cash flow of Franchisee), and to require that such statements be prepared on a review basis by an independent certified public accountant (who Franchisor may require to be retained in accordance with Section 4.7). Franchisee shall provide such additional information, if any, as Franchisor may reasonably require in order for Franchisor to meet its obligations under GAAP.

12.2.3 Franchisee shall maintain its books and records, and provide all statements and reports to Franchisor, using the standard statements, templates, categories, and chart of accounts that Franchisor provides to Franchisee.

12.2.4 Submit to Franchisor such other periodic reports, forms and records as specified, and in the manner and at the time as specified in the Manuals or as Franchisor shall otherwise require in writing from time to time (including without limitation the requirement that Franchisee provide or make available to Franchisor certain sales and financial information in electronic format and/or by electronic means).

12.3 **Inspection and Audit**. Franchisor and its agents shall have the right at all reasonable times to examine and copy, at the expense of Franchisor, the books, records, accounts, and/or business tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection should reveal that any contributions or payments have been understated in any statement or report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of eighteen percent (18%) per annum, or the maximum rate permitted by law, whichever is less. If an inspection discloses an understatement in any statement or report of three percent (3%) or more, Franchisee shall, in addition to repayment of monies owed with interest, reimburse Franchisor for any and all costs and expenses connected with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

13. MARKETING AND PROMOTION

13.1 **Franchisee's Advertising Obligations**. Recognizing the value of marketing and promotion, and the importance of the standardization of marketing and promotion programs to the furtherance of the goodwill and public image of the System, Franchisee and Franchisor agree as follows:

13.1.1 Franchisor reserves the right to require that Franchisee, during each Week (except for expenditures on local advertising and promotion, which shall be measured on an annual basis), spend and/or contribute on advertising and promotion amounts, which, in the aggregate, are equal to an amount up to two percent (2%) of Franchisee's Net Sales during the preceding Week to advertise and to promote the Franchised Store (together, the "**Advertising Obligation**"); provided, however, that the Advertising Obligations may exceed such amount under the circumstances set forth in Section 13.1.4 below. The Advertising Obligation shall be in the form of the following, and in such proportions as may be designated by Franchisor in writing from time to time: (i) contributions paid to the System Ad Fund, pursuant to Section 13.2 below, (ii) contributions paid to any Cooperative Ad Fund, as may be established pursuant to Section 13.3 below, and/or (iii) expenditures by Franchisee on "local advertising and promotion" pursuant to Section 13.4.

13.1.2 As of the Effective Date and until Franchisee receives written notice from Franchisor of new allocations, the allocation of the Advertising Obligation shall be as follows: one and one-half percent (1.5%) of Net Sales shall be contributed by Franchisee to the System Ad Fund and one-half percent (.5%) of Net Sales shall be spent by Franchisee on local advertising and promotion. The Cooperative Ad Fund contribution will not exceed two percent (2%) of Franchisee's Net Sales, unless the members of such Cooperative Ad Fund vote to exceed the maximum amount. Any contributions made by Franchisee to a Cooperative Ad Fund will be credited against Franchisee's local advertising expenditure requirement.

13.1.3 The Advertising Obligation is the minimum requirement only, and Franchisee may, and is encouraged to, expend additional funds for marketing and promotion. In addition to the Advertising Obligation, Franchisee shall undertake and complete the Grand Opening Advertising Program, as provided in Section 13.5 below.

13.1.4 Franchisee's aggregate Advertising Obligations may exceed two percent (2%) of Franchisee's Net Sales, if the members of a Cooperative Ad Fund, of which Franchisee is a member, approve (as described in Section 13.3.3 below) required contributions to the Cooperative Ad Fund that, when aggregated with Franchisee's other requirements under this Section 13, would cause Franchisee's Advertising Obligations to exceed two percent (2%) of Franchisee's Net Sales.

13.2 **System Ad Fund**. Franchisor shall have the right at any time, in its sole discretion to establish a fund for system-wide advertising and promotion of the System (the "**System Ad Fund**"). During the existence of the System Ad Fund, Franchisee shall contribute to the System Ad Fund in the manner specified in Section 4.5 above, such amounts as Franchisor may specify in accordance with Section 13.1 above. The System Ad Fund shall be maintained and administered by Franchisor as follows:

13.2.1 Franchisor shall direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisor is not obligated, in administering the System Ad Fund, to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the System Ad Fund.

13.2.2 The System Ad Fund, all contributions thereto, and any earnings thereon shall be used exclusively to meet any and all costs of maintaining, administering, directing, conducting, and

preparing marketing, advertising, public relations, and/or promotional programs and materials, and any other activities including socially responsible activities, which Franchisor believes will enhance the image of the System, including, among other things, the costs of preparing and conducting media marketing campaigns; direct mail advertising; marketing surveys and other public relations activities; employing advertising and/or public relations agencies to assist therein; sponsorship of organizations and events; purchasing promotional items; conducting and administering in-store promotions; and providing promotional and other marketing materials and services to the Gong cha Stores operating under the System.

13.2.3 Franchisee shall contribute to the System Ad Fund by separate payment made payable (or as otherwise directed for payment) to Franchisor. All sums paid by Franchisee to the System Ad Fund shall be accounted for separately and shall not be used to defray any of the expenses of Franchisor, except for such reasonable costs, salaries and overhead, if any, as Franchisor may incur in activities reasonably related to the direction and implementation of the System Ad Fund and marketing programs for operators and the System, including costs of personnel for creating and implementing marketing, advertising, and promotional programs. The System Ad Fund and any earnings from it shall not otherwise inure to the benefit of Franchisor. Franchisor shall maintain separate bookkeeping accounts for the System Ad Fund.

13.2.4 Franchisor reserves the right to contribute any portion of the System Ad Fund to the national brand marketing fund controlled by its Master Franchisor.

13.2.5 Franchisor, upon request, shall provide Franchisee with an annual accounting of System Ad Fund receipts and disbursements.

13.2.6 Franchisor reserves the right, in its sole discretion, to discontinue the System Ad Fund upon written notice to Franchisee.

13.2.7 Franchisor may, but is not required to, make available to Franchisee from time to time, marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, and similar marketing and promotional materials produced from contributions to the System Ad Fund. Franchisee acknowledges and agrees that it shall be reasonable for Franchisor to not provide any such materials to Franchisee during any period in which Franchisee is not in full compliance with its obligations to contribute to the System Ad Fund. Additionally, if monies of the System Ad Fund are used to produce point of sale materials, or other samples or other promotional materials and items, Franchisor may, on the behalf of the System Ad Fund, sell such items to franchisees in the System at a reasonable price, and any proceeds from the sale of such items or materials shall be contributed to the System Ad Fund.

13.3 **Cooperative Ad Fund**. Franchisor shall have the right to designate any geographical area for purposes of establishing a regional or local market advertising fund ("**Cooperative Ad Fund**"). If a Cooperative Ad Fund is established for the geographic area in which the Franchised Store is located, Franchisee shall become a member of such Cooperative Ad Fund within thirty (30) days after the date on which the Cooperative Ad Fund commences operation, or at the time the Franchisee commences operation hereunder. In no event shall Franchisee be required to be a member of more than one (1) Cooperative Ad Fund. The following provisions shall apply to each such Cooperative Ad Fund:

13.3.1 Each Cooperative Ad Fund shall be organized and governed in a form and manner, and shall commence operations on a date, approved in advance by Franchisor in writing. Unless otherwise specified by Franchisor, the activities carried on by each Cooperative Ad Fund shall be decided by a majority vote of its members. Any Gong cha Store that Franchisor operates in the region shall have the same voting rights as those owned by its franchisees. Each Gong cha Store franchisee

shall be entitled to cast one (1) vote for each Gong cha Store its operates that belongs to the Cooperative Ad Fund. Any disputes arising among any members of the Cooperative Ad Fund shall be resolved in accordance with the rules and procedures set forth in the Cooperative Ad Fund's governing documents.

13.3.2 Each Cooperative Ad Fund shall be organized for the exclusive purpose of administering regional or local advertising programs and developing, subject to Franchisor's approval, standardized promotional materials for use by the members in local advertising and promotion.

13.3.3 Franchisee shall contribute to the Cooperative Ad Fund in such amounts as Franchisor may specify pursuant to Section 13.1 above, unless the members of the Cooperative Ad Fund, by a majority vote conducted in accordance with the rules, bylaws, or other governing documents of the Cooperative Ad Fund, agree to increase the Cooperative Ad Fund contribution to a rate in excess of the amount required by Franchisor.

13.3.4 Franchisee shall submit its required contributions to the Cooperative Ad Fund at the time required by Franchisor, together with such statements or reports as may be required by Franchisor or by the Cooperative Ad Fund with Franchisor's prior written approval. If so requested by Franchisor in writing, Franchisee shall submit its payments and reports to the Cooperative Ad Fund directly to Franchisor for distribution to the Cooperative Ad Fund.

13.3.5 Franchisor maintains the right to terminate any Cooperative Ad Fund. A Cooperative Ad Fund shall not be terminated, however, until either: (a) all monies in that Cooperative Ad Fund have been expended for advertising and/or promotional purposes; or (b) Franchisor has transferred the unexpended monies to the System Ad Fund in the event there are no longer any Gong cha Stores operating within the geographic area covered by such Cooperative Ad Fund.

13.4 **Local Advertising**. Franchisee shall comply with the following with respect to "local advertising and promotion" for the Franchised Store :

13.4.1 Franchisee shall spend on an annual basis such amounts as Franchisor may specify in accordance with Section 13.1 above. Franchisee shall account for such expenditures on a routine basis and shall prepare, in accordance with the schedule and procedures specified by Franchisor from time to time, detailed reports describing the amount of money expended on local advertising and promotion during such previous period. Franchisee shall maintain all such statements, reports and records, and shall submit same to Franchisor as Franchisor may specify in the Manuals or otherwise request of Franchisee. Additionally, at the request of Franchisor, Franchisee shall submit bills, statements, invoices, or other documentation satisfactory to Franchisor to evidence Franchisee's advertising or marketing activities.

13.4.2 As used in this Agreement, the term "**local advertising and promotion**" shall refer to advertising and promotion related directly to the Franchised Store, and shall, unless otherwise specified, consist only of the direct costs of purchasing advertising materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), promotion, direct out-of-pocket expenses related to costs of advertising and sales promotion (including, but not limited to, advertising agency fees and expenses, cash and "in-kind" promotional payments to landlords, postage, shipping, telephone, and photocopying), and such other activities and expenses as Franchisor, in its sole discretion, may specify. Franchisor may provide to Franchisee, in the Manuals or otherwise in writing, information specifying the types of advertising and promotional activities and costs which shall not qualify as "local advertising and promotion," including, without limitation, the value of advertising coupons, and the costs of products provided for free or at a reduced charge for charities or other donations.

13.4.3 Upon written notice to Franchisee, Franchisor may require Franchisee to participate in mandatory promotions as Franchisor may develop and implement from time to time.

13.5 **Grand Opening Advertising**. In addition to the Advertising Obligation, Franchisee shall expend a minimum of Six Thousand Dollars ($6,000) for grand opening advertising and promotional programs in conjunction with the Franchised Store 's initial grand opening, pursuant to a grand opening marketing plan developed by Franchisor or developed by Franchisee and approved in writing by Franchisor (the "**Grand Opening Advertising Program**"). The Grand Opening Advertising Program shall be executed and completed within ninety (90) days after the Franchised Store commences operation. Franchisee shall submit to Franchisor, for Franchisor's prior written approval, a marketing plan and samples of all advertising and promotional material not prepared or previously approved by Franchisor. For the purpose of this Agreement, the Grand Opening Advertising Program shall be considered local advertising and promotion, as provided under Section 13.4 above. Franchisor reserves the right to require Franchisee to deposit with Franchisor the funds required under this Section 13.5 to distribute as may be necessary to conduct the Grand Opening Advertising Program.

13.6 **Standards for Advertising**. All advertising, marketing and promotion to be used by Franchisee, the System Ad Fund or any Cooperative Ad Fund shall be in such media and of such type and format as Franchisor may approve, shall be conducted in a dignified manner, and shall conform to such standards and requirements as Franchisor may specify. Franchisee shall not use any marketing or promotional plans or materials that are not provided by Franchisor unless and until Franchisee has submitted the materials to Franchisor, pursuant to the procedures and terms set forth in Section 13.7 herein.

13.7 **Social Media; Electronic Media**. As set forth in Section 7.7, Franchisee agrees not to transmit or cause any other party to transmit advertisements, solicitations, marketing information, promotional information or any other information whatsoever regarding Gong cha Stores by e-mail or any other Electronic Media without Franchisor's prior written consent and in accordance with such specific programs, policies, terms and conditions as Franchisor may from time to time establish in the Manuals or otherwise in writing. In no way limiting the foregoing, Franchisee must comply with Franchisor's social media management policy as established from time to time in the Manuals or otherwise in writing.

13.8 **Franchisor's Approval of Proposed Plans and Materials**. If Franchisee desires to use marketing and promotional plans and materials that have not been provided or previously approved by Franchisor, Franchisee shall submit samples of all such marketing and promotional plans and materials to Franchisor (as provided in Section 24 herein) for prior approval (including prices to be charged). If written notice of approval is not received by Franchisee from Franchisor within five (5) business days of the date of receipt by Franchisor of such samples or materials, Franchisor shall be deemed to have not approved them.

13.9 **Directory Listings**. Franchisee shall be required to obtain listings in and/or advertise with Franchisor and other franchisees in the System, on electronic directories and other on-line directories as Franchisor may designate. Franchisor reserves the right to place such, and subsequently modify or remove, on-line listings and advertisements on behalf of Franchisee. For any listings or advertisements posted by or on behalf of Franchisee, Franchisee shall promptly pay, upon demand by Franchisor, its pro-rata share of the costs. Additionally, these activities may be carried out through the use of the System Ad Fund.

13.10 **Ownership of Advertising Plans and Materials**. Franchisee acknowledges and agrees that any and all copyrights in and to advertising and promotional materials developed by or on behalf of Franchisee which bear the Proprietary Marks shall be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such

documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision. Any advertising, marketing, promotional, public relations, or sales concepts, plans, programs, activities, or materials proposed or developed by Franchisee for the Franchised Store or the System and approved by Franchisor may be used by Franchisor and other operators under the System of Franchisor without any compensation to Franchisee.

14. INSURANCE

14.1 **Insurance**. Franchisee shall procure at its expense and maintain in full force and effect during the term of this Agreement, an insurance policy or policies protecting Franchisee and Franchisor, and their officers, directors, partners and employees against any loss, liability, personal injury, death, or property damage or expense whatsoever arising or occurring upon or in connection with Franchisee's operations and the Franchised Store, as Franchisor may reasonably require for its own and Franchisee's protection. Franchisor and such of its respective affiliates shall be named additional insured in such policy or policies.

14.2 **Coverages**. Such policy or policies shall be written by an insurance company satisfactory to Franchisor in accordance with standards and specifications set forth in the Manuals or otherwise in writing; provided, however, that Franchisor shall have the right to designate from time to time, one or more insurance companies as the insurance carrier(s) for Gong cha Stores, and if required by Franchisor, Franchisee shall obtain its insurance coverage from the designated insurance company (or companies). The policy or policies shall include, at a minimum (except different coverages, umbrella coverages, and policy limits as may reasonably be specified for all Franchisees from time to time by Franchisor in the Manuals or otherwise in writing) the following:

14.2.1 Builder's risk insurance that satisfies the standards and specifications set forth by Franchisor in the Manuals or otherwise in writing to cover any period(s) of renovation or construction at the Franchised Store.

14.2.2 All risk coverage insurance on (i) all personal property covering the Franchised Store and Premises and contents thereof, including, without limitation, all supplies, inventory, fixtures, and equipment, containing a replacement value endorsement in an amount equal to the full replacement value thereof; and (ii) business interruption in an amount no less than One Million Dollars ($1,000,000) per occurrence.

14.2.3 Worker's compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state in which the Franchised Store is located and operated. If Franchisee is permitted to and elects not to have worker's compensation insurance for its owners and officers, Franchisee shall maintain coverages for these individuals at all times for work-related injuries.

14.2.4 Comprehensive general liability insurance with limits of at least One Million Dollars ($1,000,000) per occurrence, and Two Million Dollars ($2,000,000) general aggregate, and product liability insurance with limits of at least Two Million Dollars ($2,000,000) general aggregate including the following coverages: personal injury (employee and contractual inclusion deleted); products/completed operation; assault and battery; terrorism; and tenant's legal liability. All such coverages insuring Franchisor and Franchisee against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or on or about or otherwise relating to the Franchised Store. The required coverage amounts herein may be modified from time to time by Franchisor to reflect inflation or future experience with claims.

14.2.5 Automobile liability insurance, and property damage liability, including owned, non-owned, and hired vehicle coverage, with at least One Million Dollars ($1,000,000) combined single limit, and One Million Dollars ($1,000,000) general aggregate limit.

14.2.6 Excess liability coverage over general liability, automobile liability, and employer's liability, with at least Four Million Dollars ($4,000,000) per occurrence.

14.2.7 Such insurance and types of coverage as may be required by the terms of any lease for the Premises, or as may be required from time to time by Franchisor.

14.2.8 The insurance shall cover the acts or omissions of each and every one of the persons who perform services of whatever nature at the Franchised Store, and shall protect against all acts of any persons who patronize the Franchised Store and shall contain a waiver of subrogation against Franchisor. Franchisee shall immediately notify Franchisor, in writing, of any accidents, injury, occurrence or claim that might give rise to a liability or claim against Franchisor or which could materially affect Franchisee's business, and such notice shall be provided no later than the date upon which Franchisee notifies its insurance carrier.

14.3 **Certificates of Insurance**. The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by Franchisor. Prior to commencing any renovations or construction at the Franchised Store, Franchisee shall provide Franchisor with a Certificate of Insurance for the builder's risk insurance required under Section 14.2.1. At least thirty (30) days prior to the opening of the Franchised Store, and thereafter on an annual basis, Franchisee shall provide Franchisor with a Certificate of Insurance showing compliance with the foregoing requirements (except with respect to the builder's risk insurance, which shall have already been in effect pursuant to Section 14.2.1 above). Such certificate shall state that said policy or policies will not be canceled or altered without at least thirty (30) days prior written notice to Franchisor and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by Franchisee of the obligations under this Paragraph shall not relieve Franchisee of liability under the indemnity provision set forth in this Agreement. Franchisee acknowledges that minimum limits as required above may be modified by Franchisor in its sole discretion from time to time, by written notice to Franchisee.

14.4 **Franchisor's Right to Procure Insurance for Franchisee**. Should Franchisee, for any reason, not procure and maintain such insurance coverage as required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance coverage and to charge same to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

15. TRANSFER OF INTEREST

15.1 **Franchisor's Rights to Transfer**. Franchisor shall have the right, without the need for Franchisee's consent, to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, provided that any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Upon any such transfer or assignment, Franchisor shall be under no further obligation hereunder, except for accrued liabilities, if any. If Franchisor transfers or assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the "Gong cha Store" business or to offer or sell any products or services to Franchisee. In addition, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor may sell its assets, its Proprietary Marks, its Proprietary Products, or its System; may sell its securities in a public offering or in a private placement; may merge,

acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

15.2 **No Transfers Without Franchisor's Approval**. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee or the Principals of Franchisee, if Franchisee is not an individual, and that Franchisor has granted this franchise in reliance on Franchisee's or Franchisee's Principals' business skill, financial capacity, and personal character. Accordingly:

15.2.1 Franchisee shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber: (a) the rights and/or obligations of Franchisee under this Agreement; or (b) any material asset of Franchisee or the Franchised Store.

15.2.2 If Franchisee is a corporation or limited liability company, Franchisee shall not, without the prior written consent of Franchisor, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become a Principal under this Agreement, if so approved by Franchisor.

15.2.3 If Franchisee is a partnership or limited partnership, the partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner shall automatically be deemed a Principal under this Agreement.

15.2.4 A Principal shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber any ownership interest of the Principal in Franchisee, as such is identified in Exhibit B.

15.3 **Conditions on Transfer**. Franchisor shall not unreasonably withhold any consent required by Section 15.2 above. However, if the proposed transfer alone or together with other previous, simultaneous, or proposed transfers would: (a) have the effect of changing control of Franchisee; (b) result in the assignment of the rights and obligations of Franchisee under this Agreement; or (c) transfer the ownership interest in all or substantially all of the assets of the Franchised Store, Franchisor shall have the right to require any or all of the following as conditions of its approval:

15.3.1 All of Franchisee's monetary obligations and all other outstanding obligations to Franchisor, its affiliates, and the approved suppliers of the System have been satisfied in full;

15.3.2 Franchisee shall not be in default under any provision of this Agreement, any other agreement between Franchisee and Franchisor or its affiliate, any approved supplier of the System, or the lessor (or sublessor) of the Premises;

15.3.3 Each transferor (and, if the transferor is other than an individual, the transferor and such owners of beneficial interest in the transferor as Franchisor may request) shall have executed a general release in a form satisfactory to Franchisor of any and all claims against Franchisor and its affiliates and their respective officers, directors, agents, and employees;

15.3.4 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Franchisee. Additionally, the transferee and/or such owners of the transferee as Franchisor may request shall guarantee the performance of the transferee's obligations in writing in a form satisfactory to Franchisor;

15.3.5 The transferee shall demonstrate to Franchisor's satisfaction that the terms of the proposed transfer do not place an unreasonable financial or operational burden on the transferee, and that the transferee (or, if the transferee is other than an individual, such owners of beneficial interest in the transferee as Franchisor may request) meets Franchisor's then-current application qualifications (which may include educational, managerial, socially responsible and business standards, as well as good moral character, business reputation, and credit rating); has the aptitude and ability to operate the Franchised Store ; absence of conflicting interests; and has adequate financial resources and capital to operate the Franchised Store ;

15.3.6 At Franchisor's option, the transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) shall execute the form of franchise agreement then being offered to new System franchisees, and such other ancillary agreements required by Franchisor for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, higher and/or additional fees;

15.3.7 If so requested by Franchisor, the transferee, at its expense, shall upgrade the Franchised Store, and other equipment to conform to the then-current standards and specifications of new Gong cha Stores then being established in the System, and shall complete the upgrading and other requirements within the time specified by Franchisor.

15.3.8 The transferor shall remain liable for all of the obligations to Franchisor in connection with the Franchised Store that arose prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

15.3.9 The transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) and the transferee's manager (if applicable) shall, at the transferee's expense, successfully attend and successfully complete any training programs then in effect for operators and managers upon such terms and conditions as Franchisor may reasonably require;

15.3.10 Franchisee shall pay a transfer fee in an amount equal to fifty percent (50%) of Franchisor's then-current initial franchise fee to compensate Franchisor for its expenses incurred in connection with the transfer.

15.3.11 The transferor(s), at the request of Franchisor, shall agree in writing to comply with the covenants set forth in Section 18 below.

15.4 **Additional Terms**. For any transfer not covered by Section 15.3, each transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) shall, in addition to the requirement of obtaining Franchisor's consent as provided in Section 15.2, be subject to the requirements of Sections 15.3.3 and 15.3.4 above (with respect to execution of releases and personal guarantees).

15.5 **Security Interests**. Neither Franchisee nor any Principal shall grant a security interest in, or otherwise encumber, any of the assets or securities of Franchisee, including the Franchised Store unless Franchisee satisfies the requirements of Franchisor, which include, without limitation, execution of an agreement by the secured party in which it acknowledges the creditor's obligations under this Section 15, and agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure any default of Franchisee, and, in the event Franchisor exercises such option, any acceleration of indebtedness resulting from Franchisee's default shall be void.

15.6 **Right of First Refusal**. If Franchisee or any Principal desires to accept any *bona fide* offer from a third party to purchase Franchisee, any material asset of Franchisee, or any direct or indirect interest in Franchisee, Franchisee or such Principal shall promptly notify Franchisor, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of the written transfer request and the required information and documentation related to the offer (including any information that Franchisor may reasonably request to supplement or clarify information provided to Franchisor with the written transfer request), to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party; provided, however, a spouse, domestic partner, parent or child of the seller shall not be considered a third party for purposes of this Section 15.6. If Franchisor elects to purchase the seller's interest, closing on such purchase shall occur within forty-five (45) days from the date of notice to the seller of the election to purchase by Franchisor, or, if longer, on the same timetable as contained in the *bona fide* offer.

15.6.1 Any material change thereafter in the terms of the offer from the third party or by Franchisee, or a change in the identity of the third party shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 15.6 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 15, with respect to a proposed transfer.

15.6.2 If the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest 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, Franchisor shall designate an independent appraiser to make a binding determination. The cost of any such appraisal shall be shared equally by Franchisor and Franchisee. If Franchisor elects to exercise its right under this Section 15.6, Franchisor shall have the right to set off all amounts due from Franchisee, and one-half (½) of the cost of the appraisal, if any, against any payment to the seller.

15.7 **Death of a Principal**. Upon the death of a Principal, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party acceptable to and approved by Franchisor within twelve (12) months after the death.

15.8 **Permanent Disability of Controlling Principal**. Upon the permanent disability of any Principal with a controlling interest in Franchisee, Franchisor shall have the right to require such interest to be transferred to a third party in accordance with the conditions described in this Section 15 within six (6) months after notice to Franchisee. "**Permanent Disability**" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months; and from which recovery within six (6) consecutive months from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 15.8 as of the date of refusal. Franchisor shall pay the cost of the required examination.

15.9 **Notice to Franchisor of Death or Permanent Disability**. Upon the death or permanent disability of Franchisee or any Principal of Franchisee, such person or his representative shall promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as any *inter vivos* transfer.

15.10 **Limited Exceptions**. Notwithstanding anything to the contrary in this Section 15:

15.10.1 Franchisee shall not be required to pay the transfer fee due under Section 15.3.10 above, if the transferee: (a) is a spouse, parent, or direct lineal descendant or sibling of Franchisee or of a Principal of Franchisee (or more than one of such persons), provided that the transferee has been involved in, and is knowledgeable regarding, the operations of the Franchised Store ; (b) is a Principal of Franchisee; or (c); is a transferee under Sections 15.7 or 15.8 above.

15.10.2 If Franchisee is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 15.3.6 (signing a new franchise agreement), 15.3.7 (upgrading the Franchised Store), and 15.3.10 (transfer fee) shall not apply, and Franchisee may undertake such transfer, provided that: (a) Franchisee owns one hundred percent (100%) of the equity interest in the transferee entity; (b) Franchisee and any other Principal(s) personally guarantee, in a written guaranty satisfactory to Franchisor, the performance of the obligations of the Franchisee under the Franchise Agreement; (c) Franchisee executes a Transfer of Franchise form as prescribed and approved by Franchisor; (d) such transferee entity is newly organized and its business purpose is confined exclusively to operating the Franchised Store under this Agreement; and (e) Franchisee and any other Principal(s) execute any and all other ancillary agreements as Franchisor may require.

15.11 **Securities Offerings**. All materials required for any offering of securities or partnership interests in Franchisee by federal or state law shall be submitted to Franchisor by the offeror for review prior to filing with any government agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for review prior to their use. No offering shall imply, by use of the Proprietary Marks or otherwise, that Franchisor is participating in an underwriting, issuance, or offering of securities of either Franchisee or Franchisor; and review by Franchisor of any offering shall be limited solely to the subject of the relationship between Franchisee and Franchisor. At its option, Franchisor may require the offering materials to contain written statements or disclaimers prescribed by Franchisor including, but not limited to, any limitations stated above in this paragraph. Franchisee and the other participants in the offering must fully indemnify Franchisor in connection with the offering. For each proposed offering, Franchisee shall reimburse Franchisor for its actual costs and expenses associated with reviewing the proposed offering materials, including legal and accounting fees. Franchisee shall give Franchisor written notice at least sixty (60) days prior to the date of commencement of any offering or other transaction covered by this Section 15.11. Any such offering shall be subject to prior written consent of Franchisor and right of first refusal as provided in Section 15.6.

15.12 **No Waiver**. The consent of Franchisor to any transfer pursuant to this Section 15 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be a waiver of the right of Franchisor to demand exact compliance with any of the terms of this Agreement by any transferor or transferee.

15.13 **Bankruptcy**. If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of the ownership of Franchisee, Franchisee's obligations and/or rights hereunder and/or any material assets of Franchisee, shall be subject to all of the terms of this Section 15.

15.14 **No Transfers in Violation of Law**. Notwithstanding anything to the contrary in this Agreement, no transfer shall be made if the transferee, any of its affiliates, or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

16. **DEFAULT AND TERMINATION**

16.1 **Automatic Termination**. Franchisee shall be in default under this Agreement, and all rights granted to Franchisee herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; if Franchisee is adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if Franchisee is dissolved; if execution is levied against Franchisee's business or property; if suit to foreclose any lien or mortgage against the Premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Store shall be sold after levy thereupon by any sheriff, marshal, or constable.

16.2 **Termination Upon Notice**. Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately by giving written notice to Franchisee (in the manner provided under Section 24 hereof), upon the occurrence of any of the following events:

16.2.1 If Franchisee fails to complete all pre-opening obligations and to open the Franchised Store within the time limits as provided in Section 5.4 above;

16.2.2 If Franchisee or any of its Principals is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the Products, the goodwill associated therewith, or the interest of Franchisor therein;

16.2.3 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Store ;

16.2.4 If Franchisee's action or inaction, at any time, results in the loss of the right to possession of the Premises, or forfeiture of the right to do or transact business in the jurisdiction where the Franchised Store is located;

16.2.5 If Franchisee or any Principal purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 15 hereof;

16.2.6 If Franchisee knowingly maintains false books or records, or knowingly submits any false statements or reports to Franchisor;

16.2.7 If, contrary to the terms of Sections 9 or 10 hereof, Franchisee discloses or divulges the contents of the Manuals or other confidential information provided to Franchisee by Franchisor;

16.2.8 If Franchisee fails to comply with the covenants in Section 18.2 below or fails to timely obtain execution of the covenants required under Section 18.5 below;

16.2.9 If Franchisee misuses or makes any unauthorized use of the Proprietary Marks or any other identifying characteristics of the System, or if Franchisee otherwise operates the Franchised Store in a manner that materially impairs the reputation or goodwill associated with the System, Proprietary Marks, Products, or the rights of Franchisor therein;

16.2.10 If Franchisee, after curing a default pursuant to Sections 16.3 or 16.4 hereof, commits the same default again, whether or not cured after notice.

16.2.11 If Franchisee commits three (3) or more defaults under this Agreement in any twelve (12) month period, whether or not each such default has been cured after notice (this provision in no way limits Section 16.2.10 above);

16.2.12 If Franchisee at any time ceases to operate or otherwise abandons the Franchised Store for a period of two (2) consecutive days unless such closure is approved in writing by Franchisor, or excused by *force majeure*.

16.2.13 If Franchisee breaches any material provision of this Agreement which breach is not susceptible to cure.

16.3 **Notice and Opportunity to Cure - 7 Days**. Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least seven (7) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the seven (7) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the seven (7) day period or such longer period as applicable law may require.

16.3.1 If Franchisee fails, refuses, or neglects promptly to pay any monies owing to Franchisor or its affiliates when due;

16.3.2 If Franchisee refuses to permit Franchisor to inspect the Premises, or the books, records, or accounts of Franchisee upon demand; or

16.3.3 If Franchisee fails to operate the Franchised Store during such days and hours specified in the Manuals (this provision in no way limits Section 16.2.12).

16.4 **Notice and Opportunity to Cure - 30 Days**. Except as otherwise provided in Sections 16.1, 16.2 and 16.3 of this Agreement, upon any other default by Franchisee, Franchisor may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the thirty (30) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

16.5 **Loss of Master Franchising Rights**. In the event that the master franchising agreement between Franchisor and Master Franchisor expires or is terminated, for any reason whatsoever, Franchisor may, at its option and sole discretion, terminate this Agreement and all rights granted

hereunder, by giving thirty (30) days prior written notice to Franchisee (in the manner provided under Section 24 hereof). In such event, alternatively, Franchisor may choose, at its option and sole discretion, not to terminate this Agreement, and either (i) require Franchisee to make changes to the System pursuant to Section 8.27 herein or (ii) assign this Agreement to Master Franchisor pursuant to Section 15.1 herein. Franchisee expressly waives any claims, demands or damages arising from or related to termination or expiration of the master franchising agreement and/or termination of this Agreement including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

16.6 **Step in Rights**. In order to prevent any interruption of the operations which would cause harm to the Franchised Store, thereby depreciating the value thereof, Franchisor has the right, but not the obligation, to step-in and designate an individual of its choosing (an "**Interim Manager**") for so long as Franchisor deems necessary and practical to temporarily manage the Franchised Store in the event that: (i) Franchisee fails to comply with any provision of this Agreement and does not cure the failure within the time period specified in this Agreement; (ii) Franchisor determines in its sole discretion that the operation of the Franchised Store is in jeopardy; (iii) Franchisor determines in its sole discretion that operational problems and deficiencies require that Franchisor operate the Franchised Store; (iv) Franchisee abandons or fails to actively operate the Franchised Store; (v) the Designated Principal dies or is determined to be temporarily or permanently disabled; or (vi) Franchisor deems Franchisee incapable of operating the Franchised Store ("**Step-in Rights**"). If Franchisor exercises its Step-in Rights, then: (i) Franchisor shall keep in a separate account all monies generated by the operation of the Franchised Store, less the expenses of the Franchised Store, including reasonable compensation and expenses for Franchisor's representatives (including an Interim Manager) as well as Franchisor's other expenses incurred in exercising its rights; (ii) Franchisee agrees to hold harmless Franchisor and its representatives for all actions occurring during the course of such temporary management of the Franchised Store and acknowledges that the Interim Manager and such representatives will have no liability to Franchisee, except to the extent directly caused by gross negligence or willful misconduct; (iii) Franchisee agrees to pay Franchisor its then current management fee; (iv) Franchisee agrees to pay Franchisor (in addition to the management fee) all of its reasonable costs and expenses, including, but not limited to, attorneys' fees incurred as a consequence of exercising its Step- In Rights; and (v) Franchisee acknowledges that Franchisor and Franchisor's representatives (including an Interim Manager) will have a duty to utilize only reasonable efforts and will not be liable to Franchisee or Franchisee's Principals or owners for any debts, losses, damages, or obligations Franchisee or the Franchised Store incurs, or to any of Franchisee's or the Franchised Store's suppliers, vendors or creditors for any supplies, products, or other assets or services Franchisee or the Franchised Store purchases, while managed by Franchisor or an Interim Manager. Nothing contained herein shall prevent Franchisor from exercising any other right which it may have under this Agreement, including, without limitation, termination. The foregoing shall be in addition to all other remedies available to Franchisor under this Agreement and at law.

16.7 **Cross Defaults**. Any default by Franchisee under this Agreement may be regarded as a default under any other agreement between Franchisor (or any affiliate of Franchisor) and Franchisee (or any affiliate of Franchisee). Any default by Franchisee under any other agreement between Franchisor (or any affiliate of Franchisor) and Franchisee (or any affiliate of Franchisee) may be regarded as a default under this Agreement.

17. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall terminate, and:

17.1 **Liquidated Damages**. Franchisee confirms that Franchisor will suffer substantial damages by virtue of the termination of this Agreement, including, without limitation, lost Royalty Fees,

lost market penetration and goodwill in the Territory, lost opportunity costs and the expense Franchisor will incur in developing another franchise for the Territory, which damages are impractical and extremely difficult to ascertain and/or calculate accurately, and the proof of which would be burdensome and costly, although such damages are real and meaningful to Franchisor and the System. Accordingly, in the event that Franchisor terminates this Agreement for Franchisee's default hereunder, Franchisee agrees to pay to Franchisor in a lump sum on the effective date of termination, in addition to the amounts owed hereunder, liquidated damages, which represents a fair and reasonable estimate of Franchisor's foreseeable losses as a result of such termination, and which are not in any way intended to be a penalty, in an amount equal to the average monthly Royalty Fees paid (or payable) over the preceding twelve (12) calendar months (pro-rated for partial months) prior to termination (or if the Franchised Store has been in operation less than twelve (12) months, over the months since commencement of operations) multiplied by the number of calendar months (pro-rated for partial months) remaining in the term of this Agreement at the time of termination. Franchisee's payment to Franchisor under this Section will be in lieu of any direct monetary damages that Franchisor may incur as a result of Franchisor's loss of Royalty Fees that would have been owed to Franchisor after the date of termination; however, such payment shall be in addition to all damages and other amounts arising under this Agreement, including, without limitation, Section 16 and Section 17, Franchisor's right to injunctive relief, and any attorneys' fees and other costs and expenses to which Franchisor is entitled under this Agreement. The foregoing shall be in addition to all other remedies available to Franchisor under this Agreement and at law.

17.2 **Stop Operating**. Franchisee shall immediately cease to operate the Franchised Store, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor in connection with the promotion or operation of any other business.

17.3 **Stop Using the System**. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System; the Proprietary Mark "Gong cha" and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use all signs, marketing materials, displays, stationery, forms, products, and any other articles which display the Proprietary Marks.

17.4 **Cancel Assumed Names**. Franchisee shall take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by Franchisee which contains the mark "Gong cha" or any other Proprietary Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

17.5 **The Premises**. Franchisee shall, at the option of Franchisor, assign to Franchisor any interest which Franchisee has in any lease or sublease for the Premises. In the event Franchisor does not elect to exercise its option to acquire the lease or sublease for the Premises, Franchisee shall make such modifications or alterations to the Premises immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of the Premises from that of a Gong cha Store under the System, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with the requirements of this Section 17.4, Franchisor shall have the right to enter upon the Premises, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. Additionally, if Franchisor does not elect to exercise the option to acquire the lease/sublease, Franchisee shall comply with Section 18.3 below regarding a Competitive Business (as defined in Section 18.2.3 below).

17.6 **Phone Numbers and Directory Listings**. In addition, Franchisee shall cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by Franchisor, used by Franchisee while operating the Franchised Store, and shall promptly execute such documents or take such steps necessary to remove reference to the Franchised Store from all trade or business telephone directories, including "yellow" and "white" pages, or at Franchisor's request transfer same to Franchisor. Franchisee hereby authorizes Franchisor to instruct issuers of any telephone and internet domain name services, and other providers to transfer any such telephone numbers, domain names, websites, addresses, and any other identifiers to Franchisor upon termination of this Agreement, without need for any further approval from Franchisee. Without limiting the foregoing, Franchisee hereby agrees to execute a Telephone Number Assignment and Power of Attorney form attached to this Agreement as Exhibit F in order to implement this Section 17.5.

17.7 **No Use of Proprietary Marks or Trade Dress in other Businesses**. Franchisee agrees, in the event it continues to operate, or subsequently begins to operate, any other business, not to use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which, in the sole discretion of Franchisor, is likely to cause confusion, mistake, or deception, or which, in the sole discretion of Franchisor, is likely to dilute the rights of Franchisor in and to the Proprietary Marks. Franchisee further agrees not to utilize any designation of origin, description, or representation (including but not limited to reference to Franchisor, the System, or the Proprietary Marks) which, in the sole discretion of Franchisor, suggests or represents a present or former association or connection with Franchisor, the System, or the Proprietary Marks.

17.8 **Pay Franchisor All Amounts Due**. Franchisee shall promptly pay all sums owing to Franchisor and its affiliates. In the event of termination for any default of Franchisee, such sums shall include, without limitation, all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default and termination, which obligation shall give rise to, and remain until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Franchisee and on the Premises at the time of default.

17.9 **Return of Manuals and Confidential Information**. Franchisee shall, at its own expense, immediately deliver to Franchisor the Manuals and all other records, computer disks, correspondence, and instructions containing confidential information relating to the operation of the Franchised Store (and any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be the property of Franchisor.

17.10 **Franchisor's Option to Purchase Certain Assets**. Franchisor shall have the option, to be exercised within thirty (30) days after termination, to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of Franchisee related to the operation of the Franchised Store, at the lesser of Franchisee's cost or fair market value. The cost for such items shall be determined based upon a five (5) year straight-line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee.

17.11 **Comply with Covenants**. Franchisee and its Principals shall comply with the covenants contained in Section 18.3 of this Agreement.

18. COVENANTS

18.1 **Full Time and Best Efforts**. Franchisee covenants that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (or, if Franchisee is not an

individual, the Designated Principal) and Franchisee's fully trained General Manager shall devote full time and best efforts to the management and operation of the Franchised Store.

18.2 **During the Agreement Term**. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable, specialized training and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity:

18.2.1 Divert or attempt to divert any present or prospective business or customer of any Gong cha Store 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 Proprietary Marks and the System;

18.2.2 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business (as defined below). A "**Competitive Business**" shall be considered (i) any business with sales of tea products equal to or greater than fifty percent (50%) of total sales; and/or (ii) any retail store or other business that is the same as or similar to a Gong cha Store. Franchisee acknowledges and agrees that Franchisee shall be considered in default under this Agreement and that this Agreement will be subject to termination as provided in Section 16.2.8 herein, in the event that a person in the immediate family (including spouse, domestic partner, parent or child) of Franchisee (or, if Franchisee is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 18.2.3 if such person was subject to the covenants of this Section 18.2.3.

18.3 **After the Agreement and After a Transfer**. Franchisee covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years commencing upon the date of: (a) a transfer permitted under Section 15 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 18.3; or (e) any or all of the foregoing:

18.3.1 Franchisee shall not either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is located at the Approved Location for the Franchised Store. It is acknowledged between the parties that the intent of this Section 18.3.1 is not to prohibit Franchisee from engaging in a Competitive Business within the State of California after the expiration or termination of this Agreement and that Franchisee is free to do so (subject, of course, to all post term obligations under this Agreement). It is the intent of this Section 18.3.1 that the only restriction on Franchisee's business activities will be that Franchisee cannot operate a Competitive Business at or from the Approved Location for the Franchised Store so that we may exercise our rights with respect to Section 17.4 and elsewhere in this Agreement and related documents;

18.3.2 Franchisee shall not sublease, assign, or sell Franchisee's interest in any lease, sublease, or ownership of the Premises or assets of the Franchised Store to a third party for the operation of a Competitive Business, or otherwise arrange or assist in arranging for the operation by a third party of a Competitive Business.

18.4 **Exception for Ownership in Public Entities**. Sections 18.2.3 and 18.3 shall not apply to ownership by Franchisee of a less than five percent (5%) beneficial interest in the outstanding equity securities of any corporation which has securities registered under the Securities Exchange Act of 1934.

18.5 **Personal Covenants**. Franchisee shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 18 (including covenants applicable upon the termination of a person's relationship with Franchisee) and the provisions of Sections 10 and 11 of this Agreement (as modified to apply to an individual) from all managers and other personnel employed by Franchisee who have received or will receive training and/or other confidential information. Every covenant required by this Section 18.5 shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them, the current form of which is attached as Exhibit E.

18.6 **Covenants as Independent Clauses**. 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 18 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee 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 18.

18.7 **Franchisor's Right to Reduce Scope of the Covenants**. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section 18, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 25 hereof.

18.8 **Covenants Survive Claims**. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 18; provided, however, any claims Franchisee may have against Franchisor may be brought in a separate proceeding. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 18.

18.9 **Injunctive Relief**. Franchisee acknowledges that the foregoing restrictions are reasonable, are not vague or indefinite, and are designed to protect the legitimate business interests of Franchisor and the System, and that in the event of a breach of covenants contained in this Section 18, the damage to Franchisor would be difficult to ascertain and, in addition to other rights and remedies, Franchisor shall be entitled to seek injunctive and/or other equitable relief against the violation of any said covenants, together with reasonable attorneys' fees and costs.

19. CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP

19.1 **List of Principals**. If Franchisee is a corporation, limited liability company, or partnership, each Principal of Franchisee, and the ownership interest of each Principal in Franchisee, shall be identified in Exhibit B hereto. Franchisee shall maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit B upon any change, which shall be made only in compliance with Section 15 above. As set forth in Section 8.3, the Designated Principal shall at all times have at least a ten percent (10%) interest in Franchisee.

19.2 **Guaranty, Indemnification, and Acknowledgment**. Each Principal shall execute a guaranty, indemnification, and acknowledgment of Franchisee's covenants and obligations under this Agreement in the form attached hereto as Exhibit C.

19.3 **Corporations and Limited Liability Companies**. If Franchisee or any successor to or assignee of Franchisee is a corporation or a limited liability company, Franchisee shall comply with the following requirements:

19.3.1 Franchisee shall be newly organized and its governing documents shall at all times provide that its activities are confined exclusively to operating the Franchised Store.

19.3.2 Franchisee shall, upon request of Franchisor, promptly furnish to Franchisor copies of Franchisee's articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members authorizing entry into this Agreement.

19.3.3 Franchisee shall maintain stop-transfer instructions on its records against the transfer of any equity securities of Franchisee; and each stock certificate or issued securities of Franchisee shall conspicuously include upon its face a statement, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 19.3.3 shall not apply to a publicly held corporation.

19.4 **Partnerships and Limited Liability Partnerships**. If Franchisee or any successor to or assignee of Franchisee is a partnership or limited liability partnership, Franchisee shall comply with the following requirements:

19.4.1 Franchisee shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to operating the Franchised Store.

19.4.2 Franchise shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

19.4.3 The partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

20. TAXES, PERMITS, AND INDEBTEDNESS

20.1 **Taxes**. Franchisee shall promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Store. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax or assessment (other than income tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor.

20.2 **Dispute About Taxes**. In the event of any *bona fide* dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but in no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the Premises of the Franchised Store, or any improvements thereon.

20.3 **Compliance with Laws**. Franchisee shall comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Store, including licenses to do business, fictitious name registrations, sales tax permits, and fire clearances.

21. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

21.1 **No Fiduciary Relationship**. Franchisee is an independent contractor. Franchisor and Franchisee are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither shall have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement shall be construed to alter the relationship. Franchisee shall be solely responsible for compliance with all federal, state, and local laws, rules and regulations, and for Franchisee's policies, practices, and decisions relating to the operation of the Franchised Store.

21.2 **Public Notice**. During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Store pursuant to a franchise agreement from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including exhibiting a notice of that fact in a conspicuous place at the Premises, the content of which Franchisor reserves the right to specify, including language identifying Franchisee as an independent business in all dealings with customers, employees, suppliers and others.

21.3 **No Assumption of Liability**. Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on the behalf of Franchisor, or to incur any debt or other obligation in the name of Franchisor; and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Franchisee in its operation of the Franchised Store or for any claim or judgment arising therefrom against Franchisee or Franchisor.

21.4 **Indemnification**.

21.4.1 Franchisee must defend, indemnify, and hold harmless Franchisor and its affiliates, and their successors and assigns, and each of their respective direct and indirect owners, directors, officers, managers, employees, agents, attorneys, and representatives (collectively, the "**Indemnified Parties**"), from and against all Losses (defined below) which any of the Indemnified Parties may suffer, sustain, or incur as a result of a claim asserted or threatened or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought, by a third party and directly or indirectly arising out of the Franchised Store's operation, Franchisee's conduct of business under this Agreement, Franchisee's breach of this Agreement, or Franchisee's noncompliance or alleged noncompliance with any law, ordinance, rule, or regulation, including any allegation that Franchisor or another Indemnified Party is a joint employer or otherwise responsible for Franchisee's acts or omissions relating to Franchisee's employees. Franchisor will promptly notify Franchisee of any claim that may give rise to a claim of indemnity under this provision, provided, however, that its failure to provide such notice will not release Franchisee from its indemnification obligations under this Section except to the extent Franchisee is actually and materially prejudiced by such failure.

21.4.2 Franchisee has the right, upon written notice delivered to the Indemnified Party within 15 days thereafter assuming full responsibility for Losses resulting from such claim, to assume and control the defense of such claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of such counsel's fees and disbursements. If (a) the Indemnified Party has been advised by counsel that there are one or more legal or equitable defenses available to it that are different from or in addition to those available to Franchisee and, in the Indemnified Party's reasonable opinion, Franchisee's counsel could not adequately represent the interests of the Indemnified

Party because such interests could be in conflict with Franchisee's interests, or (b) Franchisee does not assume responsibility for such Losses in a timely manner or fails to defend a claim with counsel reasonably satisfactory to the Indemnified Party as contemplated above, then the Indemnified Party will have the right to employ counsel of its own choosing, and Franchisee must pay the fees and disbursements of such Indemnified Party's counsel as incurred. In connection with any claim, the Indemnified Party or Franchisee, whichever is not assuming the defense of such claim, will have the right to participate in such claim and to retain its own counsel at such party's own expense. Franchisee or the Indemnified Party (as the case may be) agrees to keep the other reasonably apprised of, and respond to any reasonable requests concerning, the status of the defense of any claim, and Franchisee and the Indemnified Party agree to cooperate in good faith with each other with respect to the defense of any such claim. Franchisee may not, without the Indemnified Party's prior written consent, (1) settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Indemnified Party and its affiliates, direct and indirect owners, directors, managers, employees, agents and representatives, or (2) settle or compromise any claim in any manner that may adversely affect the Indemnified Party other than as a result of money damages or other monetary payments which will be paid by Franchisee. No claim which is being defended in good faith by Franchisee in accordance with this Section may be settled by the Indemnified Party without Franchisee's prior written consent. Notwithstanding anything to the contrary in this Section, if a claim involves the Proprietary Marks, Franchisee agrees that Franchisor has the exclusive right to assume the defense of such claim, at Franchisee's expense with counsel selected by Franchisor, but reasonably satisfactory to Franchisee.

21.4.3 Franchisee has no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, willful misconduct, or willful wrongful omissions, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employment) or Franchisor's failure to compel Franchisee to comply with this Agreement.

21.4.4 For purposes of this Section, "**Losses**" include all obligations, liabilities, damages (actual, consequential, or otherwise), and defense costs that any Indemnified Party incurs. Defense costs include, without limitation, accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, and alternative dispute resolution.

21.4.5 Franchisee's obligations in this Section will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against Franchisee under this Section. Franchisee agrees that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from Franchisee under this Section.

22. APPROVALS AND WAIVERS

22.1 **Approval Requests**. Whenever this Agreement requires the prior authorization, approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing.

22.2 **Non-waiver**. No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right

to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

23. WARRANTIES OF OPERATOR

23.1 **Reliance by Franchisor**. Franchisor entered into this Agreement in reliance upon the statements and information submitted to Franchisor by Franchisee in connection with this Agreement. Franchisee represents and warrants that all such statements and information submitted by Franchisee in connection with this Agreement are true, correct and complete in all material respects. Franchisee agrees to promptly advise Franchisor of any material changes in the information or statements submitted.

23.2 **Compliance with Laws**. Franchisee represents and warrants to Franchisor that neither Franchisee (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

24. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

25. ENTIRE AGREEMENT

Franchisor and Franchisee, and any Principal, each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement. Recognizing the costs on both Franchisor and Franchisee which are uncertain, Franchisor and Franchisee each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings which have been or may in the future be, exchanged between them, serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, Franchisor and Franchisee agree and promise each other that this Agreement supercedes and cancels any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements or any other term), between Franchisor or anyone acting on its behalf and Franchisee or anyone acting on its behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such term) with respect to the rights and obligations of Franchisor and Franchisee or the relationship between them. Franchisor and Franchisee agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings. In accordance with the foregoing, it is understood and acknowledged that this Agreement, the attachments hereto, and the documents referred to herein constitute the entire Agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede any prior agreements, no other representations having induced Franchisee to execute this Agreement. Except for those permitted to

be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Section 25 is intended to disclaim any of the information contained in Franchisor's Franchise Disclosure Document or its attachments or exhibits.

26. SEVERABILITY AND CONSTRUCTION

26.1 **Severable Parts**. Except as expressly provided to the contrary herein, each portion, 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 portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

26.2 **Terms Surviving this Agreement**. Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause), shall survive such expiration, termination or assignment.

26.3 **No Rights on Third Parties**. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 15 hereof, any rights or remedies under or by reason of this Agreement.

26.4 **Full Scope of Terms**. Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision 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 or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

26.5 **Franchisor's Application of its Rights**. Franchisor shall have the right to operate, develop and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right and/or discretion to take or withhold an action, or is deemed to have a right and/or discretion to take or withhold an action, or a right to grant or decline to grant Franchisee a right to take or omit an action, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and in its judgment of what is in Franchisor's best interests and/or in the best interests of Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interests; (iii) Franchisor's decision or the action it take applies differently to Franchisee and one or more other franchisees or Franchisor's company-owed operations; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor rights or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement

grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

27. APPLICABLE LAW AND DISPUTE RESOLUTION

27.1 **Governing Law**. This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed under the laws of the State of California. In the event of any conflict of law, the laws of California shall prevail, without regard to, and without giving effect to, the application of California conflict of law rules.

27.2 **Non-Binding Mediation**. Before any party may bring an action in arbitration or in court against the other, the parties must first meet to mediate the dispute (except for controversies, disputes, or claims related to or based on improper use of the Proprietary Marks or Confidential Information). Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. All mediation proceedings will be conducted at a suitable location chosen by the mediator, which is within a five (5) mile radius of Franchisor's then current principal place of business, unless we agree otherwise in writing. Notwithstanding anything to the contrary, this Section 27.2 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation. Mediation hereunder shall be concluded within forty five (45) days of Franchisee's receipt of the notice specifying the designated mediator or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Franchisor and Franchisee shall each bear its own costs of mediation, and each shall bear one-half (½) the cost of the mediator or mediation service. This Section 27.2 mandating non-binding mediation shall not be applicable to any claim or dispute arising under this Agreement or any other agreement between the parties which relates to the failure to pay fees or other monetary obligation(s) of either party under said agreement(s).

27.3 **Arbitration**. Franchisor and Franchisee agree that, subject to Section 27.2 herein, and except for controversies, disputes, or claims related to or based on improper use of the Proprietary Marks or Confidential Information, all controversies, disputes, or claims between Franchisor and Franchisor's affiliates, and Franchisor's and their respective shareholders, members, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees) arising out of or related to:

(1) this Agreement or any other agreement between Franchisee and Franchisor;

(2) Franchisor's relationship with Franchisee;

(3) the validity of this Agreement or any other agreement between Franchisee and Franchisor; or

(4) any System standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association in the United States ("AAA"). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA's then current rules. All proceedings will be conducted at a suitable location chosen by the arbitrator, which is within a five (5) mile radius of Franchisor's then current principal place of business. The arbitrator shall have no authority to select a different hearing locale. All matters relating to arbitration will be governed by the United

States Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

27.3.1 The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs (as allowable under this Agreement or applicable law), provided that the arbitrator may not declare any Proprietary Mark generic or otherwise invalid or, as expressly provided in Section 27.7 below, award any punitive, exemplary or multiple damages against either party.

27.3.2 Franchisor and Franchisee agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. Franchisor and Franchisee further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the United States Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Franchisee or Franchisor.

27.3.3 Franchisor and Franchisee agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Franchisor and Franchisor's affiliates, and Franchisor's and their respective shareholders, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between Franchisor and any other person.

27.3.4 Despite Franchisor's and Franchisee's agreement to arbitrate, Franchisor and Franchisee each have the right to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that Franchisor and Franchisee must contemporaneously submit Franchisor's dispute for arbitration on the merits as provided in this Section 27.3.

27.3.5 The provisions of this Section are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

27.4 **Consent to Jurisdiction**. Subject to the mediation and arbitration obligations in Sections 27.2 and 27.3, any judicial action must be brought in a court of competent jurisdiction in the state, and in (or closest to) the county, where Franchisor's headquarters are then located. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to such jurisdiction or venue. Notwithstanding the foregoing, Franchisor may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce an arbitration award or judicial decision, in any federal or state court in the county in which Franchisee resides or the Franchised Store is located.

27.5 **No Rights Exclusive of Other Rights**. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

27.6 **WAIVER OF JURY TRIAL**. FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER A LEGAL ACTION, IN MEDIATION, OR IN ARBITRATION.

27.7 **WAIVER OF PUNITIVE DAMAGES**. FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER.

27.8 **Limitation**. The parties agree that, except as provided below, no mediation or arbitration proceeding, action or suit (whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense or otherwise) by either party will lie against the other (nor will any action or suit by Franchisee against any person and/or entity affiliated with Franchisor), whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other claim of any type, unless such party will have commenced such mediation or arbitration proceeding, action or suit before the expiration of the earlier of: (a) One hundred eighty (180) days after the date upon which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or (b) One (1) year after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

27.8.1 Notwithstanding the foregoing limitations, where any federal, state or provincial law provides for a shorter limitation period than above described, whether upon notice or otherwise, such shorter period will govern.

27.8.2 The foregoing limitations may, where brought into effect by Franchisor's failure to commence an action within the time periods specified, operate to exclude Franchisor's right to sue for damages but will in no case, even upon expiration or lapse of the periods specified or referenced above, operate to prevent Franchisor from terminating Franchisee's rights and Franchisor's obligations under this Agreement as provided herein and under applicable law nor prevent Franchisor from obtaining any appropriate court judgment, order or otherwise which enforces and/or is otherwise consistent with such termination.

27.8.3 The foregoing limitations shall not apply to Franchisor's claims arising from or related to: (1) Franchisee's under-reporting of Net Sales; (2) Franchisee's under-payment or non-payment of any amounts owed to Franchisor or any affiliated or otherwise related entity; (3) indemnification by Franchisee; (4) Franchisee's confidentiality, non-competition or other exclusive relationship obligations; and/or (5) Franchisee's unauthorized use of the Proprietary Marks.

27.8.4 In no way limiting Section 26.4, if any lawful requirement or court order of any jurisdiction makes any provision of this Section 27.8 invalid, void or unenforceable, such provision shall be modified in order to make the modified provision enforceable to the greatest extent possible. The parties agree to be bound by the modified provision to the greatest extent lawfully permitted.

27.9 **WAIVER OF RICO**. THE PARTIES HERETO AGREE TO WAIVE, NOW AND FOREVER, ANY AND ALL RIGHTS EITHER MAY HAVE UNDER THE FEDERAL STATUTE KNOWN AS RICO.

27.10 **Release**. By executing this Agreement, Franchisee, for itself and its affiliates, and for its and its affiliates' directors, officers, shareholders, partners, members, managers, employees and agents, and for the predecessors, successors, assigns, heirs, administrators and executors of it and any and all of them (collectively, the "Franchisee Parties"), hereby release, remise, acquit, and forever discharge Franchisor, its affiliates, its and its affiliates' directors, officers, shareholders, partners, members, managers, employees and agents, and the predecessors, successors, assigns, heirs, administrators and executors of it and any or all of them (collectively, the "Franchisor Parties"), from and against any and all obligations, debts, liabilities, demands, claims, actions, causes of action, loss, losses, damage and damages (actual, consequential, multiplied, exemplary, enhanced, punitive, or otherwise), of any nature or kind, contingent or fixed, known or unknown, at law or in equity or otherwise, for any matter, of

whatever source or origin, arising out of or related to any and all transactions of any kind or character, at any time prior to and including the Effective Date, including, but not limited to, any and all claims arising under the franchise, securities or antitrust laws of the United States or of any state, province or territory thereof. Franchisee covenants, warrants, and agrees that it has the authority to bind the Franchisee Parties (as herein defined) as provided herein. Franchisee, on behalf of itself and the Franchisee Parties, further covenants not to sue any of the Franchisor Parties on any of the claims released by the foregoing and represents that it has not assigned any such claims to any individual or entity who is not bound by the foregoing.

27.11 **Injunctive Relief**. Nothing herein contained shall bar the right of Franchisor to obtain injunctive relief against threatened conduct that will cause it loss or damages, including violations of the terms of Sections 9, 10, 11, 15, and 18 under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

27.12 **Counterparts; Paragraph Headings; Pronouns**. This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument. All captions and paragraph headings 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. Each pronoun used herein shall be deemed to include the other number of genders.

27.13 **Security Interest**. Franchisee hereby grants to Franchisor a security interest in all of Franchisee's interest in all leasehold improvements, furniture, furnishings, fixtures, equipment, inventory and supplies located at or used in connection with the Franchised Store, now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions and replacements therefore, and all cash and non-cash proceeds derived from insurance or the disposition of such collateral, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, of Franchisee to Franchisor. Franchisee agrees to execute and deliver to Franchisor in a timely manner all financial statements and other documents necessary or desirable to evidence, perfect and continue the priority of such security interests under the Uniform Commercial Code.

27.14 **Attorneys' Fees**. In the event Franchisor is required to employ legal counsel or to incur other expense to enforce any obligation of Franchisee hereunder, or to defend against any claim, demand, action or proceeding by reason of Franchisee's failure to perform any obligation imposed upon Franchisee by this Agreement, Franchisor shall be entitled to recover from Franchisee the amount of all reasonable attorneys' fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

27.15 **Signature**. Delivery of a copy of this Agreement bearing (i) an original signature by facsimile transmission, (ii) an original signature by electronic mail in "portable document format" form or (iii) an electronic signature facilitated by a digital transaction management services provider (such as DocuSign), shall have the same effect as physical delivery of the paper document bearing the original signature.

28. ACKNOWLEDGMENTS

28.1 **FRANCHISEE'S INVESTIGATION OF THE BUSINESS POSSIBILITIES**. FRANCHISEE ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS OF OPERATING A GONG CHA STORE, AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE (OR, IF FRANCHISEE IS A CORPORATION,

PARTNERSHIP OR LIMITED LIABILITY COMPANY, THE ABILITY OF ITS PRINCIPALS) AS (AN) INDEPENDENT BUSINESSPERSON(S). FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT. FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT CONTAINS ALL ORAL AND WRITTEN AGREEMENTS, REPRESENTATIONS AND ARRANGEMENTS BETWEEN THE PARTIES, AND ANY RIGHTS WHICH THE RESPECTIVE PARTIES HERETO MAY HAVE HAD UNDER ANY OTHER PREVIOUS CONTRACT (WHETHER ORAL OR WRITTEN) ARE HEREBY CANCELLED AND TERMINATED, AND NO REPRESENTATIONS OR WARRANTIES ARE MADE OR IMPLIED, EXCEPT AS SPECIFICALLY SET FORTH HEREIN. FRANCHISEE FURTHER ACKNOWLEDGES THAT IT HAS NOT RECEIVED OR RELIED ON ANY REPRESENTATIONS ABOUT THE FRANCHISE BY THE FRANCHISOR, OR ITS OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS, THAT ARE CONTRARY TO THE STATEMENTS MADE IN THE FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT OR TO THE TERMS AND CONDITIONS CONTAINED HEREIN, AND FURTHER REPRESENTS TO THE FRANCHISOR, AS AN INDUCEMENT TO ENTRY INTO THIS AGREEMENT, THAT FRANCHISEE HAS MADE NO MISREPRESENTATIONS IN OBTAINING THE FRANCHISE.

28.2 **Receipt of FDD and Complete Agreement**. Franchisee acknowledges that it received a complete copy of this Agreement, the attachments hereto, and agreements relating thereto, if any, at least seven (7) calendar days prior to the date on which this Agreement was executed. Franchisee further acknowledges that it received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising", otherwise known as the Franchise Disclosure Document (**FDD**), at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment by Franchisee for the franchise rights granted under this Agreement. Franchisee further acknowledges that prior to receiving Franchisor's FDD, Franchisor advised Franchisee of the formats in which the FDD is made available, and any conditions necessary for reviewing the FDD in a particular format.

28.3 **Franchisee Read the Agreement and Consulted**. Franchisee acknowledges that it has read and understood Franchisor's FDD and this Agreement, the attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

28.4 **Franchisee's Responsibility for Operation of Business**. Although Franchisor retains the right to establish and periodically modify System standards, which Franchisee has agreed to maintain in the operation of the Franchised Store, Franchisee retains the right and sole responsibility for the day-to-day management and operation of the Franchised Store and the implementation and maintenance of System standards at the Franchised Store. Franchisee acknowledges that it is solely responsible for all aspects of the Franchised Store's operations, including employee and human resources matters. Franchisee further acknowledges that any controls implemented by Franchisor are for the protection of the System and the Proprietary Marks and not to exercise any control over the day-to-day operation of the Franchised Store.

28.5 **Sole and Exclusive Employer**.

28.5.1 Franchisee hereby irrevocably acknowledges, affirms, attests and covenants that Franchisee's employees are employed exclusively by Franchisee and in no fashion are any such employees employed, jointly employed or co-employed by Franchisor. Franchisee further acknowledges, affirms and attests that each of Franchisee's employees is under Franchisee's exclusive

dominion and control and never under Franchisor's direct or indirect control in any fashion whatsoever. Franchisee alone hires each of Franchisee's employees; sets their schedules; establishes their compensation rates; and pays all salaries, benefits and employment-related liabilities (such as workers' compensation insurance premiums/payroll taxes/Social Security contributions/unemployment insurance premiums). Franchisee alone has the ability to discipline or terminate Franchisee's employees to the exclusion of Franchisor, and Franchisee acknowledges that Franchisor has no such authority or ability. Franchisee further acknowledges, attests and affirms that any minimum staffing requirements established by Franchisor are solely for the purpose of ensuring that the Franchised Store is at all times staffed at those levels necessary to operate the Franchised Store in conformity with the System and other Gong cha Store brand attributes known to and desired by the consuming public and associated with the Proprietary Marks. Franchisee acknowledges, affirms, warrants and understands that Franchisee may staff the Franchised Store with as many employees as Franchisee desires at any time so long as Franchisor's minimal staffing levels are achieved. Franchisee also acknowledges, affirms and attests that any recommendations Franchisee may receive from Franchisor regarding salaries, hourly wages or other compensation for employees are recommendations only, and that Franchisee is entirely free to disregard Franchisor's recommendations regarding such employee compensation. Moreover, Franchisee acknowledges, affirms and attests that any training provided by Franchisor to Franchisee's employees is for the purpose of imparting critical System and brand information to those employees, and in no fashion reflects any employment relationship between Franchisor and such employees. Finally, should it ever be asserted that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agrees to assist Franchisor in defending such allegations, including (if necessary) appearing at any venue requested by Franchisor to testify on Franchisor's behalf (and, as may be necessary, submitting to depositions, other appearances and/or preparing affidavits dismissive of any allegation that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees). To the extent Franchisor is the only named party in any such investigation, action, proceeding, arbitration or other setting to the exclusion of Franchisee, should any such appearance by Franchisee be required or requested, Franchisor will recompense Franchisee the reasonable costs associated with Franchisee appearing at any such venue.

28.5.2 Immediately upon hiring of any employee, Franchisee shall obtain from such employee, including every management personnel, and any other personnel hired at the Franchised Store, the signed Non-Disclosure and Non-Competition Agreement form, which form is attached hereto as Exhibit E.

28.6 **No Conflicting Obligations**. Each party represents and warrants to the other that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

28.7 **Different Franchise Offerings to Others**. Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

28.8 **Good Faith**. Franchisor and Franchisee acknowledge that each provision in this Agreement has been negotiated by the parties hereto in good faith and the Agreement shall be deemed to have been drafted by both parties. It is further acknowledged that both parties intend to enforce every provision of this Agreement, including, without limitation, the provisions related to arbitration and choice of venue, regardless of any state law or regulation purporting to void or nullify any such provision.

28.9 **Success Depends on Franchisee**. Franchisee acknowledges that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Franchisee's ability as an independent businessperson, its active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. Franchisor does not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

28.10 **Patriot Act**. Franchisee represents and warrants that to its actual knowledge: (i) neither Franchisee, nor its officers, directors, managers, members, partners or other individual who manages the affairs of Franchisee, nor any Franchisee affiliate or related party, or any funding source for the Franchised Store, is identified on the lists of Blocked Persons, Specially Designated Nationals, Specially Designated Terrorists, Specially Designated Global Terrorists, Foreign Terrorists Organizations, and Specially Designated Narcotics Traffickers at the United States Department of Treasury's Office of Foreign Assets Control (OFAC), or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, commonly known as the "USA Patriot Act," as such lists may be amended from time to time (collectively, "**Blocked Person(s)**"); (ii) neither Franchisee nor any Franchisee affiliate or related party is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither Franchisee nor any Franchisee affiliate or related party is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither Franchisee nor any Franchisee affiliate or related party are on the United States Department of Commerce Denied Persons, Entity and Unverified Lists, or the United States Departments of State's Debarred List, as such lists may be amended from time to time (collectively, the "**Lists**"); (v) neither Franchisee nor any Franchisee affiliate or related party, during the term of this Agreement, will be on any of the Lists or identified as a Blocked Person; and (vi) during the term of this Agreement, neither Franchisee nor any Franchisee affiliate or related party will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists or identified as a Blocked Person. Franchisee agrees to notify Franchisor in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

28.11 **No Guarantees**. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received nor relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement.

[SIGNATURE PAGE FOLLOWS]

GONG CHA CA FRANCHISE, LLC
FRANCHISE AGREEMENT
SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Franchise Agreement in duplicate on the day and year first above written.

FRANCHISOR:
GONG CHA CA FRANCHISE, LLC

By:_____
Name:_____
Title:_____

Address for Notices:

Larry Chen
Gong Cha CA Franchise, LLC
1111 Triton Drive, Suite 200
Foster City, California 94404
Telephone: (___) _____
Fax:_____

With copy to:

Wayne P. Bunch, Jr., Esq.
FisherBroyles, LLP
2925 Richmond Avenue
Suite 1200
Houston, Texas 77098
Telephone: (713) 955-4080
Fax: (940) 241-9482

FRANCHISEE:
_____

By:_____
Name:_____
Title:_____

Address for Notices:

_____
_____
_____
Telephone:_____
Fax:_____
Attn:_____

GONG CHA CA FRANCHISE, LLC
FRANCHISE AGREEMENT
EXHIBIT A
DATA SHEET

1. **Site Selection Area**: The Site Selection Area (See Section 1.2) for the Franchised Store shall be:

   _____
   _____
   _____

2. **Approved Location**: The Approved Location (See Section 1.3) for the Franchised Store shall be:

   _____
   _____
   _____

3. **Territory**: The Territory shall be (subject to the terms of the Agreement, including but not limited to Section 1.5 of the Agreement) as follows:

   _____
   _____
   _____

4. **Franchise Fee**: The initial Franchise Fee shall be $_____ (See Section 4.1).

5. **Acknowledgment of a Standard Gong cha Store or an Express Gong cha Store**: Franchisee acknowledges and agrees that it has been granted the right to establish and operate (check as applicable) a □ Standard Gong cha Store, or an □ Express Gong cha Store.

6. **Area Development Fee Credit (if any)**: If this Franchise Agreement is executed pursuant to an Area Development Agreement, the development credit applied to the initial Franchise Fee shall be $_____ (See Section 4 of Area Development Agreement).

FRANCHISOR:
GONG CHA CA FRANCHISE, LLC

By:_____
Name:_____
Title:_____
Date:_____

FRANCHISEE:
_____

By:_____
Name:_____
Title:_____
Date:_____

GONG CHA CA FRANCHISE, LLC
FRANCHISE AGREEMENT
EXHIBIT B
LIST OF PRINCIPALS AND DESIGNATED PRINCIPAL

FRANCHISEE'S PRINCIPALS

The following identifies all of Franchisee's Principals (as defined in Section 6.1 of the Franchise Agreement), including each Principals address and percentage of beneficial interest in Franchisee:

Name of Principal	Address, Telephone, E-mail	Interest (%) with Description
		Total %:

FRANCHISEE'S DESIGNATED PRINCIPAL

The following identifies Franchisee's Designated Principal (as defined in Section 8.3.1 of the Franchise Agreement), including his/her contact information and percentage of beneficial interest in Franchisee:

Name of Designated Principal	Address, Telephone, E-mail	Interest (%) with Description

GONG CHA CA FRANCHISE, LLC

Initial: _____ Date: _____

FRANCHISEE

Initial: _____ Date: _____

GONG CHA CA FRANCHISE, LLC
FRANCHISE AGREEMENT
EXHIBIT C
GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Gong Cha CA Franchise, LLC ("**Franchisor**") to enter into the Franchise Agreement between Franchisor and _____("**Franchisee**"), dated _____, 20___ (the "**Agreement**"), the undersigned hereby unconditionally guarantees to Franchisor and Franchisor's successors and assigns that all of Franchisee's covenants and obligations, including, without limitation, monetary obligations, under the Agreement will be punctually paid and performed. This Guaranty, Indemnification, and Acknowledgment (this "**Guaranty**") is an unconditional, irrevocable and absolute guaranty of payment and performance and may not be cancelled, terminated, modified, or amended except by written agreement executed by both parties.

Upon demand by Franchisor, the undersigned hereby agrees to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guaranty, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned hereby waives notice of same and agrees to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned hereby acknowledges and expressly agrees to be personally bound by all of the covenants contained in the Agreement, including, without limitation, those covenants contained in Sections 10, 11, 15, 17, and 18. Signature by the undersigned on this Guaranty constitutes the undersigned's signature on the Agreement related to all covenants. The undersigned asserts that he or she has read such covenants, been advised by counsel regarding their effect, and hereby affirmatively agree to them in order to secure the rights granted to Franchisee by Franchisor under the Agreement. The undersigned further acknowledges and agrees that this Guaranty does not grant the undersigned any right to use the "Gong cha" marks or system licensed to Franchisee under the Agreement.

This Guaranty shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors, if any, will continue in full force and effect.

The undersigned, if more than one, shall be jointly and severally liable hereunder and the term "undersigned" shall mean the undersigned or any one or more of them. Anyone signing this Guaranty shall be bound thereto at any time. Any married person who signs this Guaranty hereby expressly agrees that recourse may be had against his/her community and separate property for all obligations under this Guaranty.

The undersigned represents and warrants to Franchisor that neither the undersigned (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this Guaranty shall be in writing and shall be personally delivered, in the manner provided under the Agreement.

Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with the Agreement. This Guaranty shall be governed by the dispute resolution provisions of the Agreement, and shall be interpreted and construed under the laws of the State of California. In the event of any conflict of law, the laws of the State of California shall prevail (without regard to, and without giving effect to, the application of California conflict of law rules).

IN WITNESS WHEREOF, the undersigned has executed this Guaranty, Indemnification and Acknowledgement as of the date of the Agreement.

GUARANTOR(S):

_____
Print Name:_____

_____
Print Name:_____

_____
Print Name:_____

_____
Print Name:_____

_____
Print Name:_____

GONG CHA CA FRANCHISE, LLC
FRANCHISE AGREEMENT
EXHIBIT D
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS

As part of the Franchise Agreement with Gong Cha CA Franchise, LLC (the "**Franchisor**"), the "**Franchisee**" understands that it is required to submit weekly detailed Sales Reports for processing and payment of Royalty Fees and advertising contributions. The Franchisee also understands that all Royalty Fees, advertising contributions, and all other fees and payments due under the Franchise Agreement will be debited from the bank account listed below on a weekly basis. It is further understood that should the Franchisee fail to submit Sales Reports, the Franchisor, in its sole discretion, will estimate the amount of weekly Royalty Fees and advertising contributions due based on previous weeks or periods and the estimated Royalty Fees and advertising contributions will be debited from the Franchisee's bank account. Excess Royalty Fees and advertising contributions collected due to non-reporting will be credited to the next drafting period once Sales Reports are received less the 5% penalty for late payment plus interest of 1.5% per month, or the maximum rate permitted by law, whichever is less. Sales Reports, Royalty Fees, and advertising contributions are due no later than the third business day after the close of each Week and considered late if not received by 5:00 PM on such date.

Royalty Fees and advertising contributions will be processed by Electronic Funds Transfer ("**EFT**") using the Automated Clearing House ("**ACH**") method. The EFT/ACH debit will move funds directly from Franchisee's account into certain Franchisor accounts. Debits that result in insufficient funds will result in the late fee penalty plus interest described above, and reimbursement of any fees incurred by Franchisor.

The Franchisee hereby authorizes its bank to pay and charge to its account EFT/ACH debits and drafts drawn by and payable to the order of the Franchisor at the Royalty Fee and advertising contribution rates under the Franchise Agreement, provided there are sufficient collected funds in said account to pay same. This authorization remains in full force and effective until sixty (60) days after the Franchisor has received written notification from the Franchisee of its termination. Should the bank dishonor any draft or EFT/ACH debit with or without cause, the Franchisee releases the bank from any and all liability.

Franchisee:_____
Designated Principal:_____
Store Address:_____
City, State, and Zip:_____

Please provide 2 Email addresses for Draft Notices

E-mail:_____ E-mail:_____

Please sign the acknowledgement below and return original via mail along with a VOIDED check sent to the attention of: Larry Chen, Gong Cha CA Franchise, LLC, 1111 Triton Drive, Suite 200, Foster City, California 94404. It may also be fax to (____) _____.

_____	_____	_____
Financial Institution	Routing Number	Account Number

Signature of Authorized Signer:_____ Date:_____

Please Attach Actual VOIDED CHECK

GONG CHA CA FRANCHISE, LLC
FRANCHISE AGREEMENT
EXHIBIT E
NON-DISCLOSURE AND NON-COMPETE
FOR FRANCHISEE'S EMPLOYEES

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("Agreement") is made this _____ day of _____, 20___, by and between _____ ("**us**" "**we**" "**our**" or the "**Franchisee**"), and _____, an employee of Franchisee ("**you**" or the "**Employee**").

Introduction

Gong Cha CA Franchise, LLC (the "**Franchisor"**) and its affiliates developed and own a format and system (the "**System**") for establishing, operating, and licensing stores offering tea, coffee and juice, along with related products and services, under the name "Gong cha" (each is referred to as a "**Gong cha Store**").

Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a Gong cha Store (the "**Franchised Store**") under the terms and conditions of the Franchise Agreement.

In connection with starting or continuing your employment with Franchisee, you will be trained by us and you will learn of Franchisor's confidential information and know-how concerning the methods of operation of a Gong cha Store and the System.

Now, therefore, it is agreed that as a consideration of starting or continuing your employment, as a condition to your employment and the compensation that we have paid to you (and/or will pay you after today), you acknowledge and agree that you will comply with all of the following obligations:

1. Confidential Information. You agree that you will not, at any time (whether during or after your time of employment with us), communicate or divulge Confidential Information to any Person, and that you will not use Confidential Information for your own benefit or for the benefit of any other Person.

2. Definitions. As used in this Agreement, the following terms are agreed to have the following meanings:

a. The term "**Confidential Information**" means any information, knowledge, or know-how concerning the methods of operation of the Franchised Store and the System that you may learn of or that otherwise becomes known to you during the time of your employment with us (whether or not the Franchisor or we have specifically designated that information as "confidential"). Confidential Information may include, among other things, operational, sales, promotional, marketing, and administrative methods, procedures, and techniques. However, Confidential Information does not include information that you can show came to your attention before it was disclosed to you by us or Franchisor; and Confidential Information also does not include information that, at or after the time when we disclosed it to you, is a part of the public domain through no act on your part or through publication or communication by other Persons who are lawfully entitled to publish or communicate that information.

b. The term "**Person**" means any person, persons, partnership, entity, association, or corporation (other than the Company or Franchisor).

c. The term "**Post-Term Period**" means a continuous uninterrupted period of (check as applicable) □ one (1) year if you are a manager or perform managerial responsibilities, or □ six (6) months if you are a non-managerial employee, from the date of: (a) termination of your employment with us for any reason; and/or (b) a final order of a court of competent jurisdiction enforcing this Agreement.

3. Covenants Not to Compete.

a. You understand and acknowledge that due to your employment with us, you will receive valuable specialized training and access to Confidential Information.

b. You covenant and agree that during the term of your employment, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Divert or attempt to divert any current or potential business account or customer of the Franchised Store (or of any Gong cha Store) to any Person, whether by direct or indirect suggestion, referral, inducement, or otherwise;

ii. Do or perform, directly or indirectly, any act that might injure or be harmful to the goodwill associated with Franchisor and the System; and/or

iii. Directly or indirectly for yourself or on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, be employed by, or have any interest in any business that is the same as or similar to the Franchised Store.

c. You covenant and agree that during the term Post-Term Period, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, be employed by, or have any interest in any business that is the same as or similar to the Franchised Store, if that business is located (or if it is intended to be located) within a radius of twenty-five (25) miles of any Gong cha Store located anywhere at that time.

4. Acknowledgement. You acknowledge that you are an employee of us as the Franchisee and independent owner of an Gong cha Store franchise, and you are not an employee of Franchisor. You further acknowledge that (i) one of our key roles and responsibilities is to properly train our employees; (ii) neither the training program that you attend or any other training or direction you receive, nor any recommendations, guidelines or suggestions received from Franchisor or its representatives in any way modifies our training obligations or is intended to exert or exercise any direct, indirect or potential control over our employees, our training obligations or any aspect of our employment relationship with you or any other employees. The training program that you attend or any other training or direction you receive is not intended in any way to change or modify your employment relationship with us. Franchisor is not an employer or joint employer of any of our employees.

5. Legal and Equitable Remedies. You understand, acknowledge, and agree that if you do not comply with the requirements of this Agreement, you will cause irreparable injury to Franchisor, and that:

a. We will have the right to enforce this Agreement and any of its provisions by going to a court and obtaining an injunction, specific performance, or other equitable relief, without prejudice to any other rights and remedies that we may have for breach of this Agreement;

b. You will not raise wrongful termination or other defenses to the enforcement of this Agreement (although you will have the right to raise those issues in a separate legal action); and

c. You must reimburse Franchisor for any court costs and reasonable attorney's fees that Franchisor incurs as a result of your violation of this Agreement and having to go to court to seek enforcement.

6. **Severability**. Each of the provisions of this Agreement may be considered severable from the others. If a court should find that we or Franchisor may not enforce a clause in this Agreement as written, but the court would allow us or Franchisor to enforce that clause in a way that is less burdensome to you, then you agree that you will comply with the court's less-restrictive interpretation of that clause.

7. **Delay**. No delay or failure by us or Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that right or any other right set out in this Agreement. No waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

8. **Third-Party Beneficiary.** You acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with us.

9. **Jurisdiction; Applicable Law**. You agree that any lawsuit brought by Franchisor to enforce its rights under this Agreement shall be brought in the courts of the county where Franchisor has its then current principal place of business, and you agree and consent to the jurisdiction of such court to resolve all disputes which arise out of this Agreement or any alleged breach thereof, regardless of your residency at the time such lawsuit is filed. This Agreement shall be governed by the laws of the State of California. In the event of any conflict of law, the laws of California shall prevail, without regard to, and without giving effect to, the application of California conflict of law rules.

IN WITNESS WHEREOF, Employee has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

EMPLOYEE

Signature:_____

Printed Name:_____

GONG CHA CA FRANCHISE, LLC
FRANCHISE AGREEMENT
EXHIBIT F
TELEPHONE NUMBER ASSIGNMENT AGREEMENT AND POWER OF ATTORNEY

FOR VALUE RECEIVED, the undersigned ("Franchisee") irrevocably assigns the telephone listing and numbers stated below and any successor, changed or replacement number or numbers effective upon the date of termination of the Franchise Agreement described below to Gong Cha CA Franchise, LLC upon the following terms:

1. This assignment is made under the terms of Gong Cha CA Franchise, LLC Franchise Agreement dated _____, 20___ authorizing Franchisee to operate a Gong cha Store (the "Franchise Agreement") between Franchisor and Franchisee, which in part pertains to the telephone listing and numbers the Franchisee uses in the operation of the Franchised Store covered by the Franchise Agreement.

2. Franchisee retains the limited right to use the telephone listing and numbers only for transactions and advertising under the Franchise Agreement while the Franchise Agreement between Franchisor and Franchisee remains in full force, but upon termination or expiration of the Franchise Agreement, the Franchisee's limited right of use of the telephone listing and numbers also terminates. In this event, Franchisee agrees to immediately discontinue use of all listings and numbers. At Franchisor's request, Franchisee will immediately sign all documents, pay all monies, and take all other actions necessary to transfer the listing and numbers to Franchisor.

3. The telephone numbers and affiliated listings subject to this assignment are:
Main Telephone: _____, Facsimile: _____ and all numbers on the rotary series and all numbers the Franchisee uses in the Franchised Store in the future.

4. Franchisee shall pay all amounts owed for the use of the telephone numbers and affiliated listing it incurs. On termination or expiration of the Franchise Agreement, Franchisee shall immediately pay all amounts owed for the listing and telephone numbers, whether or not due, including all sums owed under existing contracts for telephone directory advertising.

5. Franchisee appoints Franchisor as its attorney-in-fact to act in Franchisee's place for the purpose of assigning any telephone numbers covered by Paragraph 3 above to Franchisor or Franchisor's designees or transferees. Franchisee grants Franchisor full authority to act in any manner proper or necessary to exercise these powers, including full power of substitution and signing or completion of all documents required or requested by any telephone company to transfer the numbers, and ratifies every act that Franchisor lawfully performs in exercising those powers.

This power of attorney is effective for ten (10) years from the date of expiration, cancellation or termination of Franchisee's rights under the Franchise Agreement for any reason.

Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all right to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney is not affected by the Franchisee's later incapacity. This power is created to secure performance of a duty to Franchisor and is for consideration.

THE PARTIES have caused this Telephone Number Assignment Agreement and Power of Attorney to be duly signed as evidenced by their signatures appearing below. Signed the _____ day of _____, 20___.

FRANCHISOR:
GONG CHA CA FRANCHISE, LLC

By:_____
Name:_____
Title:_____
Date:_____

FRANCHISEE:
_____

By:_____
Name:_____
Title:_____
Date:_____

GONG CHA CA FRANCHISE, LLC
FRANCHISE AGREEMENT
EXHIBIT G
ADA CERTIFICATION

Gong Cha CA Franchise, LLC ("**Franchisor**") and _____ ("**Franchisee**") are parties to a Franchise Agreement dated _____ for the operation of a Gong cha Store at _____ (the "**Franchised Store** "). In accordance with Section 5.3.3 of the Franchise Agreement, Franchisee certifies to Franchisor that, to the best of Franchisee's knowledge, the Franchised Store and its adjacent areas comply with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act. Franchisee acknowledges that it is an independent contractor and the requirement of this certification which is hereby provided by Franchisee does not constitute ownership, control, leasing or operation of the Franchised Store by Franchisor. Franchisee acknowledges that Franchisor has relied upon the information contained in this certification. Furthermore, Franchisee acknowledges its obligation under this Franchise Agreement to indemnify Franchisor and the officers, directors, and employees of Franchisor in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with Franchisee's required compliance with the Americans with Disabilities Act, as well as the costs, including attorneys' fees, related to the same.

FRANCHISEE:

_____

By:_____
Name:_____
Title:_____
Date:_____

GONG CHA CA FRANCHISE, LLC
FRANCHISE AGREEMENT
EXHIBIT H
GONG CHA CA FRANCHISE, LLC
LEASE RIDER

THIS LEASE RIDER (this **"Rider"**) is made effective on the ___ day of _____, 20__, by and between _____(**"Landlord"**), _____ _____ (**"Tenant"**), and Gong Cha CA Franchise, LLC and its affiliates, successors, and assigns (**"Company"**).

WHEREAS, Landlord leases or will lease certain premises to Tenant at _____ _____(**"Premises"**) under that certain lease agreement dated _____ _____ between Landlord and Tenant (**"Lease"**);

WHEREAS, Tenant will operate a Gong cha store ("**Gong cha Store**") at the Premises under a Franchise Agreement between Tenant and Company (the "**Franchise Agreement**"); and

WHEREAS, the parties desire to provide Company with certain rights in the event of defaults under the Lease, the Franchise Agreement, and related documents.

NOW, THEREFORE, in consideration of the premises and the execution of this Rider by each party and other good and valuation consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Landlord agrees that any notice of default under the Lease sent to Tenant shall also be sent to the Company at the following address along with written notice specifying the defaults claimed and specifically describing, in each instance, the particular default and the cure that Landlord requires. Gong Cha CA Franchise, LLC, 1111 Triton Drive, Suite 200, Foster City, California 94404, Attention: Larry Chen, or any other address of which Company notifies Landlord.

2. In the event Landlord claims that a default, expiration or termination of the Lease has occurred, or in the event Company notifies Landlord in writing that Company wishes to take over possession of the Premises due to the expiration or Company's termination of the Franchise Agreement with Tenant, then, at Company's option, Landlord agrees to accept Company or its affiliate or an authorized franchisee of the Company's franchise system as substitute tenant under the Lease and will cooperate with Company in turning actual, immediate possession of the Premises over to Company or its affiliate or an authorized franchisee of the Company's franchise system. In that case, the Lease will remain in full force and effect but with such new tenant. In no event shall the Tenant named herein be released from any liability under the Lease. This option to take over possession of the Premises may be exercised only if Company or its affiliate or an authorized franchisee of the Company's franchise system agrees:

(a) to assume Tenant's obligations to Landlord under the Lease as of the date actual possession of the Premises is given and until there is a further assignment or subletting; and

(b) to cure, or cause Tenant to cure, within a reasonable timeframe any valid defaults of the Lease existing as of the date actual possession of the Premises is given.

3. Landlord agrees that Company or its affiliate or an authorized franchisee of the Company's franchise system may sublet or assign the Premises to a new tenant, provided such tenant is an authorized

franchisee of the Company's franchise system, and further provided it remains liable for any obligations it has assumed pursuant to Subsections 2 (a) and (b) above. After such an assignment or sublet, Company or its affiliate or an authorized franchisee of the Company's franchise system will have no further liability or obligation under the Lease as assignee, tenant, or otherwise with respect to matters that arise after the effective date of the assignment or sublease, other than to certify that the new tenant operates the leased premises as a Gong cha Store location.

4. Landlord and Tenant agree that the Premises will be used only for the operation of a Gong cha Store, which is currently a quick service store offering for sale various types of boba (bubble) teas, tea based beverages (such as milk teas and fruity teas) and smoothies, along with related products and services, for both on and off Premises consumption, under the mark "Gong cha," all as may be permitted under the Franchise Agreement.

5. Landlord agrees that it shall not lease, or allow the sublease of, space in the building or on the property in or on which the Premises is located to any person or entity for any business (i) with sales of tea products equal to or greater than fifty percent (50%) of total sales; and/or (ii) any retail store or other business that is the same as or similar to a Gong cha Store.

6. Landlord agrees that Tenant may display Company's trademarks and signage at the Premises in accordance with Company's requirements and that, after expiration of termination of the Franchise Agreement, Company may enter the Premises in order to remove signage and other items bearing Company's trademarks and otherwise to de-identify the Premises.

7. Landlord agrees that Tenant shall have the right to alter, renovate, add, remodel, modify, and/or change the Premises and/or other improvements upon the Premises as Tenant and Company may deem desirable, provided that if any such alterations, renovations, additions, modifications, remodeling and/or changes to the Premises and/or improvements upon the Premises affect the exterior, structural elements or foundation of the Premises, Tenant shall first obtain the consent of the lessor, which consent shall not be unreasonably withheld, conditioned or delayed.

8. Landlord agrees that Tenant may not sublet or assign the Premises, or any part of its occupancy rights under the Lease, without Company's prior written consent.

9. Landlord agrees that any provision under the Lease which seeks to impose any restrictions (territorial or otherwise) on the development or operation of other Gong cha Stores by Tenant, Company, or any other person or entity shall be null and void and of no effect whatsoever.

10. The parties agree this Rider shall be construed with, and as an integral part of, the Lease. In the event of any conflict between a provision of this Rider on the one hand, and a provision of the Lease on the other hand, the provision set forth in this Rider shall control.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have duly executed and delivered this Rider as of the date noted above.

[LANDLORD]

By:_____
Title:_____
Date:_____

[TENANT]

By:_____
Title:_____
Date:_____

GONG CHA CA FRANCHISE, LLC

By:_____
Title:_____
Date:_____

EXHIBIT 4
AREA DEVELOPMENT AGREEMENT

GONG CHA

GONG CHA CA FRANCHISE, LLC

AREA DEVELOPMENT AGREEMENT

AREA DEVELOPER

DEVELOPMENT AREA

EFFECTIVE DATE OF AGREEMENT

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EXHIBITS:

EXHIBIT A – DATA SHEET
EXHIBIT B – LIST OF AREA DEVELOPER'S PRINCIPALS AND DESIGNATED PRINCIPAL
EXHIBIT C – GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGEMENT
EXHIBIT D – AREA DEVELOPER CERTIFICATION

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the "**Agreement**") is made and entered into on this _____day of _____, 20___ (the "**Effective Date**"), by and between:

- Gong Cha CA Franchise, LLC, a California limited liability company, whose principal place of business is 1111 Triton Drive, Suite 200, Foster City, California 94404 ("**Franchisor**"); and

- _____a [resident of] [corporation organized in] [limited liability company organized in] *[select one]*, having offices at ____ _____ _____ ("**Area Developer**").

BACKGROUND:

A. Franchisor is a California master franchisee of Gong cha USA Franchising, LLC, a Delaware limited liability company ("**Master Franchisor**"). Master Franchisor has granted to Franchisor the right to operate, and sub-license to franchisees, the Gong cha business format and system (the "**System**") relating to the establishment and operation of standard full menu Gong cha stores (each a "**Standard Gong cha Store(s)**") and relating to the establishment and operation of express limited menu Gong cha stores (each an "**Express Gong cha Store(s)**"), which operate at retail locations that display the System interior and exterior trade dress and feature and operate under the Proprietary Marks (as defined below). Standard Gong cha Stores and Express Gong cha Stores shall be collectively referred to herein as "**Gong cha Stores**" and each a "**Gong cha Store**." Gong cha Stores offer boba (bubble) teas, tea based beverages (such as milk teas and fruity teas) and smoothies, along with related products and services, and operate using System proprietary recipes, formulae and techniques ("**Proprietary Products**"), as well as other non-proprietary food, beverage, and other compatible items designated from time to time (collectively, "**Products**").

B. The distinguishing characteristics of the System include distinctive exterior and interior design, decor, color schemes, fixtures, and furnishings; recipes, standards and specifications for products, equipment, materials, and supplies; uniform standards, specifications, and procedures for operations; purchasing and sourcing procedures; procedures for inventory and management control; training and assistance; and marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain indicia of origin, emblems, trade names, service marks, logos, and trademarks, including applications and/or registrations therefor, as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System including the mark "Gong cha" and other marks (the "**Proprietary Marks**"). The Proprietary Marks are owned by Master Franchisor and have been licensed to Franchisor so that Franchisor may sub-license them to its franchisees.

D. Area Developer desires to obtain certain development rights to open and operate Gong cha Stores under the System and the Proprietary Marks, as well as to receive other assistance provided by Franchisor in connection therewith.

NOW THEREFORE, the parties agree as follows:

1. GRANT

1.1 **Grant and Acceptance**. Franchisor grants development rights to Area Developer, and Area Developer undertakes the obligation, pursuant to the terms and conditions of this Agreement, to develop no less than the number of Gong cha Stores (the "**Franchised Stores**") as set forth in Exhibit A to this Agreement. In this regard, the parties further agree that:

1.1.1 Each Franchised Store developed hereunder shall be operated pursuant to a separate Gong Cha CA Franchise, LLC Franchise Agreement (a "**Franchise Agreement**") that shall be executed as provided in Section 3.4 below.

1.1.2 For each Franchised Store to be developed under this Agreement, Area Developer shall execute the Franchise Agreement for such Franchised Store in accordance with the deadlines set forth in the development schedule specified in Paragraph 1 of Exhibit A to this Agreement (the "**Development Schedule**").

1.1.3 Each Franchised Store developed hereunder shall be at a specific location, which shall be designated in the Franchise Agreement, that is within in the area described in Paragraph 2 of Exhibit A to this Agreement (the "**Development Area**").

1.2 **Development Area**. Except as otherwise set forth herein (including, without limitation, the rights retained by Franchisor as described in Section 1.3), during the term of this Agreement, and so long as Area Developer is in compliance with its obligations under this Agreement and all of the Franchise Agreements between Area Developer (including any affiliate of Area Developer), Franchisor shall not establish or operate, or license anyone other than Area Developer to establish or operate, a Gong cha Store under the Proprietary Marks and System at any location that is within the Development Area.

1.3 **Franchisor's Reserved Rights**. Notwithstanding anything to the contrary, Franchisor retains the following rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Area Developer any rights therein:

1.3.1 To own, acquire, establish, and/or operate and license others to establish and operate, Gong cha Stores under the System at any location outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Stores;

1.3.2 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from Gong cha Stores, at any location within or outside the Development Area, notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Stores;

1.3.3 To own, acquire, establish, and/or operate and license others to establish and operate, Gong cha Stores under the Proprietary Marks at Non-Traditional Sites (as defined below) at any location within or outside the Development Area. As used in this Agreement, "**Non-Traditional Sites**" shall mean outlets that serve primarily the guests located within a facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, stadiums, amusement parks and centers, theaters and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, department stores, in-door shopping centers, office buildings, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include, but are not limited to, military complexes, buyer club businesses, educational facilities, business and industrial complexes), and other types of institutional accounts;

1.3.4 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Products) through grocery or convenience stores or through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet, including those products bearing Franchisor's Proprietary Marks, provided that distribution within the Development Area shall not be from a Gong cha Store established under the System that is operated from within the Development Area;

1.3.5 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Products) to any customer, business or enterprise located within or outside the Development Area through any delivery or catering process determined in Franchisor's sole discretion, including those products bearing Franchisor's Proprietary Marks, notwithstanding the actual or threatened impact on sales or development of any of the Franchised Stores;

1.3.6 To (i) acquire one or more retail businesses that are the same as, or similar to, Gong cha Stores then operating under the System (each an "**Acquired Business**"), which may be at any location within or outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Stores, and to (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Gong cha Store under the System, subject to the following conditions that apply to each Acquired Business located within the Development Area:

1.3.6.1 Except as provided in Section 1.3.6.2 below, and provided that Area Developer is in compliance with this Agreement and any other agreement with Franchisor, Franchisor shall offer to Area Developer the option to purchase and operate, as a Gong cha Store, an Acquired Business that is purchased by Franchisor for operation by Franchisor or its affiliates. In such event, Franchisor shall provide Area Developer with written notice of Franchisor's purchase of the Acquired Business(es), the terms and conditions applicable to the Area Developer's option to purchase such Acquired Business(es), and such other information that Franchisor deems necessary to include in the notice. The terms and conditions offered to Area Developer shall include, without limitation, the following: (a) the purchase price will be based on Franchisor's purchase price for such Acquired Business, and if the Acquired Business was part of an Acquired System (as defined below in Section 1.3.6.2), then Area Developer's purchase price for such Acquired Business shall be determined using a ratio equal to the sales during the prior year of such Acquired Business as compared to the total sales in such prior year of all Acquired Businesses purchased by Franchisor in the same transaction; and (b) the requirement that Area Developer enter into Franchisor's then-current form of System franchise agreement for the Acquired Business, provided that Area Developer shall not be required to pay an initial franchise fee for an Acquired Business. If Area Developer does not elect to purchase, or fails to complete the purchase of, an Acquired Business, Franchisor shall have the right to operate itself, or through its affiliates or third party licensees or franchisees, the Acquired Business under any trade name or trademarks including the Proprietary Marks.

1.3.6.2 If an Acquired Business is part of a system of retail businesses that Franchisor acquires (an "**Acquired System**"), Area Developer shall have no right to purchase, and Franchisor shall not be obligated to offer Area Developer any option to purchase, any Acquired Business that is operated by a licensee or franchisee under the Acquired System. Franchisor may license such unit to be operated under any trade name or trademarks including the Proprietary Marks, and may also license to the licensee or franchisee additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Development Area.

1.4 **No Rights to Use the System**. This Agreement is not a Franchise Agreement, and does not grant to Area Developer any right to use the Proprietary Marks or the System or to sell or distribute any Products. Area Developer's rights to use the Proprietary Marks and System will be granted solely under the terms of the Franchise Agreement.

2. TERM

Unless sooner terminated in accordance with the provisions of this Agreement, this Agreement shall commence on the date hereof and shall expire on the earlier of (i) the date the final Franchise Agreement is executed by Area Developer in accordance with the required minimum cumulative number of Franchise Agreements to be executed for Franchised Stores to be located in the Development Area as set forth in the Development Schedule, as shown in Paragraph 1 of Exhibit A; or (ii) the final date set forth in the Development Schedule, as shown in Paragraph 1 of Exhibit A (the "**Expiration Date**").

3. DEVELOPMENT OBLIGATIONS

3.1 **Time is of the Essence**. Recognizing that time is of the essence, Area Developer shall comply strictly with the Development Schedule. Area Developer acknowledges and agrees that the Development Schedule requires that Area Developer have executed and delivered to Franchisor Franchise Agreements for a cumulative number of Franchised Stores by the end of the time periods specified in Exhibit A.

3.2 **Identifying and Securing Sites**. Area Developer shall be solely responsible for identifying, submitting for Franchisor's approval, and securing specific sites for each Franchised Store. The following terms and conditions shall apply to each Franchised Store to be developed hereunder:

3.2.1 Area Developer shall submit to Franchisor, in a form specified by Franchisor, a completed site approval package, which shall include; (i) a site approval form prescribed by Franchisor; (ii) a trade area and site marketing research analysis (prepared by a company approved in advance by Franchisor); (iii) an option contract, letter of intent, or other evidence satisfactory to Franchisor which describes Area Developer's favorable prospects for obtaining such site; (iv) photographs of the site; (v) demographic statistics; and (vi) such other information or materials as Franchisor may reasonably require (collectively, the "**SAP**"). Franchisor shall have twenty (20) business days after receipt of the SAP from Area Developer to approve or disapprove, in its sole discretion, the proposed site for the Franchised Store. In the event Franchisor does not approve a proposed site by written notice to Area Developer within said twenty (20) business days, such site shall be deemed disapproved by Franchisor. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor.

3.2.2 Following Franchisor's approval of a proposed site, Area Developer shall use its best efforts to secure such site, either through a lease/sublease that is acceptable to Franchisor, as provided in Section 3.3 below, or a binding purchase agreement, and shall do so within sixty (60) business days of approval of the site by Franchisor. Area Developer shall immediately notify Franchisor of the execution of the approved lease or binding purchase agreement. The site approved and secured pursuant to this Agreement shall be specified as the "Approved Location" under the Franchise Agreement executed pursuant Section 3.4 below.

3.2.3 Area Developer hereby acknowledges and agrees that approval by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Store or for any other purpose. Approval by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation.

Both Area Developer and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Area Developer's expectations as to revenue or operational criteria.

3.3 **Lease Terms**. For each Franchised Store to be developed hereunder, if Area Developer will occupy the premises from which the Franchised Store will be operated under a lease or sublease, Area Developer shall, prior to execution of such lease, submit the lease to Franchisor for its review and approval; provided, however, if pre-submission to Franchisor is not possible, then Area Developer may sign the lease only on the condition, agreed to in writing by the lessor, that the lease shall become null and void if Franchisor does not approve such lease. Franchisor's approval of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require, including, without limitation, the terms and conditions set forth by Franchisor in the Manuals or otherwise in writing from time to time.

3.4 **Franchise Agreements**. With respect to the Franchise Agreements to be executed for the Franchised Stores to be developed pursuant to this Agreement, the following terms and conditions shall apply:

3.4.1 The Franchise Agreement for the first Franchised Store to be developed under this Agreement shall be executed simultaneously with the execution of this Agreement.

3.4.2 The Franchise Agreement for each subsequent Franchised Store to be developed under this Agreement shall be Franchisor's then-current form of Franchise Agreement, the terms of which may differ from the terms of the Franchise Agreement executed simultaneously with this Agreement including, without limitation, higher and/or additional fees; provided, however, so long as Area Developer is in compliance with this Agreement, the initial franchise fee (as set forth in Section 4.3 below) and the royalty fee shall each be the same as set forth in the first Franchise Agreement executed simultaeously with this Agreement.

3.4.3 Franchisor shall permit one or more Franchise Agreements to be executed by entities other than Area Developer; provided that (a) each such franchisee entity is controlled by, or under common control with, Area Developer, and (b) the Area Developer and all Principals (as defined in Section 9.1 below) of Area Developer requested by Franchisor execute guarantees, guarantying to Franchisor the timely payment and performance of franchisee's obligations under the Franchise Agreement.

3.4.4 Provided that Area Developer is in compliance with this Agreement, within ten (10) days after Area Developer locates and secures a site pursuant to Sections 3.2 and 3.3 above, Area Developer (or an affiliate of Area Developer pursuant to Section 3.4.3 above) shall execute the Franchise Agreement for such Franchised Store, as provided in this Section 3.4. Failure to timely execute a Franchise Agreement as required by this Section 3.4 will constitute a default under this Agreement. Area Developer shall thereafter comply with all pre-opening and opening requirements set forth in the Franchise Agreement relating to the Franchised Store.

3.5 **Force Majeure Events**. Area Developer shall not be responsible for non-performance or delay in performance occasioned by a "**force majeure,**" which means an act of God, war, civil disturbance, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, or any other cause beyond the reasonable control of Area

Developer; provided, however, force majeure shall not include Area Developer's lack of adequate financing. If any delay occurs, any applicable time period hereunder shall be automatically extended for a period equal to the time lost; provided, however, that Area Developer shall make reasonable efforts to correct the reason for such delay and give Franchisor prompt written notice of any such delay.

4. DEVELOPMENT FEE AND INITIAL FRANCHISE FEE

4.1 **Area Development Fee**. In consideration of the development rights granted herein, upon execution of this Agreement, Area Developer shall pay an area development fee ("**Area Development Fee**") that is equal to Twenty Thousand Dollars ($20,000) multiplied by the number of Franchised Stores to be developed and opened within the Development Area during the term of this Agreement and in accordance with the Development Schedule, the total amount of such Area Development Fee is specified in Paragraph 3 of Exhibit A. Receipt of the Area Development Fee is hereby acknowledged. The Area Developer expressly acknowledges and agrees that the Area Development Fee is fully earned and nonrefundable in consideration of administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted herein to Area Developer, even if Area Developer does not enter into any Franchise Agreements pursuant to this Agreement.

4.2 **Credit Towards Franchise Fee**. If Area Developer is in compliance with its obligations under this Agreement and any other agreement with Franchisor, then upon execution of each Franchise Agreement executed pursuant to the Development Schedule, Franchisor will credit towards the Franchise Fee (as set forth in Section 4.3 below) for said Franchise Agreement, the sum of Twenty Thousand Dollars ($20,000). In no circumstances will Franchisor grant credits in excess of the total Area Development Fee paid by Area Developer, as set forth in Paragraph 3 of Exhibit A.

4.3 **Franchise Fees**. Notwithstanding anything to the contrary in any of the Franchise Agreements, the initial franchise fee (the "**Franchise Fee**") that shall be paid by Area Developer for each Franchised Store to be developed pursuant to the Development Schedule shall be an amount equal to Forty Thousand Dollars ($40,000) for the right to establish and operate a Standard Gong cha Store and Thirty Thousand Dollars ($30,000) for the right to establish and operate an Express Gong cha Store, which shall be paid in full upon execution of each such Franchise Agreement, less any credit that may be applied pursuant to Section 4.2.

5. DUTIES OF THE PARTIES

5.1 **Franchisor's Assistance**. Franchisor shall furnish to Area Developer the following:

5.1.1 Site selection guidelines, including Franchisor's minimum standards for Gong cha Store sites and sources regarding demographic information, and such site selection counseling and assistance as Franchisor may deem advisable.

5.1.2 Such on-site evaluation as Franchisor deems advisable in response to Area Developer's request for site approval for each Franchised Store; provided, however, that Franchisor shall not provide on-site evaluation for any proposed site prior to the receipt of a SAP for such site prepared by Area Developer pursuant to Section 3.2.

5.2 **Designated Principal**. If Area Developer is other than an individual, Area Developer shall designate, subject to Franchisor's reasonable approval, one Principal (as defined in Section 9.1) who is both an individual person and owns at least a ten percent (10%) of Area Developer, and who shall be responsible for general oversight and management of the development of the Franchised Stores under this Agreement and the operations of all such Franchised Stores open and in operation on behalf of Area Developer (the "**Designated Principal**"). Area Developer acknowledges and agrees that Franchisor shall

have the right to rely upon the Designated Principal to have been given, by Area Developer, the responsibility and decision-making authority regarding the Area Developer's business and operation. In the event the person designated as the Designated Principal becomes incapacitated, leaves the employ of Area Developer, transfers his/her interest in Area Developer, or otherwise ceases to supervise the development of the Franchised Stores, Area Developer shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

5.3 **Records and Reports to Franchisor**. Area Developer shall, at Area Developer's expense, comply with the following requirements to prepare and submit to Franchisor the following reports, financial statements and other data, which shall be prepared in the form and using the standard statements and chart of accounts as Franchisor may prescribe from time to time:

5.3.1 No later than the twentieth (20th) day of each calendar month, Area Developer shall have prepared a profit and loss statement reflecting all Area Developer's operations during the last preceding calendar month, for each Franchised Store. Area Developer shall prepare profit and loss statements on an accrual basis and in accordance with generally accepted accounting principles. Area Developer shall submit such statements to Franchisor at such times as Franchisor may designate or as Franchisor may otherwise request.

5.3.2 On April 15th of the year following the end of Area Developer's fiscal year, a complete annual financial statement (prepared according to generally accepted accounting principles), on a compilation basis, and if required by Franchisor, such statements shall be prepared by an independent certified public accountant.

5.3.3 Such other forms, reports, records, information, and data as Franchisor may reasonably designate.

5.4 **Maintaining Records**. Area Developer shall maintain during the term of this Agreement, and shall preserve for at least seven (7) years from the dates of their preparation, and shall make available to Franchisor at Franchisor's request and at Area Developer's expense, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles.

5.5 **Area Developer to Provide Training**. Area Developer agrees that, notwithstanding any thing to the contrary in any Franchise Agreement, Area Developer shall be responsible for conducting the initial training of all required trainees (including, without limitation, the owners and management personnel) for the fourth (4th) and any subsequent Franchised Stores developed under this Agreement, in accordance with the requirements and conditions as Franchisor may from time to time establish for the initial training. By no later than the time Area Developer is seeking Franchisor's approval to develop the fourth (4th) Franchised Store under this Agreement, Area Developer shall be have completed to Franchisor's satisfaction all requirements and conditions necessary to obtain Franchisor's approval for Area Developer to conduct such training.

6. DEFAULT AND TERMINATION

6.1 **Automatic Termination**. Area Developer shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Area Developer, if Area Developer becomes insolvent or makes a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Area Developer or such a petition is filed against and not opposed by Area Developer; if Area Developer is adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Area Developer or other custodian for Area Developer's business or assets is filed and consented to by Area Developer; if a receiver or other custodian (permanent or temporary) of Area Developer's assets or property, or any part thereof, is appointed by any court of

competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Area Developer; if final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if Area Developer is dissolved; if execution is levied against any asset of Area Developer or Area Developer's Franchised Stores; if suit to foreclose any lien or mortgage against any asset of Area Developer or Area Developer's Franchised Stores is instituted against Area Developer and not dismissed within sixty (60) days; or if any asset of Area Developer's or any Franchised Store of Area Developer's shall be sold after levy thereupon by any sheriff, marshal, or constable.

6.2 **Termination Upon Notice**. Area Developer shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder or take any of the actions described in Section 6.5 below, without affording Area Developer any opportunity to cure the default, effective immediately upon the provision of notice to Area Developer (in the manner provided under Section 10 hereof), upon the occurrence of any of the following events of default:

6.2.1 If the Franchise Agreement for any Franchised Store operated by Area Developer (or an entity affiliated with Area Developer) is terminated.

6.2.2 If Area Developer or any Principal is convicted of a felony, a crime involving moral turpitude, or any other crime or action that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein.

6.2.3 If Area Developer or any Principal purports to transfer any rights or obligations under this Agreement or any the assets of Area Developer in a manner that is contrary to the terms of Section 7 of this Agreement.

6.3 **Notice and Opportunity to Cure – For a Missed Deadline**. Failure by Area Developer to meet a deadline under the Development Schedule (a "**Missed Deadline**") shall constitute a default under this Agreement. Franchisor shall, for one (1) Missed Deadline, provide Area Developer with a reasonable opportunity to cure such default by notifying Area Developer in writing of a new date for the Missed Deadline (without change to any other deadline in the Development Schedule). If Area Developer fails to comply with the Development Schedule by such new deadline, and/or upon the occurrence of another Missed Deadline, Franchisor, in its discretion, may terminate this Agreement and all rights granted hereunder without affording Area Developer any further opportunity to cure the default, effective immediately upon the delivery of written notice to Area Developer (in the manner set forth in Section 10 of this Agreement); or Franchisor, in its discretion, may elect, in lieu of terminating this Agreement, to take any of the actions described in Section 6.5 below.

6.4 **Notice and Opportunity to Cure Other Defaults**. Except as otherwise provided in Sections 6.1, 6.2 , and 6.3 above, if Area Developer fails to comply with any material term and condition of this Agreement, such action shall constitute a default under this Agreement and, upon the occurrence of any such default, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Area Developer at least thirty (30) days prior to the effective date of termination; provided, however, that Area Developer may avoid termination by curing the default to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the 30-day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement and all rights granted hereunder (including but not limited to, the right to develop new Franchised Stores) will terminate without further notice to Area Developer effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

6.5 **Franchisor's Other Options Upon Default**. Franchisor, in its discretion, may elect, in lieu of terminating this Agreement, to use other remedial measures for Area Developer's breach of this Agreement, which include, but are not limited to: (i) termination of the credit towards Franchise Fees granted in Section 4.2 hereof; (ii) loss of the limited exclusivity, or reduction in the scope of protections, granted to Area Developer under Section 1.2 herein for the Development Area; (iii) reduction in the scope of the Development Area; (iv) reduction in the number of Franchised Stores to be developed by Area Developer; and/or (v) Franchisor's retention of all area development fees paid, or owed, by Area Developer. If Franchisor exercises said right, Franchisor shall not have waived its right to, in the case of future defaults, exercise all other rights and invoke all other provisions that are provided in law and/or set out under this Agreement.

6.6 **Loss of Master Franchising Rights**. In the event that the master franchising agreement between Franchisor and Master Franchisor expires or is terminated, for any reason whatsoever, Franchisor may, at its option and sole discretion, terminate this Agreement and all rights granted hereunder, by giving thirty (30) days prior written notice to Area Developer (in the manner provided under Section 10 hereof). In such event, alternatively, Franchisor may choose, at its option and sole discretion, not to terminate this Agreement, and assign this Agreement to Master Franchisor pursuant to Section 7.1 herein. Area Developer expressly waives any claims, demands or damages arising from or related to termination of the master franchising agreement and/or termination of this Agreement including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

6.7 **No Further Rights**. Upon termination or expiration of this Agreement, Area Developer shall have no right to establish or operate any Gong cha Store for which a Franchise Agreement has not been executed by Franchisor at the time of termination or expiration. Franchisor's remedies for Area Developer's breach of this Agreement shall include, without limitation, Area Developer's loss of its right to develop additional Franchised Stores under this Agreement, and Franchisor's retention of all area development fees paid or owed by Area Developer. Upon termination or expiration, Franchisor shall be entitled to establish, and to franchise others to establish, Gong cha Stores in the Development Area, except as may be otherwise provided under any Franchise Agreement which has been executed between Franchisor and Area Developer or Area Developer's affiliates (as permitted under Section 3.4.3 above).

7. TRANSFER OF INTEREST

7.1 **Franchisor's Rights to Transfer**. Franchisor shall have the right, without the need for Area Developer's consent, to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, provided that any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, Area Developer expressly affirms and agrees that Franchisor may sell its assets, its Proprietary Marks, or its System; may sell its securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

7.2 **No Transfers Without Franchisor's Approval**. Area Developer understands and acknowledges that Franchisor has granted the rights hereunder in reliance on the business skill, financial capacity, and personal character of Area Developer or the Principals of Area Developer if Area Developer is not an individual. Accordingly, neither Area Developer nor any Principal shall sell, assign, transfer, pledge or otherwise encumber any direct or indirect interest in the Area Developer (including any direct or indirect interest in a corporate or partnership Area Developer), the rights or obligations of Area Developer under this Agreement, or any material asset of the Area Developer's business, without the prior written consent of Franchisor, which shall be subject to Sections 7.3 and 7.4 below and to all of the

conditions and requirements for transfers set forth in the Franchise Agreement executed simultaneously with this Agreement that Franchisor deems applicable to a proposed transfer under this Agreement.

7.3 **Simultaneous Transfers**. Area Developer understands and acknowledges that any consent to a transfer of this Agreement shall, unless waived, be conditioned on, among other factors, the requirement that the proposed transfer of this Agreement is to be made in conjunction with a simultaneous transfer of all Franchise Agreements executed pursuant to this Agreement to the same approved transferee.

7.4 **Transfer Fee**. At the request of Franchisor, Area Developer shall pay a transfer fee of an amount equal to Ten Thousand Dollars ($10,000) for each Franchised Store that remains to be developed and opened in order to satisfy the Development Schedule, but not less than fifty percent (50%) of the Area Development Fee paid. Additionally, for any Franchise Agreements executed pursuant to this Agreement that are transferred, the transfer fee due under such Franchise Agreement(s) shall be paid to Franchisor pursuant to the terms of such Franchise Agreement(s).

7.5 **Transfer to Entity Formed for by Area Developer**. Notwithstanding anything to the contrary in this Section 7, if Area Developer is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 7.4 shall not apply, and Area Developer may undertake such transfer, provided that: (a) Area Developer owns one hundred percent (100%) of the equity interest in the transferee entity; (b) Area Developer and any other Principal(s) personally guarantee, in a written guaranty satisfactory to Franchisor, the performance of the obligations of the Area Developer under this Agreement; (c) Area Developer executes a Transfer of Franchise form as prescribed and approved by Franchisor; (d) such transferee entity is newly organized and its business purpose is confined exclusively to developing and operating the Franchised Stores; and (e) Area Developer and any other Principal(s) execute any and all other ancillary agreements as Franchisor may require.

8. COVENANTS

8.1 **Confidential Information**. Area Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Area Developer by Franchisor, and shall disclose such information or materials only to such of Area Developer's employees or agents who must have access to it in connection with their employment. Area Developer shall not at any time, during the term of this Agreement or thereafter, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

8.2 **During the Term**. Area Developer specifically acknowledges that, pursuant to this Agreement, Area Developer will receive valuable specialized training and confidential information, which may include, without limitation, information regarding the operational, sales, advertising and promotional methods and techniques of Franchisor and the System. Area Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Area Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation:

8.2.1 Divert or attempt to divert any business or guest of any Gong cha Store or of any unit under the System 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 Proprietary Marks or the System.

8.2.2 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business (as defined below). A "**Competitive Business**" shall be considered (i) any business with sales of tea products equal to or greater than fifty percent (50%) of total sales; and/or (ii) any retail store or other business that is the same as or similar to a Gong cha Store.Area Developer acknowledges and agrees that Area Developer shall be considered in default under this Agreement and that this Agreement will be subject to immediate termination as provided in Section 6.2 herein, in the event that a person in the immediate family (including spouse, domestic partner, parent or child) of Area Developer (or, if Area Developer is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 8.2.3 if such person was subject to the covenants of this Section 8.2.3.

8.3 **After the Agreement and After a Transfer**. Area Developer covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years from the date of (a) a transfer permitted under Section 7 above; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 8.3; or (e) any or all of the foregoing, Area Developer shall not either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, partnership, corporation, or other entity, own, maintain, operate, engage in, be employed by, or have any interest in any Competitive Business, which is, or is intended to be, located (i) within the Development Area (other than those Franchised Stores provided for in the Development Schedule), or (ii) within a radius of twenty-five (25) miles of any other Gong cha Store in operation or under construction on the effective date of termination or expiration located anywhere. Provided, however, that this provision shall not apply to the operation by Area Developer of any business under the System under a franchise agreement with Franchisor.

8.4 **Exception for Ownership in Public Entities**. Sections 8.2 and 8.3 hereof shall not apply to ownership by Area Developer of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation. As used in this Agreement, the term "**publicly held corporation**" refers to a corporation which has outstanding securities that have been registered under the federal Securities Exchange Act of 1934.

8.5 **Personal Covenants**. At the request of Franchisor, Area Developer shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 8 (including covenants applicable upon the termination of a person's relationship with Area Developer) and the provisions of Sections 6 and 7 of this Agreement (as modified to apply to an individual) from all managers and other personnel employed by Area Developer who have received or will receive training and/or other confidential information, or who are or may be involved in the operation or development of the Franchised Stores. Every covenant required by this Section 8.5 shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

8.6 **Covenants as Independent Clauses**. 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 Franchisor is a party, Area 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.

8.7 **Franchisor's Right to Reduce Scope of the Covenants**. Area Developer understands and acknowledges that Franchisor 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 Area Developer's consent, effective immediately upon receipt by Area Developer of written notice thereof; and Area Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 15 hereof.

8.8 **Covenants Survive Claims**. Area Developer expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 8. Area Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 8.

8.9 **Compliance with Laws**. Area Developer represents and warrants to Franchisor that neither Area Developer (including, without limitation, any and all of its employees, directors, officers and other representatives) nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

9. CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP

9.1 **List of Principals**. If Area Developer is a corporation, limited liability company, or partnership, each owner of beneficial interest in Area Developer (each a "**Principal**"), and the interest of each Principal in Area Developer, shall be identified in Exhibit B to the Agreement. Area Developer shall maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit B upon any change, which shall be made only in compliance with Section 7 above. As set forth in Section 5.2 above, the Designated Principal shall at all times have at least a ten percent (10%) interest in Area Developer.

9.2 **Guaranty, Indemnification, and Acknowledgment**. Each Principal shall execute a guaranty, indemnification, and acknowledgment of Franchisee's covenants and obligations under this Agreement in the form attached hereto as Exhibit C.

9.3 **Corporations and Limited Liability Companies**. If Area Developer is a corporation or limited liability company, Area Developer shall comply with the following requirements:

9.3.1 Area Developer shall be newly organized and its governing documents shall at all times provide that its activities are confined exclusively to developing and operating the Franchised Stores.

9.3.2 Area Developer shall, upon request of Franchisor, promptly furnished to Franchisor copies of Area Developer's articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members authorizing entry into this Agreement.

9.3.3 Area Developer shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate or issued securities of Area Developer shall conspicuously include upon its face a statement, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 9.3.3 shall not apply to a publicly held corporation.

9.4 **Partnerships and Limited Liability Partnerships**. If Area Developer or any successor to or assignee of Area Developer is a partnership or limited liability partnership, Area Developer shall comply with the following requirements:

9.4.1 Area Developer shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to developing and operating the Franchised Stores.

9.4.2 Area Developer shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

9.4.3 The partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

10. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

11. PERMITS AND COMPLIANCE WITH THE LAWS

11.1 **Compliance with Laws**. Area Developer shall comply with all federal, state, and local laws, rules and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business contemplated under this Agreement.

11.2 **Notice of Actions**. Area Developer shall notify Franchisor in writing within five (5) days of the receipt of any demand letter, commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of Area Developer and/or any Franchised Store established under this Agreement.

12. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

12.1 **No Fiduciary Relationship**. Area Developer is an independent contractor. Franchisor and Area Developer are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither shall have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement shall be construed to alter the relationship.

12.2 **Public Notice**. During the term of this Agreement, Area Developer shall hold itself out to the public as an independent contractor operating the business pursuant to an area development agreement with Franchisor. Area Developer agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of the fact in a conspicuous place in Area Developer's offices, the content of which Franchisor reserves the right to specify.

12.3 **No Assumption of Liability**. Nothing in this Agreement authorizes Area Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or

other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Area Developer in Area Developer's operations hereunder, or for any claim or judgment arising therefrom against Area Developer or Franchisor.

12.4 **Indemnification**. Area Developer shall indemnify and hold Franchisor, Franchisor's owners and affiliates, and their respective officers, directors, and employees (the "**Indemnitees**") harmless against any and all causes of action, claims, losses, costs, expenses, liabilities, litigation, damages or other expenses (including, but not limited to, settlement costs and attorneys' fees) arising directly or indirectly from, as a result of, or in connection with Area Developer's operation of the business contemplated hereunder (notwithstanding any claims that the Indemnitees are or were negligent). Area Developer agrees that with respect to any threatened or actual litigation, proceeding or dispute which could directly or indirectly affect any of the Indemnitees, the Indemnitees shall have the right, but not the obligation, in their discretion, to: (i) choose counsel, (ii) direct, manage and/or control the handling of the matter; and (iii) settle on behalf of the Indemnitees, and/or Area Developer, any claim against the Indemnitees. All vouchers, canceled checks, receipts, receipted bills or other evidence of payments for any such losses, liabilities, costs, damages, charges or expenses of whatsoever nature incurred by any Indemnitee shall be taken as prima facie evidence of Area Developer's obligation hereunder.

13. APPROVALS AND WAIVERS

13.1 **Approval Requests**. Whenever this Agreement requires the prior approval or consent of Franchisor, Area Developer shall make a timely written request to Franchisor therefor, and such approval or consent shall be in writing. Franchisor shall respond to Area Developer's timely requests in a reasonably timely and prompt manner.

13.2 **Non-waiver**. No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Area Developer with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Area Developer shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Area Developer of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Area Developer of any terms, covenants or conditions of this Agreement.

14. SEVERABILITY AND CONSTRUCTION

14.1 **Severable Parts**. Except as expressly provided to the contrary herein, each portion, 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 portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

14.2 **Terms Surviving this Agreement**. Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause for termination), shall survive such expiration, termination.

14.3 **No Rights on Third Parties**. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Area Developer, Franchisor, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 15 hereof, any rights or remedies under or by reason of this Agreement.

14.4 **Full Scope of Terms**. Area Developer expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision 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 or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

14.5 **Franchisor's Application of its Rights**. Franchisor shall have the right to operate, develop and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right to take or withhold an action, or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Area Developer a right to take or omit an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and its judgment of what is in its best interests and/or in the best interests of the Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interest; (iii) Franchisor's decision or the action it take applies differently to Area Developer and one or more other franchisees or Franchisor's company-owed operations; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Area Developer's interests. In the absence of an applicable statute, Franchisor will have no liability to Area Developer for any such decision or action. Franchisor and Area Developer intend that the exercise of Franchisor rights or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Area Developer agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Area Developer's rights and obligations hereunder.

14.6 **Captions Only for Convenience**. 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.

15. ENTIRE AGREEMENT

Franchisor and Area Developer, and any Principal, each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement. Recognizing the costs on both Franchisor and Area Developer which are uncertain, Franchisor and Area Developer, each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings which have been or may in the future be, exchanged between them, serve as the basis for creating rights or obligations different than or supplementary to the rights and

obligations set forth herein. Accordingly, Franchisor and Area Developer agree and promise each other that this Agreement supercedes and cancels any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements or any other term), between Franchisor or anyone acting on its behalf and Area Developer or anyone acting on its behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such term) with respect to the rights and obligations of Franchisor and Area Developer or the relationship between them. Franchisor and Area Developer agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings. In accordance with the foregoing, it is understood and acknowledged that this Agreement, the attachments hereto, and the documents referred to herein constitute the entire Agreement between Franchisor and Area Developer concerning the subject matter hereof, and supersede any prior agreements, no other representations having induced Area Developer to execute this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Section 15 is intended to disclaim any of the information contained in Franchisor's Franchise Disclosure Document or its attachments or exhibits.

16. APPLICABLE LAW AND DISPUTE RESOLUTION

16.1 **Governing Law**. This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed under the laws of the State of California. In the event of any conflict of law, the laws of California shall prevail, without regard to, and without giving effect to, the application of California conflict of law rules. Nothing in this Section 16.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of California or of any other state to which it would not otherwise be subject.

16.2 **Non-Binding Mediation**. Before any party may bring an action in arbitration or in court against the other, the parties must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. All mediation proceedings will be conducted at a suitable location chosen by the mediator, which is within a five (5) mile radius of Franchisor's then current principal place of business, unless we agree otherwise in writing. Notwithstanding anything to the contrary, this Section 16.2 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation. Mediation hereunder shall be concluded within forty five (45) days of Area Developer's receipt of the notice specifying the designated mediator or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Franchisor and Area Developer shall each bear its own costs of mediation, and each shall bear one-half (½) the cost of the mediator or mediation service. This Section 16.2 mandating non-binding mediation shall not be applicable to any claim or dispute arising under this Agreement or any other agreement between the parties which relates to the failure to pay fees or other monetary obligation(s) of either party under said agreement(s).

16.3 **Arbitration.** Franchisor and Area Developer agree that, except for controversies, disputes, or claims related to or based on improper use of the Proprietary Marks or Confidential Information, all controversies, disputes, or claims between Franchisor and Area Developer's affiliates, and Franchisor's and their respective shareholders, members, officers, directors, agents, and/or employees, and Area Developer (and/or Area Developer's owners, guarantors, affiliates, and/or employees) arising out of or related to:

(1) this Agreement or any other agreement between Area Developer and Franchisor;

(2) Franchisor's relationship with Area Developer;

(3) the validity of this Agreement or any other agreement between Area Developer and Franchisor; or

(4) any System Standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association in the United States ("AAA"). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA's then current rules. All proceedings will be conducted at a suitable location chosen by the arbitrator which is within a five (5) mile radius of Franchisor's then current principal place of business. The arbitrator shall have no authority to select a different hearing locale. All matters relating to arbitration will be governed by the United States Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

16.3.1 The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs (as allowable under this Agreement or applicable law), provided that the arbitrator may not declare any Proprietary Mark generic or otherwise invalid or, as expressly provided in Section 16.9 below, award any punitive, exemplary or multiple damages against either party.

16.3.2 Franchisor and Area Developer agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. Franchisor and Area Developer further agrees that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the United States Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Area Developer or Franchisor.

16.3.3 Franchisor and Area Developer agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Franchisor and Franchisor's affiliates their respective shareholders, officers, directors, agents, and employees, and Area Developer (including owners, guarantors, affiliates, and employees) may not be consolidated with any other arbitration proceeding between Franchisor and any other person.

16.3.4 Despite Franchisor's and Area Developer's agreement to arbitrate, Franchisor and Area Developer each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that Franchisor and Area Developer must contemporaneously submit Franchisor's dispute for arbitration on the merits as provided in this Section.

16.3.5 The provisions of this Section are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

16.4 **Consent to Jurisdiction**. Subject to the mediation and arbitration obligations in Sections 16.2 and 16.3, any judicial action must be brought in a court of competent jurisdiction in the state, and in

(or closest to) the county, where Franchisor's headquarters are then located. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to such jurisdiction or venue. Notwithstanding the foregoing, Franchisor may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce an arbitration award or judicial decision, in any federal or state court in the county in which Area Developer resides or the Development Area is located.

16.5 **No Rights Exclusive of Other Rights**. No right or remedy conferred upon or reserved to Franchisor or Area Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

16.6 **WAIVER OF JURY TRIAL**. FRANCHISOR AND AREA DEVELOPER IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY HERETO AGAINST THE OTHER.

16.7 **Limitation**. Any and all claims and actions arising out of or relating to this Agreement and/or the relationship of Area Developer and Franchisor, brought by either party hereto against the other, whether in mediation, in arbitration or in court, shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be forever barred.

16.8 **WAIVER OF RICO**. THE PARTIES HERETO AGREE TO WAIVE, NOW AND FOREVER, ANY AND ALL RIGHTS EITHER MAY HAVE UNDER THE FEDERAL STATUTE KNOWN AS RICO.

16.9 **WAIVER OF PUNITIVE DAMAGES**. FRANCHISOR AND AREA DEVELOPER HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER.

16.10 **Release**. By executing this Agreement, Area Developer, for itself and its affiliates, and for its and its affiliates' directors, officers, shareholders, partners, members, managers, employees and agents, and for the predecessors, successors, assigns, heirs, administrators and executors of it and any and all of them (collectively, the "Area Developer Parties"), hereby release, remise, acquit, and forever discharge Franchisor, its affiliates, its and its affiliates' directors, officers, shareholders, partners, members, managers, employees and agents, and the predecessors, successors, assigns, heirs, administrators and executors of it and any or all of them (collectively, the "Franchisor Parties"), from and against any and all obligations, debts, liabilities, demands, claims, actions, causes of action, loss, losses, damage and damages (actual, consequential, multiplied, exemplary, enhanced, punitive, or otherwise), of any nature or kind, contingent or fixed, known or unknown, at law or in equity or otherwise, for any matter, of whatever source or origin, arising out of or related to any and all transactions of any kind or character, at any time prior to and including the Effective Date, including, but not limited to, any and all claims arising under the franchise, securities or antitrust laws of the United States or of any state, province or territory thereof. Area Developer covenants, warrants, and agrees that it has the authority to bind the Area Developer Parties (as herein defined) as provided herein. Area Developer, on behalf of itself and the Area Developer Parties, further covenants not to sue any of the Franchisor Parties on any of the claims released by the foregoing and represents that it has not assigned any such claims to any individual or entity who is not bound by the foregoing.

16.11 **Injunctive Relief**. Nothing herein contained shall bar the right of Franchisor to obtain injunctive relief against threatened conduct that will cause it loss or damages under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

16.12 **Counterparts; Paragraph Headings; Pronouns**. This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument. All captions and paragraph headings 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. Each pronoun used herein shall be deemed to include the other number of genders.

16.13 **Attorneys' Fees**. In the event Franchisor is required to employ legal counsel or to incur other expense to enforce any obligation of Franchisee hereunder, or to defend against any claim, demand, action or proceeding by reason of Area Developer's failure to perform any obligation imposed upon Area Developer by this Agreement, Franchisor shall be entitled to recover from Area Developer the amount of all reasonable attorneys' fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

16.14 **Signature**. Delivery of a copy of this Agreement bearing (i) an original signature by facsimile transmission, (ii) an original signature by electronic mail in "portable document format" form or (iii) an electronic signature facilitated by a digital transaction management services provider (such as DocuSign), shall have the same effect as physical delivery of the paper document bearing the original signature.

17. ACKNOWLEDGMENTS

17.1 **AREA DEVELOPER'S INVESTIGATION OF THE BUSINESS POSSIBILITIES**. AREA DEVELOPER ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS OF DEVELOPING AND OPERATING A GONG CHA STORES, AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF AREA DEVELOPER (OR, IF AREA DEVELOPER IS A CORPORATION, PARTNERSHIP OR LIMITED LIABILITY COMPANY, THE ABILITY OF ITS PRINCIPALS) AS (AN) INDEPENDENT BUSINESSPERSON(S). FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND AREA DEVELOPER ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT. AREA DEVELOPER ACKNOWLEDGES THAT THIS AGREEMENT CONTAINS ALL ORAL AND WRITTEN AGREEMENTS, REPRESENTATIONS AND ARRANGEMENTS BETWEEN THE PARTIES, AND ANY RIGHTS WHICH THE RESPECTIVE PARTIES HERETO MAY HAVE HAD UNDER ANY OTHER PREVIOUS CONTRACT (WHETHER ORAL OR WRITTEN) ARE HEREBY CANCELLED AND TERMINATED, AND NO REPRESENTATIONS OR WARRANTIES ARE MADE OR IMPLIED, EXCEPT AS SPECIFICALLY SET FORTH HEREIN. AREA DEVELOPER FURTHER ACKNOWLEDGES THAT IT HAS NOT RECEIVED OR RELIED ON ANY REPRESENTATIONS ABOUT THE FRANCHISE BY THE FRANCHISOR, OR ITS OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS, THAT ARE CONTRARY TO THE STATEMENTS MADE IN THE FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT OR TO THE TERMS AND CONDITIONS CONTAINED HEREIN, AND FURTHER REPRESENTS TO THE FRANCHISOR, AS AN INDUCEMENT TO ENTRY INTO THIS AGREEMENT, THAT AREA DEVELOPER HAS MADE NO MISREPRESENTATIONS IN OBTAINING THE FRANCHISE.

17.2 **Receipt of FDD and Complete Agreement**. Area Developer acknowledges that it received a complete copy of this Agreement, the attachments hereto, and agreements relating thereto, if any, at least seven (7) calendar days prior to the date on which this Agreement was executed. Area

Developer further acknowledges that it received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising", otherwise known as the Franchise Disclosure Document (**FDD**), at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment by Area Developer for the rights granted under this Agreement. Area Developer further acknowledges that prior to receiving Franchisor's FDD, Franchisor advised Area Developer of the formats in which the FDD is made available, and any conditions necessary for reviewing the FDD in a particular format.

17.3 **Area Developer Read the Agreement and Consulted**. Area Developer acknowledges that it has read and understood Franchisor's FDD and this Agreement, the attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Area Developer ample time and opportunity to consult with advisors of Area Developer's own choosing about the potential benefits and risks of entering into this Agreement.

17.4 **No Conflicting Obligations**. Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

17.5 **Patriot Act**. Area Developer represents and warrants that to its actual knowledge: (i) neither Area Developer, nor its officers, directors, managers, members, partners or other individual who manages the affairs of Area Developer, nor any Area Developer affiliate or related party, or any funding source for any Franchised Store, is identified on the lists of Blocked Persons, Specially Designated Nationals, Specially Designated Terrorists, Specially Designated Global Terrorists, Foreign Terrorists Organizations, and Specially Designated Narcotics Traffickers at the United States Department of Treasury's Office of Foreign Assets Control (OFAC), or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, commonly known as the "USA Patriot Act," as such lists may be amended from time to time (collectively, "**Blocked Person(s)**"); (ii) neither Area Developer nor any Area Developer affiliate or related party is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither Area Developer nor any Area Developer affiliate or related party is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither Area Developer nor any Area Developer affiliate or related party are on the United States Department of Commerce Denied Persons, Entity and Unverified Lists, or the United States Departments of State's Debarred List, as such lists may be amended from time to time (collectively, the "**Lists**"); (v) neither Area Developer nor any Area Developer affiliate or related party, during the term of this Agreement, will be on any of the Lists or identified as a Blocked Person; and (vi) during the term of this Agreement, neither Area Developer nor any Area Developer affiliate or related party will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists or identified as a Blocked Person. Area Developer agrees to notify Franchisor in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

[SIGNATURE PAGE FOLLOWS]

GONG CHA CA FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT
SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Area Development Agreement in duplicate on the day and year first above written.

FRANCHISOR:
GONG CHA CA FRANCHISE, LLC

By:_____

Name:_____

Title:_____

Address for Notices:

Larry Chen
Gong Cha CA Franchise, LLC
1111 Triton Drive, Suite 200
Foster City, California 94404
Telephone(___) _____
Fax:_____

With copy to:

Wayne P. Bunch, Jr., Esq.
DLA Piper (US)
1000 Louisiana Street
Suite 2800
Houston, Texas 77002
Telephone: (713) 425-8448
Fax: (713) 300-6044

AREA DEVELOPER:
_____

By:_____

Name:_____

Title:_____

Address for Notices:

_____
_____
_____
Telephone:_____
Fax:_____
Attn:_____

GONG CHA CA FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT A
DATA SHEET

1. **Development Schedule** (see Section 1.1): Area Developer shall execute Franchise Agreements for the development and operation of _____ (___) Franchised Stores, within the Development Area in accordance with the following Development Schedule:

Store Number	Open & Operating On or Before This Date	Payment Made	Balance Due Per Franchised Store	Due Date
1			$ -0-	Paid in full
2				Due within ten (10) days after location is secured through lease or purchase.
3				Due within ten (10) days after location is secured through lease or purchase.
4				Due within ten (10) days after location is secured through lease or purchase.
5				Due within ten (10) days after location is secured through lease or purchase.

The Expiration Date of this Agreement, as defined in Section 2, shall be the earlier of (i) the date the final Franchise Agreement is executed by Area Developer in accordance with the required minimum cumulative number of Franchise Agreements to be executed for Franchised Stores to be located in the Development Area as set forth in the Development Schedule above; or (ii) the final date set forth in the Development Schedule above.

2. **Development Area** (see Section 1.1): The Development Area shall be defined as the following:

_____
_____
_____
_____
_____
_____

3. **Area Development Fee** (see Section 4.1): In accordance with the total number of Franchised Stores to be developed and opened within the Development Area, the total Area Development Fee shall be $_____.

GONG CHA CA FRANCHISE, LLC **AREA DEVELOPER**

Initial:_____ Date:_____ **Initial:_____ Date:_____**

GONG CHA CA FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT B
LIST OF PRINCIPALS & DESIGNATED PRINCIPAL

The following identifies all of Area Developer's Principals (as defined in Section 9.1 of the Area Development Agreement):

Name of Principal	Address, Telephone, E-mail	Interest (%) with Description
		Total %:

AREA DEVELOPER'S DESIGNATED PRINCIPAL

The following identifies Area Developer's Designated Principal (as defined in Section 5.2 of the Area Development Agreement):

Name of Designated Principal	Address, Telephone, E-mail	Interest (%) with Description

GONG CHA CA FRANCHISE, LLC

Initial:_____ Date:_____

AREA DEVELOPER

Initial:_____ Date:_____

GONG CHA CA FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT C
GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Gong Cha CA Franchise, LLC ("**Franchisor**") to enter into the Area Development Agreement between Franchisor and _____ ("**Area Developer**"), dated _____ 20____ (the "**Agreement**"), the undersigned hereby unconditionally guarantees to Franchisor and Franchisor's successors and assigns that all of Area Developer's covenants and obligations, including, without limitation, monetary obligations, under the Agreement will be punctually paid and performed. This Guaranty, Indemnification, and Acknowledgment (this "**Guaranty**") is an unconditional, irrevocable and absolute guaranty of payment and performance and may not be cancelled, terminated, modified, or amended except by written agreement executed by both parties.

Upon demand by Franchisor, the undersigned hereby agrees to immediately make each payment required of Area Developer under the Agreement and waive any right to require Franchisor to: (a) proceed against Area Developer for any payment required under the Agreement; (b) proceed against or exhaust any security from Area Developer; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Area Developer; or (d) give notice of demand for payment by Area Developer. Without affecting the obligations of the undersigned under this Guaranty, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Area Developer, or settle, adjust, or compromise any claims against Area Developer, and the undersigned hereby waives notice of same and agrees to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Area Developer to perform any obligation of Area Developer under the Agreement, any amendment thereto, or any other agreement executed by Area Developer referred to therein.

The undersigned hereby acknowledges and expressly agrees to be personally bound by all of the covenants contained in the Agreement, including, without limitation, those covenants contained in Sections 7 and 8. Signature by the undersigned on this Guaranty constitutes the undersigned's signature on the Agreement related to all covenants. The undersigned asserts that he or she has read such covenants, been advised by counsel regarding their effect, and hereby affirmatively agree to them in order to secure the rights granted to Area Developer by Franchisor under the Agreement. The undersigned further acknowledges and agrees that this Guaranty does not grant the undersigned any right to use the "Gong cha" marks or system licensed to Area Developer under the Agreement.

This Guaranty shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors, if any, will continue in full force and effect.

The undersigned, if more than one, shall be jointly and severally liable hereunder and the term "undersigned" shall mean the undersigned or any one or more of them. Anyone signing this Guaranty shall be bound thereto at any time. Any married person who signs this Guaranty hereby expressly agrees that recourse may be had against his/her community and separate property for all obligations under this Guaranty.

The undersigned represents and warrants to Franchisor that neither the undersigned (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this Guaranty shall be in writing and shall be personally delivered, in the manner provided under Section 10 of the Agreement.

Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with the Agreement. This Guaranty shall be governed by the dispute resolution provisions of the Agreement, and shall be interpreted and construed under the laws of the State of California. In the event of any conflict of law, the laws of the State of California shall prevail (without regard to, and without giving effect to, the application of California conflict of law rules).

IN WITNESS WHEREOF, the undersigned has executed this Guaranty, Indemnification and Acknowledgement as of the date of the Agreement.

GUARANTOR(S):

_____
Print Name:_____

_____
Print Name:_____

_____
Print Name:_____

_____
Print Name:_____

_____
Print Name:_____

GONG CHA CA FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT D
AREA DEVELOPER CERTIFICATION

The undersigned, personally and as an officer(s), member(s) or partner(s) of Area Developer, as applicable, does hereby certify that he/she has conducted an independent investigation of the business contemplated by this Area Development Agreement and the Gong Cha CA Franchise, LLC Franchise Agreement, and that the decision to execute the Area Development Agreement was based entirely upon the independent investigation by the undersigned; and the undersigned further certifies that he/she has not relied upon, in any way, any claims regarding potential sales, income, or earnings to be derived from the business contemplated by the Franchise Agreement and Area Development Agreement, and has not relied upon any claims regarding past or current sales, income or earnings of Franchisor or its affiliate operated Gong cha Stores that is contrary to or different from the information contained in Franchisor's Franchise Disclosure Document. The undersigned further certifies that he/she understands the risks involved in this investment and Gong Cha CA Franchise, LLC makes no representation or guaranty, explicit or implied, that the Area Developer will be successful or will recoup his/her investment.

IN WITNESS WHEREOF, the undersigned have signed and delivered this Certificate this _____ day of _____, 20__.

_____
AREA DEVELOPER

By:_____
Name:_____
Title:_____

Each of the undersigned Principals own a beneficial interest in Area Developer and has read the Area Development Agreement, agree to be individually bound by all obligations of Area Developer hereunder and certify the foregoing:

By:_____ By:_____
Name:_____ Name:_____

By:_____ By:_____
Name:_____ Name:_____

By:_____ By:_____
Name:_____ Name:_____

EXHIBIT 5
NON-USE AND NON-DISCLOSURE AGREEMENT

NON-USE AND NON-DISCLOSURE AGREEMENT

This Non-Use and Non-Disclosure Agreement (this "**Agreement**") is entered into by and among _____, whose address is _____, _____, _____ _____, (collectively, together with all affiliates, representatives and agents, referred to as "**Interested Party**") and Gong Cha CA Franchise, LLC, a California limited liability company, whose address is 1111 Triton Drive, Suite 200, Foster City, California 94404 (the "**Company**").

WHEREAS, the Interested Party is interested in entering into a business relationship with the Company; and the Company is interested in entering into a business relationship with the Interested Party; and

WHEREAS, in connection with evaluating the viability of such a business relationship, the Company is furnishing and will furnish the Interested Party with information related to Company and/or its business, including without limitation, financial information, operating information, processes, procedures, corporate and business information, documentation and agreements, including without limitation a franchise disclosure document, that contain confidential and proprietary information (all of the forgoing together with all attachments, addenda, exhibits and other agreements described or referred to in any of the forgoing is herein referred to as the "**Information**").

For good and valuable consideration, including without limitation the Company's furnishing the Interested Party with the Information, the Interested Party has agreed and does hereby agree that:

1. Nondisclosure Obligations. Interested Party will keep the Information confidential, and Interested Party will not, without the Company's prior written consent disclose the Information, whether in whole or in part, directly or indirectly, except as expressly permitted hereunder. The Interested Party will not use the Information for any purpose other than evaluating the viability of entering into a business relationship with Company (the "**Purpose**"). Interested Party will not use all or any of the Information, or allow all or any of the Information to be used, for any reason other than the Purpose. The Interested Party (a) will not disclose the Information to any employee, agent, or representative of Interested Party unless such person needs access to the Information in order to facilitate the Purpose and executes a nondisclosure agreement with the Interested Party, with terms no less restrictive than those of this Agreement; and (b) will not disclose the Information to any other third party without the Company's prior written consent. The Interested Party is responsible for any breach of this Agreement by any party that receives any of the Information, either directly or indirectly, from the Interested Party. The Interested Party will promptly notify the Company of any misuse or misappropriation of the Information that comes to the Interested Party's attention.

2. Additional Nondisclosure Obligations. Without the Company's prior written consent, except where otherwise required by law (such requirements to be confirmed by a written legal opinion of the Interested Party's counsel), the Interested Party will not disclose to any person the fact that the Information has been made available, that discussions or negotiations are taking place or have taken place concerning a possible transaction involving the Interested Party and the Company, or any of the terms, conditions or other facts with respect to any such possible transaction, including the status thereof. If Interested Party is required by law to disclose all or any of the Information and such requirements are confirmed by a written legal opinion of the Interested Party's counsel, Interested Party shall reasonably cooperate with Company in any effort to seek a protective order or otherwise contest such required disclosure, at Company's expense. The Interested Party shall give Company prompt notice of any such legal or governmental demand for the Information.

3. Injunction. The Interested Party agrees that breach of this Agreement would cause the Company irreparable injury, for which monetary damages would not provide adequate compensation, and for which other remedies at law may be inadequate to protect the Company against a breach of this Agreement, and that in addition to any other remedy, the Company will be entitled to injunctive relief against such breach or

threatened breach, without proving actual damage or posting a bond or other security, which requirements are hereby expressly waived by the Interested Party.

4. Retention of Rights. This Agreement does not transfer ownership of the Information or grant a license thereto. Company will retain all right, title, and interest in and to all Information.

5. No Waiver. Neither party will be deemed to have waived any of its rights under this Agreement by lapse of time, or by any statement or representation other than a written waiver executed by the party seeking to waive its rights hereunder.

6. Authority. The undersigned parties each represent and warrant that such party has the power and authority to execute this agreement on behalf of the Interested Party or the Company, as is applicable. The Interested Party represents and warrants that he or she has all necessary authorizations, consents and agreements to bind the Interested Party to the terms and conditions contained herein.

7. Jurisdiction; Applicable Law. You agree that any lawsuit brought the Company to enforce its rights under this Agreement shall be brought in the courts of the County where the Company has its then current principal place of business, and you agree and consent to the jurisdiction of such court to resolve all disputes which arise out of this Agreement or any alleged breach thereof, regardless of your residency at the time such lawsuit is filed. This Agreement shall be governed by the laws of the State of California. In the event of any conflict of law, the laws of California shall prevail, without regard to, and without giving effect to, the application of California conflict of law rules.

8. Severability. To the extent permitted by applicable law, the parties hereby waive any provision of law that would render any clause of this Agreement invalid or otherwise unenforceable in any respect. In the event that a provision of this Agreement is held to be invalid or otherwise unenforceable, such provision will be interpreted to fulfill its intended purpose to the maximum extent permitted by applicable law, and the remaining provisions of this Agreement will continue in full force and effect.

9. Survival. The provisions of this Agreement will survive any termination or expiration of the relationship of the parties hereto.

10. Counterparts. This Agreement may be executed and delivered (including by facsimile or Portable Document Format (pdf) transmission) in any number of counterparts with the same effect as if all signatories had signed the same document. Facsimile and other electronic copies of manually signed originals shall have the same effect as manually-signed originals and shall be binding on the undersigned parties. Each counterpart shall be deemed an original, but all counterparts must be construed together to constitute one and the same instrument.

WITNESS the execution thereof, this _____ day of _____, 20___.

COMPANY:
GONG CHA CA FRANCHISE, LLC

INTERESTED PARTY:

By:_____
Name:_____
Title:_____

Signature:_____
Printed Name:_____

EXHIBIT 6
LIST OF FRANCHISEES

For Us:

List of Current Franchisees
As of December 31, 2023

Name	Store Address	City	State	Zip	Telphone
E&M BP, LLC	6924 Beach Blvd., K-336	Buena Park	CA	90621	562-215-3639
Bumblebee Donuts, Inc	11823 South St.	Cerritos	CA	90703	626-244-1183
Boba Ta LLC	17883 Colima Rd. Ste B	City of Industry	CA	91748	714-471-8130
Grove USA LLC	18203 Western Ave. Ste 103	Gardena	CA	90248	714-782-2591
E&M IR, LLC	14130 Culver Dr. Ste H-2	Irvine	CA	90230	562-215-3639
Livermore GC, Inc.	3046 W Jack London Blvd.	Livermore	CA	94551	408-666-7900
Gourmet Guru	318 E 2nd St.	Los Angeles	CA	90012	408-309-7266
TVU LLC	372 Barber Ln. Ste 230	Milpitas	CA	95035	408-799-0690
Tea N Tea	9176 Mira Mesa Blvd.	San Diego	CA	92126	760-715-3445
Lucrative Ventures	6825 Stockton Blvd., Ste 230	Sacramento	CA	95823	916-538-6034
Boba King, LLC	272 O'Farrell St.	San Francisco	CA	94102	415-654-2055
GCHA 1180, LLC	1180 Blossom Hill Rd.	San Jose	CA	95118	408-533-2860
GC San Jose, LLC	2200 Eastridge Loop, Ste 2000	San Jose	CA	95122	408-568-7243
GC San Jose, LLC	140 Paseo De San Antonio	San Jose	CA	95112	408-568-7243
Golden Land Enterprises II, LLC	2712 Augustine Dr. Ste 110	Santa Clara	CA	95054	408-472-0972
SSM Professional Services, Inc	26871 Bouquet Canyon Rd.	Santa Clarita	CA	91350	818-235-3961
Animo Partners Corporation	1642 Hollenbeck Ave.	Sunnyvale	CA	94087	408-309-7709
Athena Group, LLC.	3314 S Mooney Blvd.	Visalia	CA	93277	559-604-6377
BlueHat Bistro. LLC	4183 Chino Hills Pkwy, Ste B	Chino Hills	CA	91709	909-680-1260
NBU Concepts LLC	30141 Antelope Rd., Ste K	Menifee	CA	92584	714-461-1480
ANQL LLC	1501 Park St.	Alameda	CA	94501	510-735-4110
SerendipiTea LLC	3350 S Bristol St., Ste B	Santa Ana	CA	92704	760-715-3445
District 11 Tea, LLC	20513 Hesperian Blvd.	Hayward	CA	94541	650-804-3876
Athena Group, LLC	1661 Retherford St.	Tulare	CA	93274	559-799-8961
Destiny Hong	1087 Meridian Ave. #10	San Jose	CA	95125	408-838-9138
fx(wuvi) Inc.	6851 Amador Plaza Rd, Ste 104A	Dublin	CA	94568	510-367-3950

List of Current Franchisees
With Franchise Agreements Signed but Stores Not Opened
As of December 31, 2023

Name	Store Address	City	State	Zip	Telephone/Email Address
TB&G Holdings INC.			CA		818-621-9918
VVN Food and Services, LLC		Orange County	CA		+84 962 618 888
Antelope Valley Restaurant Group LLC	39340 10th St. West	Palmdale	CA	93551	661-220-0052
Tuan Vu Food and Beverage LLC		Clovis	CA		559-575-2352
Diane G. McCaleb and Alexander J. McCaleb		Watsonville	CA		831-406-0866
Tuan Vu Food and Beverage LLC	2147 W Cleveland Ave	Madera	CA		559-575-2352

For Our Master Franchisor:

List of Current Third-Party Franchisees and Subfranchisees / Sublicensees
As of December 31, 2023

Name	Store Address	City	State	Zip	Telephone Number
ANQL LLC	1501 Park St.	Alameda	CA	94501	510-735-4110
E&M BP, LLC	6924 Beach Blvd., K-336	Buena Park	CA	90621	562-215-3639
Bumblebee Donuts, Inc	11823 South St.	Cerritos	CA	90703	626-244-1183
BlueHat Bistro. LLC	4183 Chino Hills Pkwy, Ste B	Chino Hills	CA	91709	909-680-1260
Boba Ta LLC	17883 Colima Rd. Ste B	City of Industry	CA	91748	714-471-8130
fx(wuvi) Inc.	6851 Amador Plaza Rd, Ste 104A	Dublin	CA	94568	510-367-3950
Grove USA LLC	18203 Western Ave. Ste 103	Gardena	CA	90248	714-782-2591
District 11 Tea, LLC	20513 Hesperian Blvd.	Hayward	CA	94541	650-804-3876
E&M IR, LLC	14130 Culver Dr. Ste H-2	Irvine	CA	90230	562-215-3639

Name	Store Address	City	State	Zip	Telephone Number
Livermore GC, Inc.	3046 W Jack London Blvd.	Livermore	CA	94551	408-666-7900
Gourmet Guru	318 E 2nd St.	Los Angeles	CA	90012	408-309-7266
NBU Concepts LLC	30141 Antelope Rd., Ste K	Menifee	CA	92584	714-461-1480
TVU LLC	372 Barber Ln. Ste 230	Milpitas	CA	95035	408-799-0690
Lucrative Ventures	6825 Stockton Blvd., Ste 230	Sacramento	CA	95823	916-538-6034
Tea N Tea	9176 Mira Mesa Blvd.	San Diego	CA	92126	760-715-3445
Boba King, LLC	272 O'Farrell St.	San Francisco	CA	94102	415-654-2055
Destiny Hong	1087 Meridian Ave. #10	San Jose	CA	95125	408-838-9138
GC San Jose, LLC	2200 Eastridge Loop, Ste 2000	San Jose	CA	95122	408-568-7243
GC San Jose, LLC	140 Paseo De San Antonio	San Jose	CA	95112	408-568-7243
GCHA 1180, LLC	1180 Blossom Hill Rd.	San Jose	CA	95118	408-533-2860
SerendipiTea LLC	3350 S Bristol St., Ste B	Santa Ana	CA	92704	760-715-3445
Golden Land Enterprises II, LLC	2712 Augustine Dr. Ste 110	Santa Clara	CA	95054	408-472-0972
SSM Professional Services, Inc	26871 Bouquet Canyon Rd.	Santa Clarita	CA	91350	818-235-3961
Animo Partners Corporation	1642 Hollenbeck Ave.	Sunnyvale	CA	94087	408-309-7709
Athena Group, LLC	1661 Retherford St.	Tulare	CA	93274	559-799-8961
Athena Group, LLC.	3314 S Mooney Blvd.	Visalia	CA	93277	559-604-6377
Eun Seok Hwang (ES)	500 Westfarms Mall, #B125	Farmington	CT	06032	(682)559-3171
Venkata Sai Gowtham Kadiyala	194 BUCKLAND HILLS DRIVE,	Manchester	CT	06042	(860) 869-0802
Sonny Chen	932 Farmington Ave.	West Hartford	CT	06107	(860)986-0606
GONG CHA DC	1901 Pennsylvania Ave NW,	Washington	DC	20006	202.466.1950

Name	Store Address	City	State	Zip	Telephone Number
INC.	Suite	DC			
Thuong Thanh (Nathan) Nguyen	9810 Baymeadows rd	Jacksonville	FL	32256	(904) 612-9745
Mandee Ngyuen	1686 S Congress Ave	Palm Springs	FL	33461	(561) 373-3816
Tai D Vo, Linh Van La, Duy Van Nguyen	106 S. Flamingo Road	Pembroke Pines	FL	33027	(954) 367-3831
Diane Nguyen	4025 W Waters Ave	Tampa	FL	33614	813-951-6638
Thi Nguyen	4400 Ashford Dunwoody Rd	Atlanta	GA	30346	(678) 862-6211
Anna Hoang	5592 Whitesville Rd	Columbus	GA	31909	(347) 654-1485
Ky Dang	5382 Buford Hwy NE C	Doraville	GA	30340	404-405-9983
Luc Tran	1630 Pleasant Hill Road	Duluth	GA	30096	678-330-4629
Angela Lynn Tran	3821 Washington Rd	Martinez	GA	30907	(706) 836-2850
Vinh D.B Nguyen	6233 Jonesboro Rd	Morrow	GA	30260	404-834-3906
Shinu Cui	1299 Old Peachtree Rd	Suwanee	GA	30024	(347) 654-1485
Ying Huang	154 Harvard Ave	Allston	MA	02134	617-208-8561
Jason Vuong	270 Newbury St	Boston	MA	02116	508-873-7112
Piseth Cheav	281 Huntington Ave	Boston	MA	02115	(857) 753-4264
Minyu Chen	40-44 Harrison Ave	Boston	MA	02111	617-574-4870
Minyu Chen	75 Middlesex Tpke,	Burlington	MA	01803	781-272-1860
Minyu Chen	100 Cambridgeside Place, # F29	Cambridge	MA	02141	857-242-3637
Ting-Ho Tam	50 Church St	Cambridge	MA	02138	781-363-3194
Jack Tran	1460 Dorchester Ave, Space C	Dorchester	MA	02122	(617) 297-5126
Jack Tran	1290 Westford Street	Lowell	MA	01851	(978) 455-5646
Piseth Cheav	140 Centre Street	Malden	MA	02148	978-328-4257

Name	Store Address	City	State	Zip	Telephone Number
Elizabeth Nguyen	237 Boston Post Rd West	Marlborough	MA	01752	508-963-9871
Van Le	90 Pleasant Valley St	Methuen	MA	01844	978-930-3925
Tesia Sullivan	70 Worcester-Providence Turnpike, Unit 623	Millbury	MA	01527	(508) 865-2306
Piseth Cheav	1245 Worcester St,	Natick	MA	01760	(781) 350-8646
Minyu Chen	210 Andover St	Peabody	MA	01960	857-242-3637
Piseth Cheav	7 Beale St, Quincy	Quincy	MA	02170	(617) 481-5335
Steve Nguyen	412-414 Highland Ave	Sommerville	MA	02144	(617) 863-2023
Minyu Chen	486 Main St	Woburn	MA	01801	(781) 281-0544
Jason Vuong	24 Southbridge Street	Worcester	MA	01608	508-873-7112
GONG CHA BELAIR LLC	620 Marketplace Drive	Bel Air	MD	21014	443.655.0462
THE HUB MARYLAND, INC	6510 Baltimore National Pike	Catonsville	MD	21228	667.802.5177
GONG CHA ELLICOTT CITY LLC	8450 Baltimore National Pike, STE 142	Ellicott City	MD	21043	410.345.9999
GONGCHA HOWARD COUNTY, LLC	8194 Westside Blvd	Fulton	MD	20759	301.490.1888
GONG CHA ARUNDEL MILLS LLC	7654 Arundel Mills Blvd Suite 110	Hanover	MD	21076	267.888.1068
KDC INC.	12058 Cherry Hill Rd	Silver Spring	MD	20904	301.755.4500
GONG CHA TOWSON LLC	417 York Road	Towson	MD	21204	410.560.8888
Chulho Chang	601 S Kings Dr	Charlotte	NC	28204	(704) 298-3396
Chulho Chang	7808 Rea Rd Suite E	Charlotte	NC	28277	(704) 298-3396
Chulho Chang	4927 West Market St	Greensboro	NC	27407	(704) 298-3396

Name	Store Address	City	State	Zip	Telephone Number
Chulho Chang	344 Tate St	Greensboro	NC	27403	(704) 298-3396
Jenny Yang	300 Main St, #407	Nashua	NH	03060	(603) 864-8298
Eun Seok Hwang	400 Commons Way, (Space #3225)	Bridgewater	NJ	08807	682-559-3171
Betty Lee	1329 Prince Rodgers Ave,	Bridgewater,	NJ	08807	(609) 527-9498
Alex Hseih	Cherry Hill Mall 2000 NJ-38, UNIT 1500,	Cherry Hill	NJ	08002	(856) 662-2188
Vi Nguyen	245 Closter Dock Rd	Closter	NJ	07624	908-421-3162
Sonia Wong	867 US-1	Edison	NJ	08817	848-200-7129
Sonia Wong	1199 Amboy Avenue	Edison	NJ	08837	848-200-7129
Seihyuck Ahn	9 E Palisade Ave	Englewood	NJ	07631	347-401-0156
Vi Nguyen	1630 Lemoine Ave	Fort Lee	NJ	07024	908-421-3162
Vi Nguyen	210 Main Street, Suite 1	Hackensack	NJ	07601	732-377-2630
William Wu	1700 Nottingham Way, Unit 9,	Hamilton	NJ	08619	(609) 982-1956
Priscila Pascual	130 Broadway	Hillsdale	NJ	07642	(201) 642-0001
William Evans	527 Washington Street	Hoboken	NJ	07030	(201) 710-5757
Kurt Xu	30 Mall Dr W	Jersey City	NJ	07310	732-515-8288
Dale Jagroop	183 Newark Ave	Jersey City,	NJ	07302	(201) 395-0400
Seth Seo	300 E. Greentree Road,	Marlton	NJ	08053	(856) 267-5457
Vi Nguyen	340 Millburn Ave	Millburn	NJ	07041	908-421-3162
Vi Nguyen	343 Bloomfield Ave	Montclair	NJ	07042	908-421-3162
Duojia Xiao	396 George St	New Brunswick	NJ	08901	917-628-6860
Priscila Pascual	854 River Road	New Milford	NJ	07646	(732) 377-2630
Priscila Pascual	216 Old Tappan Rd	Old Tappan	NJ	07675	(201) 272-1805

Name	Store Address	City	State	Zip	Telephone Number
Won Bae Park	256 Broad Ave	Palisades Park	NJ	07650	201-450-6123
Wenbo Shan	1 Garden State Plaza	Paramus	NJ	07652	201-845-4065
William Wu	10 Schalks Crossing Rd	Plainsboro	NJ	08536	917-398-0476
Xintong Li	321 Broad Avenue # 108	Ridgefield	NJ	07657	(551) 253-3541
Vi Nguyen	194 E Ridgewood Ave	Ridgewood	NJ	07451	(201) 272-2102
Eun Seok Hwang	301 Mount Hope Ave. Suite 1900	Rockaway	NJ	07866	(682) 559-3171
Ashrafee Khan	123W Clements Bridge Rd,	Runnemede	NJ	08078	(609) 828-9826
Vi Nguyen	1178 Morris Ave	Union	NJ	07083	(908) 989-3465
Daniel Camacho	1055 Hamburg Turnpike, #16	Wayne	NJ	07470	(973) 646-8569
Scott Jaitly	106 Quimby Street	Westfield	NJ	07090	908-839-3050
Eun Seok Hwang	1 CROSSGATES MALL ROAD,	ALBANY	NY	12203	(518) 806-1675
Jackson Zhu and Melody Gong	1232 Western Ave	Albany	NY	12203	917-531-3753
Wenbo Shan	625 E 187th St	Bronx	NY	10458	(347) 862-6031
Wenbo Shan	327 E Fordham Rd	Bronx	NY	10458	347-862-6031
Benny Mak	313 9th Street	Brooklyn	NY	11215	(347) 294-0496
Dai Wen Chen	156 Lawrence St	Brooklyn	NY	11201	917-909-1207
Dai Wen Chen	5723 8th Ave	Brooklyn	NY	11220	929-397-0004
Dai Wen Chen	1566 Flatbush Avenue	Brooklyn	NY	11210	917-909-1207
Julia Chou	1698 E 14th St	Brooklyn	NY	11229	(347) 587-4500
Sandy Guan	108 Meserole Ave	Brooklyn	NY	11222	646-894-6966
Waqas Khan	1015 Foster Ave,	Brooklyn	NY	11230	(917) 974-7247
Zak Khan	7408 3rd AVE,	BROOKLYN	NY	11209	(347) 560-6048

Name	Store Address	City	State	Zip	Telephone Number
Johnny Huang	1759 Middle Country Rd,	Centereach	NY	11720	212-244-4467
Kevin Chen	90-15 Queens Blvd	Elmhurst	NY	11373	646-662-6885
Kevin Chen	8801 Queens Blvd, A-3	Elmhurst	NY	11373	646-662-6885
Ashley Binyan Zhang	40-24 College Point Blvd	Flushing	NY	11354	718-353-3115
Michael Lee	159-17 Northern Blvd	Flushing	NY	11358	(929) 329-0100
Mark Ma	630 Old Country Rd	Garden City	NY	11530	516-589-8400
Zhe Liu	261 N Central Ave	Hartsdale	NY	10530	646-876-1020
Kevin Chen	313 Smith Haven Mall #K16	Lake Grove	NY	11755	(631) 903-9908
Joseph Char	252-01 Northern Blvd	Little Neck	NY	11362	(917) 444-1637
Wenbo Shan	25-08 Queens Plaza South	Long Island City	NY	11101	201-845-4065
Sandy Guan	196 2nd Street	Mineola	NY	11501	646-894-6966
Lizhi Liang	160 E. 44th Street	New York	NY	10017	646-707-3375
Xintong Li	200 Broadway, Unit 1000	New York	NY	10038	(212) 227-1024
Zhe Liu	925 Lexington Ave	New York	NY	10065	646-876-1020
Zhe Liu	1600 Broadway	New York	NY	10019	646-876-1020
Zhe Liu	2061 Broadway	New York	NY	10023	646-876-1020
Zhong Chen	2810 Broadway	New York	NY	10025	646-850-6566
Sunny Premani	2 Pennsylvania Plaza,	New York,	NY	10121	212-244-4467
Vi Nguyen	1-45 Orangeburg Road,	Orangeburg,	NY	10962	(845) 539-3707
Wenbo Shan	2655 Richmond Ave,	Staten Island	NY	10314	(929) 367-3289
Ellie Le	142-144 Walton St,	Syracuse	NY	13202	(315) 218-6499
Melody Gong	1521 6th ave Suite 112,	Troy,	NY	12180	(518) 326-2622
Jae Cho	1000 Palisades Center Dr	West Nyack	NY	11501	201-572-2141

Name	Store Address	City	State	Zip	Telephone Number
Mark Ma	714 Racetrack Lane	Woodbury	NY	10917	(845) 868-6898
Anh Phan	2800 N Classen Blvd	Oklahoma City	OK	73106	(405) 673-7100
Junny Kim	4275 County Line Rd, Unit 17,	Chalfont	PA	18914	(267) 500-2925
Ashish Rai	1105 Market St,	Dresher	PA	19025	(215) 366-7080
Alex Hseih	917 Arch St.	Philadelphia	PA	19107	(856) 662-2188
Nang Chau	1122 Washington Ave, Unit J	Philadelphia	PA	19147	(215) 551-2055
Sang Hun Park	3925 Walnut St.	Philadelphia	PA	19104	(267) 292-2490
Tanner Tran	130 Chestnut Street	Philadelphia	PA	19106	(215) 315-9130
Alex Hseih	2500 W Moreland Rd, Unit No. 1020	Willow Grove	PA	19090	(856) 662-2188
Kay Vuong	40 Sockanosset Cross Rd, #120	Cranston	RI	02902	508-414-3048
Kay Vuong	1 Providence PL	Providence	RI	02903	508-414-3048
Lam Thanh (David) Tran	701 Santee Ave	Columbia	SC	29205	(803) 415-0037
Dana Thuy (Mindy) Vo	7800 Rivers Ave	North Charleston	SC	29406	(843) 291-9115
Maria Hathaway	13201 Ranch Rd 620 N #206	Austin	TX	78705	512-520-9555
Maria Hathaway	2021 Guadalupe Street	Austin	TX	75035	512-518-3111
Maria Hathaway	3210 Esperanza Crossing, #e 126	Austin	TX	78758	512-243-8151
Shengying Pang	4220 W William Cannon Dr	Austin	TX	78749	(512) 284-8647
Trieu Mai	2701 Old Denton Rd	Carrollton	TX	75007	972-242-4135
Ann Nguyen	29110 U. S. Highway 290, # 250	Cypress	TX		636-439-9395

Name	Store Address	City	State	Zip	Telephone Number
Lannie Sanders	11613 N Central Expy, #106A	Dallas	TX	75243	682-320-8080
Giang Ho	6650 N Beach St., # 100	Fort Worth	TX	76137	(817) 849-2107
Tina Vu	9633 North Fwy	Fort Worth	TX	76177	(817) 744-8028
Tài Minh Lê	19020 Gulf Fwy	Friendswood	TX	77546	713-857-9415
Hyun Hwang	9370 Warren Pkwy # 120	Frisco	TX	78758	(214) 494-2322
Thao Nguyen	2625 W Pioneer Pkwy,	Grand Prairie	TX	75051	(682) 252-4636
Han Yin	957 N Shepherd Dr	Houston	TX	77008	(281) 846-6023
Long Zhou	9899 Bellaire Blvd Suite C318	Houston	TX	77036	713-591-5383
Staci Bull	9105 W. Sam Houston Pkwy, Suite 600	Houston	TX	77064	(832)604-6104
Tai Lam	510 Gray Street, Suite C	Houston	TX	77002	(281) 888-2690
Vu Luong	12647 Tomball Parkway #300	Houston	TX	77086	(713)510-3194
Johnny Lee	10625 Spring Green Blvd	Katy	TX	77494	(281)394-2249
Long Zhou	23119 Colonial Pkwy	Katy	TX	78717	832-913-8578
Sung Na	2405 S. Stemmons Fwy, # 132	Lewisville	TX	75067	469-455-4239
Faisal Shaikh	6002 Slide Rd Space#K200	Lubbock	TX	79414	(806)792-4653
Thi Ngo	405 Slide Road Ste 119	Lubbock	TX	79416	(806) 701-4747
Ray Sze	4899 Hwy 6 #107c	Missouri City	TX	77459	(832) 539-1887
Brian Nguyen	1930 Pearland Parkway, # 178	Pearland	TX	77581	(346)229-5052
Chin Wai Chan	2205 N. Central Expressway	Plano	TX	75075	972-388-6885
Julien Jeantet	1425 E Belt Line Rd #102	Richardson	TX	75081	469-709-9380
Thanh Pham	6626 W Loop 1604 N Suite	San Antonio	TX	78254	(210) 701-8992

Name	Store Address	City	State	Zip	Telephone Number
	301				
Thanh Pham	9410 TX-151 Suite 105	San Antonio	TX	78251	(210)701-8905
Thanh Pham	2903 N. Loop 1604 E. Suite 101	San Antonio	TX	78259	(210)592-1011
Tuyen Nguyen	11707 BANDERA ROAD, STE 105	San Antonio	TX	78250	(210) 549-4638
Diane Nguyen	24441 Tomball Parkway	Tomball	TX	77377	(832) 843-6996
DKK LLC	4230 Annandale Rd Suite 160	Annandale	VA	22003	703.333.3117
GONG CHA ARLINGTON INC.	1650 Wilson Blvd., Ste.100A	Arlington	VA	22209	571.257.7470
RAINING LLC	13945 Metrotech Dr.	Chantilly	VA	20151	703.505.4806
DTTEA LLC	6787B Wilson Blvd.	Falls Church	VA	22044	703.375.9851
KTRAC LLC	6310 Springfield Blvd.	Springfield	VA	22150	703.783.5883
GONG CHA 1 LLC	2029 South Lynnhaven Pkwy	Virginia Beach	VA	23456	757.937.5185

List of Current Franchise and Subfranchise / Sublicense Agreements
Signed but Gong cha Stores Not Yet Opened
As of December 31, 2023

Name	Store Address	City	State	Zip	Telephone / Email Address
Tuan Vu Food and Beverage LLC	TBD	Clovis	CA	TBD	559-575-2352
Tuan Vu Food and Beverage LLC	2147 W Cleveland Ave	Madera	CA	93637	559-575-2352
VVN Food and Services, LLC	TBD	Orange County	CA	TBD	+84 962 618 888
Antelope Valley Restaurant Group LLC	39340 10th St. West	Palmdale	CA	93551	661-220-0052
TB&G Holdings INC.	TBD	TBD	CA	TBD	818-621-9918
Diane G. McCaleb and Alexander J. McCaleb	TBD	Watsonville	CA	TBD	831-406-0866
Keon Shin	1472 S Pearl St.	Denver	CO	80210	303-378-6031
Khanh Nguyen	10720 W Flager St	Miami	FL	33174	khanh0361693@gmail.com
VIET NGUYEN	603 Market Pl Blvd	Locust Grove	GA	30248	baunguyen@gmail.com
Patricia Sardon	Greater Boston North	Andover	MA	01852	psardon@gmail.com
Giang Nguyen	52 Highland Common E, Hudson, MA 01749	Berlin	MA	01749	hgvbrothersllc@gmail.com
Altaf Isani	700 Atlantic Ave	Boston	MA	02110	917-945-5374
Ding Sun	175 Cambridge St	Boston	MA	02114	sunding822@gmail.com
Piseth Chev	912 Beacon st	Boston	MA	02215	seyhainc.usa@gmail.com
Jimmy Wong	101 Falls Blvd	Quincy	MA	02169	wonginvestmentllc@gmail.com
Huyen Trang Tranova	Randolph Ma	Randolph	MA	02368	appletranova@gmail.com
Elizabeth Nguyen	100 Boston Turnpike Unit 16	Shrewsbury	MA	01545	nenailsupply@gmail.com

Name	Store Address	City	State	Zip	Telephone / Email Address
JB Investment LLC	4215 Spring Mountain Road	Las Vegas	NV	89102	jameshuh99@gmail.com
Waqas Khan	930 Nostrand Ave.	Brooklyn	NJ	11225	nostrandbubbletea@gmail.com
William Wu	275 Route 18	East Brunswick	NJ	08901	ww0909bubble@gmail.com
Priscila Pascual	13-36B River Road	Fair Lawn	NJ	07410	priscilapascual116@gmail.com
Tony Le	26 University Place Blvd	Jersey City	NJ	07305	tony@daikoncarrot.com
Xintong Li	625 8th Ave	New York	NY	10018	gongcha.fultoncenter@gmail.com
Xintong Li	48-18 Northern Blvd,	Queens	NY	11101	gongcha.fultoncenter@gmail.com
Nang Chau	7320 Old York Rd,	Elkins Park	PA	19027	nqc101@gmail.com
Sharan Murali	1303 E Carson St,	Pittsburgh	PA	15203	sharmurali9@gmail.com
Allis Ly	91 Point Judith Rd, Unit #190	Narragansett	RI	02882	aklyh4@gmail.com
Truong K Le	8822 N Hwy 146 Suite 170	Baytown	TX	77523	this.is.nhan@gmail.com
Dung Nguyen	601 South Expressway 83	Harlingen	TX	78552	dungnguyen2460@icloud.com

EXHIBIT 7
LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

For Us:

As of December 31, 2023

NAME	CITY	STATE	TELEPHONE NUMBER	NOTES
Boba Tea House SD LLC	San Diego	CA	858-405-3089	Left without opening
Sugar and Caffeine 8, Inc.	Santee	CA	858-925-9655	Termination
MISS LIN LLC	San Diego	CA	858-610-5098	Non-renewal
TCH LLC	Alameda	CA	510-332-3725	Transfer

For Our Master Franchisor:

Former Third-Party Franchisees and Subfranchisees / Sublicensees
As of December 31, 2023

Name	City	State	Telephone / Email Address
TCH LLC	Alameda	CA	510-332-3725
Boba Tea House SD LLC	San Diego	CA	858-405-3089
MISS LIN LLC	San Diego	CA	858-610-5098
Sugar and Caffeine 8, Inc.	Santee	CA	858-925-9655
Quy Van	Pembroke Pines	FL	Quyvan67@yahoo.com
Luc Tran	Peachtree Corners	GA	sold@luctran.com
Luc Tran	Suwanee	GA	sold@luctran.com
Ying Huang	Boston	MA	tiffanypanda@hotmail.com
Chao Wang	Queens	NY	gongcha.stmarks@gmail.com
Vincent Mak	Queens	NY	vincent2009m@hotmail.com
Tin Bui	Oklahoma City	OK	Buianhtin182@yahoo.com
Yen Nguyen & Trang Dinh	Frisco	TX	Gongchafrisco120@gmail.com

Tien The Nguyen	Grand Prairie	TX	Hahoang05@hotmail.com

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

EXHIBIT 8
FINANCIAL STATEMENTS

GONG CHA CA FRANCHISE, LLC

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

GONG CHA CA FRANCHISE, LLC

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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David P. Chaney, CPA, P.C.
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Suite 258
Houston, TX 77008
713-868-1174

INDEPENDENT AUDITOR'S REPORT

To the Members:
Gong Cha CA Franchise, LLC

Opinion

I have audited the accompanying financial statements of Gong Cha CA Franchise, LLC, (the "Company") (a California limited liability corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and member's capital, and cash flows for years ended December 31, 2023 and 2022, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years ended December 31, 2023 and 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Company and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

I am 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 I identified during the audit.

David P. Chaney, CPA, P.C.

Houston, Texas
March 27, 2024

GONG CHA CA FRANCHISE, LLC
BALANCE SHEETS
DECEMBER 2023 AND 2022

ASSETS	**2023**	2022
CURRENT ASSETS:		
Cash	**$ 662,573**	$ 786,317
Accounts receivable	**70,279**	24,699
Advances	**10,858**	-
Capitalized contract costs, short-term	**4,679**	11,207
Due from related party	**29,783**	30,075
Prepaid expense	**3,920**	72,905
Inventory	**437,821**	510,984
Total current assets	**1,219,913**	1,436,187
OTHER ASSETS:		
Capitalized contract costs, long-term	**7,281**	9,055
Franchise agreement, net of accumulated amortization of $738,750 and $720,000	**18,750**	-
Franchise deposit	**100,000**	100,000
Total other assets	**126,031**	109,055
TOTAL ASSETS	**$ 1,345,944**	$ 1,545,242
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES:		
Accounts payable	**$ 51,110**	$ 22,099
Accrued withholding tax	**3,100**	75,536
Accrued payroll liabilities	**13,444**	13,165
Credit card payable	**16,887**	8,454
Customer inventory prepayments	**-**	41,015
Deferred revenue, short-term	**108,754**	125,439
Franchisee security deposits	**78,000**	73,000
Gift card unearned revenue	**1,583**	-
Total current liabilities	**272,878**	358,708
LONG-TERM LIABILITIES		
Deferred revenue, long-term	**226,337**	268,706
Total long-term liabilities	**226,337**	268,706
TOTAL LIABILITIES	**499,215**	627,414
Managing member	**846,729**	917,828
Total member's equity	**846,729**	917,828
TOTAL LIABILITIES AND MEMBER'S EQUITY	**$ 1,345,944**	$ 1,545,242

The accompanying notes are an integral part of this financial statement.

GONG CHA CA FRANCHISE, LLC
STATEMENTS OF INCOME AND MEMBER'S EQUITY
FOR THE YEARS ENDED DECEMBER, 2023 AND 2022

	2023	2022
REVENUE:		
Initial franchise fees	**$ 163,893**	$ 113,901
Royalties	**627,057**	600,155
Product sales	**2,008,320**	1,922,866
Other income	**13,026**	512
Total revenue	**2,812,296**	2,637,434
COST OF GOODS SOLD	**1,521,081**	1,585,362
Gross profit	**1,291,215**	1,052,072
OPERATING EXPENSES:		
Advertising	**64,890**	45,936
Amortization expense	**18,750**	-
Bank fees	**2,243**	2,227
Computer	**30,526**	28,008
Cost of franchise acquisition	**9,335**	14,158
Depreciation	**-**	279
Health Insurance	**37,081**	33,900
Insurance	**6,210**	5,588
Legal and professional fees	**129,354**	46,725
Meals and entertainment	**6,949**	3,441
Office expense	**9,636**	13,539
Payroll expenses	**405,745**	402,128
Rent	**32,100**	32,100
Repairs	**-**	204
Travel	**6,696**	2,343
Total operating expenses	**759,515**	630,576
System advertising fund income	**117,618**	110,763
System advertising fund expense	**(189,520)**	(93,307)
Net income(loss) before taxes	**459,798**	438,952
State income tax provision	**6,800**	6,800
NET INCOME/(LOSS)	**452,998**	432,152
MEMBER'S EQUITY, BEGINNING OF PERIOD	**917,828**	649,087
MEMBER'S CONTRIBUTIONS/(DISTRIBUTIONS)	**(524,097)**	(163,411)
MEMBER'S EQUITY, END OF PERIOD	**$ 846,729**	$ 917,828

The accompanying notes are an integral part of this financial statement.

GONG CHA CA FRANCHISE, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss)	**$ 452,998**	$ 432,152
Adjustments to reconcile excess of revenues over expenses to net cash provided/(used) by operating activities:		
Amortization	**18,750**	-
Depreciation	**-**	279
Decrease (increase) in:		
Accounts receivable	**(45,580)**	60,808
Advances	**(10,858)**	
Capitalized contract costs	**8,302**	(4,439)
Due from related party	**292**	(30,075)
Prepaid expense	**68,985**	(66,763)
Inventory	**73,163**	(178,835)
Increase (decrease) in:		
Accounts payable	**29,011**	(38,819)
Accrued taxes	**(72,436)**	75,536
Accrued payroll	**279**	(4,635)
Customer inventory prepayments	**(41,015)**	11,543
Deferred revenue	**(59,054)**	124,867
Franchise security deposit	**5,000**	20,500
Gift card unearned revenue	**1,583**	-
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	**429,420**	402,119
CASH FLOWS FROM INVESTING ACTIVITIES		
Extension of franchise agreement	**(37,500)**	-
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	**(37,500)**	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Credit card payable	**8,433**	(5,198)
Distributions to members	**(524,097)**	(163,411)
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	**(515,664)**	(168,609)
NET INCREASE/(DECREASE) IN CASH	**(123,744)**	233,510
CASH AT BEGINNING OF PERIOD	**786,317**	552,807
CASH AT END OF PERIOD	**$ 662,573**	$ 786,317
Taxes paid	**$ 6,800**	$ 6,800

The accompanying notes are an integral part of this financial statement.

GONG CHA CA FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Gong Cha CA Franchise, LLC (the Company) is a registered limited liability company organized under the laws of the state of California. It was organized on September 11, 2014 in Redwood City, CA. The Company markets and operates franchise agreements for the "Gong Cha" themed tea houses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consist of franchisee balances based on contracted amounts for royalties and product sales. As of December 31, 2023 and 2022, management believes all receivables to be collectable. Therefore, no allowance for doubtful accounts has been established.

Inventory

The Company values its inventory at the lesser of fair market value or average cost.

Amortization

The Company is amortizing intangible assets over their useful lives of 5-years on the straight-line basis.

Depreciation

The Company is depreciating equipment over their useful lives of 5-years on the straight-line basis.

Income Taxes

The Company has elected to be taxed as a partnership for federal tax purposes. All federal income taxes are paid by the partners in respect to their proportional ownership. State taxes are accrued and expensed as incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments. The Company places it temporary cash investments with banks that are FDIC insured. As of December 31, 2023 and 2022, there was $405,593 and $535,998 of deposits that were uninsured, respectively.

Revenue Recognition.

From 2014 through 2017, the Financial Accounting Standards Board ("FASB") issued standards to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries ("Topic 606"). The Company adopted Topic 606 at the beginning of the year ended December 31, 2019. Below is a discussion of how the Company's revenues are earned, the accounting policies pertaining to revenue recognition subsequent to the adoption of Topic 606 and other required disclosures.

Franchise Revenues

The timing and amount of revenue recognized related to royalties was not impacted by the adoption of Topic 606 based on the application of the sales-based royalty exception within Topic 606.

Upon the adoption of Topic 606, the Company determined that the services provided in exchange for upfront franchise fees, which primarily relate to pre-opening support, are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to the franchisees. As a result, upon the adoption of Topic 606, upfront franchise fees are recognized as revenue over the term of each respective franchise. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisee's right to use and benefit from the intellectual property.

As such, initial franchise fees, are deferred and recognized over the term of the underlying franchise agreement. The effect of the required deferral of initial franchise fees received in a given year is mitigated by the recognition of revenue from fees retrospectively deferred from prior years and the amortization of capitalized incentive payments and franchisee servicing costs.

Capitalized Contract Costs

The benefits received from incentive payments made to brokers to sell franchises and brand-specific non-transferable training costs related to servicing the franchise agreements are not separate and distinct from the benefits received from the franchise right and thus those expenses will be amortized as a reduction of revenue over the period of expected cash flows from the franchise agreements to which the payment relates. These standards require any such unamortized portion of expenses to be presented in the Balance Sheet as an asset. These are classified as capitalized contract costs on the Balance Sheet.

System Ad Fund and Franchise Contributions

The Company collects a 1% advertising royalty from its franchisees. This 1% contribution is accounted for separately to fund a franchise wide marketing program.

In accordance with the provisions of Topic 606, the Company has determined that it acts as a principal in the transactions entered into for advertising services based on its responsibility to define the nature of the goods or services provided and/or its responsibility to define which franchisees receive the benefit of the goods or services. Additionally, the Company has determined the advertising services provided to franchisees are highly interrelated with the franchise right and therefore not distinct. Franchisees remit to the Company a percentage of restaurant sales as consideration for providing the advertising services. As a result, revenues for advertising services are recognized when the related restaurant sales occur based on the application of the sales-based royalty exception within Topic 606. Revenues for these services are typically billed and paid on a weekly basis. These revenues are presented as franchise contributions in the revenue section and expenses incurred to provide these services are presented as franchise advertising expense in the expense section in the Statements of Income and Members' Equity.

Advertising Costs

Advertising costs are expensed as incurred.

Leases

The Financial Accounting Standards Board ("FASB") has issued standards on the recognition and measurement of leases that are intended to increase transparency and comparability among organizations by requiring that substantially all lease assets and liabilities be recognized on the balance sheet and by requiring the disclosure of key information about leasing arrangements. The Company adopted these standards using a modified retrospective transition approach for leases existing at, or entered into after, December 31, 2021, and will not recast the comparative periods presented in the Financial Statements upon adoption.

Right-of-use assets and liabilities are recognized upon lease commencement for operating and finance leases based on the present value of lease payments over the lease term. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Subsequent amortization of the right-of-use asset and accretion of the lease liability for an operating lease is recognized as a single lease cost, on a straight-line basis, over the lease term. For finance leases, the right-of-use asset is depreciated on a straight-line basis over the lesser of the useful life of the leased asset or lease term. Interest on each finance lease liability is determined as the amount that results in a constant periodic discount rate on the remaining balance of the liability. As the Company's leases do not provide an implicit discount rate, the Company uses an incremental secured borrowing rate based on the information available at commencement date, including the lease term and currency, in determining the present value of lease payments for both operating and finance leases. Leases with an initial term of 12 months or less are not recorded in the Balance Sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease

term. Right-of-use assets are assessed for impairment in accordance with the Company's long-lived asset impairment policy, which is performed annually or whenever events or changes in circumstances indicate that the carrying amount of a said assets may not be recoverable.

The Company's leasing activity for the year ended December 31, 2023 and 2022, is not material. As such no right-of-use assets or liabilities have been recognized.

Subsequent Events

For the year ended December 31, 2023, the Company has evaluated subsequent events for potential recognition and disclosure through March 27, 2024, which is the date the financial statements were available to be issued.

NOTE 2 – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2023 and 2022, related party companies accounted for $253,374 and $281,059 of product sales, respectively, and $0 and $5,369 of accounts receivable, respectively.

NOTE 3 – SYSTEM ADVERTISING FUND

The Company collects a 1% advertising royalty from its franchisees. This 1% contribution is accounted for separately to fund a franchise wide marketing program. For the year ended December 31, 2023 and 2022, due to the adoption of Topic 606, these amounts require gross presentation in the Statements of Income and Members' Equity. For the years ended December 31, 2023 and 2022, the Company collected $117,618 and $110,763 in System Advertising Fund revenue and expensed $189,520 and $93,307 respectively.

NOTE 4 – DEFERRED REVENUE

As of December 31, 2023 and 2022, deferred revenue of $335,091 and $394,145 is presented in accordance with TOPIC 606 as discussed in Note 1.

NOTE 5 – FRANCHISE CONTRACT

The Company's Master Franchising Agreement with Royal Tea provides it with two six-year renewal terms giving it the exclusive rights to operate and franchise restaurants using the "Gong Cha" theme in certain geographical areas. On February 13, 2020, the Company exercised its renewal option. On February 14, 2020, Royal Tea claimed that it was not obligated to honor the renewal rights because the terms of the agreement were commercially unreasonable, making the contractual rights voidable. The Company filed a complaint with the California Department of Financial Protection and Innovation and an investigation was initiated. The Company further initiated a lawsuit on June 24, 2020 in California state court.

On July 9, 2021 a Settlement Agreement Renewal Amendment was entered into, under which the Master Franchising Agreement was renewed for the first six-year renewal term, effective as of July 1, 2021, and granting the Company the right to renew for one additional six-year term following expiration of the first renewal term. As of December 31, 2023, the Company is operating under this first renewal term.

NOTE 6 – CREDIT CARD PAYABLE

As of December 31, 2023 and 2022, the Company had a credit card with a commercial bank with a credit limit of $39,300 which accrued interest at a rate of 18.24% and 16.74%, respectively.

NOTE 7 – LINE OF CREDIT

As of December 31, 2023 and 2022, the Company has one revolving credit agreement with a commercial bank. The line of credit is capped at a 90-day tenor from a Taiwanese bank which provides for cash advances for operating expenditures up to a maximum outstanding balance of $200,000 with interest accruing at the 6-month TAIFX rate plus 1.73%. The line of credit expired in March 2023, and as of December 31, 2023 and 2022, the outstanding balance was $0, respectively.

NOTE 8 – SUBSEQUENT EVENTS

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern.

In the first quarter of fiscal and calendar year 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. A health pandemic is a disease outbreak that spreads rapidly and widely by infection and affects many individuals in an area or population at the same time. Customers might avoid public gathering places in the event of a health pandemic, and local, regional or national governments might limit or ban public gatherings to halt or delay the spread of disease.

The conditions may impact customer traffic and the ability to adequately staff restaurants, receive deliveries on a timely basis or perform functions at the corporate level. The Company also may be adversely affected if jurisdictions in which the Company has franchises impose mandatory closures, seek voluntary closures or impose restrictions on operations. Even if such measures are not implemented, the perceived risk of infection or significant health risk may adversely affect business. The Company cannot reasonably estimate the negative impact to the Company's business, revenues, financial condition or results of operations.

NOTE 9 – SUMMARY OF FRANCHISE UNITS

The changes in franchise ownership for fiscal years 2023 and 2022 are as follows:

	2023	2022
Number of franchises sold	4	6
Number of franchises purchased	0	0
Number of franchised outlets in operation	26	24
Number of franchisor-owned outlets in operation	4	5

GONG CHA CA FRANCHISE, LLC

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

GONG CHA CA FRANCHISE, LLC

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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David P. Chaney, CPA, P.C.
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Suite 258
Houston, TX 77008
713-868-1174

INDEPENDENT AUDITOR'S REPORT

To the Member:
Gong Cha CA Franchise, LLC

Opinion

I have audited the accompanying financial statements of Gong Cha CA Franchise, LLC, (the "Company") (a California limited liability corporation), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations and member's capital, and cash flows for years ended December 31, 2022 and 2021, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years ended December 31, 2022 and 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Company and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

I am 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 I identified during the audit.

David P. Chaney, CPA, P.C.

Houston, Texas
March 17, 2023

GONG CHA CA FRANCHISE, LLC
BALANCE SHEETS
DECEMBER, 2022 AND 2021

ASSETS	**2022**	2021
CURRENT ASSETS:		
Cash	**$ 786,317**	$ 552,807
Accounts receivable	**24,699**	85,507
Capitalized contract costs, short-term	**11,207**	9,030
Due from related party	**30,075**	-
Prepaid expense	**72,905**	6,142
Inventory	**510,984**	332,149
Total current assets	**1,436,187**	985,635
FIXED ASSETS:		
Fixtures, equipment and software, net of accumulated depreciation of $31,931 and $31,652	**-**	279
Total fixed assets	**-**	279
OTHER ASSETS:		
Capitalized contract costs, long-term	**9,055**	6,793
Franchise deposit	**100,000**	100,000
Total other assets	**109,055**	106,793
TOTAL ASSETS	**$1,545,242**	$1,092,707
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES:		
Accounts payable	**$ 22,099**	$ 60,918
Accrued withholding tax	**75,536**	-
Accrued payroll liabilities	**13,165**	17,800
Credit card payable	**8,454**	13,652
Customer inventory prepayments	**41,015**	29,472
Deferred revenue, short-term	**125,439**	105,585
Franchisee security deposits	**73,000**	52,500
Total current liabilities	**358,708**	279,927
LONG-TERM LIABILITIES		
Deferred revenue, long-term	**268,706**	163,693
Total long-term liabilities	**268,706**	163,693
TOTAL LIABILITIES	**627,414**	443,620
Managing member	**917,828**	649,087
Total member's equity	**917,828**	649,087
TOTAL LIABILITIES AND MEMBER'S EQUITY	**$1,545,242**	$1,092,707

The accompanying notes are an integral part of this financial statement.

GONG CHA CA FRANCHISE, LLC
STATEMENTS OF INCOME AND MEMBER'S EQUITY
FOR THE YEARS ENDED DECEMBER, 2022 AND 2021

	2022	2021
REVENUE:		
Initial franchise fees	**$ 113,901**	$ 147,377
Royalties	**600,155**	516,714
Product sales	**1,922,866**	1,697,622
Other income	**512**	-
Total revenue	**2,637,434**	2,361,713
COST OF GOODS SOLD	**1,585,362**	1,546,340
Gross profit	**1,052,072**	815,373
OPERATING EXPENSES:		
Advertising	**45,936**	23,065
Amortization expense	**-**	4,548
Bank fees	**2,227**	1,764
Computer	**28,008**	23,300
Cost of franchise acquisition	**14,158**	24,442
Depreciation	**279**	1,307
Health Insurance	**33,900**	24,568
Insurance	**5,588**	6,425
Legal and professional fees	**46,725**	163,975
Meals and entertainment	**3,441**	1,797
Office expense	**13,539**	6,763
Payroll expenses	**402,128**	463,787
Rent	**32,100**	32,100
Repairs	**204**	-
Travel	**2,343**	3,605
Total operating expenses	**630,576**	781,446
System advertising fund income	**110,763**	99,338
System advertising fund expense	**(93,307)**	(93,650)
Paycheck Protection Program grant	**-**	94,407
Interest expense	**-**	(91)
Net income(loss) before taxes	**438,952**	133,931
State income tax provision	**6,800**	6,800
NET INCOME/(LOSS)	**432,152**	127,131
MEMBER'S EQUITY, BEGINNING OF PERIOD	**649,087**	521,956
MEMBER'S CONTRIBUTIONS/(DISTRIBUTIONS)	**(163,411)**	-
MEMBER'S EQUITY, END OF PERIOD	**$ 917,828**	$ 649,087

The accompanying notes are an integral part of this financial statement.

GONG CHA CA FRANCHISE, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss)	$ 432,152	$ 127,131
Adjustments to reconcile excess of revenues over expenses to net cash provided/(used) by operating activities:		
Amortization	-	4,548
Depreciation	279	1,307
Decrease (increase) in:		
Accounts receivable	60,808	(3,160)
Capitalized contract costs	(4,439)	25,510
Due from related party	(30,075)	15,523
Prepaid expense	(66,763)	(230)
Inventory	(178,835)	(74,487)
Increase (decrease) in:		
Accounts payable	(38,819)	(295,993)
Accrued taxes	75,536	-
Accrued payroll	(4,635)	4,205
Customer inventory prepayments	11,543	29,472
Deferred revenue	124,867	(133)
Franchise security deposit	20,500	12,500
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	402,119	(153,807)
CASH FLOWS FROM FINANCING ACTIVITIES		
Credit card payable	(5,198)	6,852
Line of credit	-	(61,110)
Distributions to members	(163,411)	-
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	(168,609)	(54,258)
NET INCREASE/(DECREASE) IN CASH	233,510	(208,065)
CASH AT BEGINNING OF PERIOD	552,807	760,872
CASH AT END OF PERIOD	$ 786,317	$ 552,807
Taxes paid	$ 6,800	$ 6,800
Interest paid	$ -	$ 91

The accompanying notes are an integral part of this financial statement.

GONG CHA CA FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Gong Cha CA Franchise, LLC (the Company) is a registered limited liability company organized under the laws of the state of California. It was organized on September 11, 2014 in Redwood City, CA. The Company markets and operates franchise agreements for the "Gong Cha" themed tea houses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consist of franchisee balances based on contracted amounts for royalties and product sales. As of December 31, 2022 and 2021, management believes all receivables to be collectable. Therefore, no allowance for doubtful accounts has been established.

Inventory

The Company values its inventory at the lesser of fair market value or average cost.

Amortization

The Company is amortizing intangible assets over their useful lives of 5-years on the straight-line basis.

Depreciation

The Company is depreciating equipment over their useful lives of 5-years on the straight-line basis.

Income Taxes

The Company has elected to be taxed as a partnership for federal tax purposes. All federal income taxes are paid by the partners in respect to their proportional ownership. State taxes are accrued and expensed as incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments. The Company places it temporary cash investments with banks that are FDIC insured. As of December 31, 2022 and 2021, there was $535,998 and $303,620 of deposits that were uninsured, respectively.

Revenue Recognition.

From 2014 through 2017, the Financial Accounting Standards Board ("FASB") issued standards to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries ("Topic 606"). The Company adopted Topic 606 at the beginning of the year ended December 31, 2019. Below is a discussion of how the Company's revenues are earned, the accounting policies pertaining to revenue recognition subsequent to the adoption of Topic 606 and other required disclosures.

Franchise Revenues

The timing and amount of revenue recognized related to royalties was not impacted by the adoption of Topic 606 based on the application of the sales-based royalty exception within Topic 606.

Upon the adoption of Topic 606, the Company determined that the services provided in exchange for upfront franchise fees, which primarily relate to pre-opening support, are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to the franchisees. As a result, upon the adoption of Topic 606, upfront franchise fees are recognized as revenue over the term of each respective franchise. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisee's right to use and benefit from the intellectual property.

As such, initial franchise fees, are deferred and recognized over the term of the underlying franchise agreement. The effect of the required deferral of initial franchise fees received in a given year is mitigated by the recognition of revenue from fees retrospectively deferred from prior years and the amortization of capitalized incentive payments and franchisee servicing costs.

Capitalized Contract Costs

The benefits received from incentive payments made to brokers to sell franchises and brand-specific non-transferable training costs related to servicing the franchise agreements are not separate and distinct from the benefits received from the franchise right and thus those expenses will be amortized as a reduction of revenue over the period of expected cash flows from the franchise agreements to which the payment relates. These standards require any such unamortized portion of expenses to be presented in the Balance Sheet as an asset. These are classified as capitalized contract costs on the Balance Sheet.

System Ad Fund and Franchise Contributions

The Company collects a 1% advertising royalty from its franchisees. This 1% contribution is accounted for separately to fund a franchise wide marketing program.

In accordance with the provisions of Topic 606, the Company has determined that it acts as a principal in the transactions entered into for advertising services based on its responsibility to define the nature of the goods or services provided and/or its responsibility to define which franchisees receive the benefit of the goods or services. Additionally, the Company has determined the advertising services provided to franchisees are highly interrelated with the franchise right and therefore not distinct. Franchisees remit to the Company a percentage of restaurant sales as consideration for providing the advertising services. As a result, revenues for advertising services are recognized when the related restaurant sales occur based on the application of the sales-based royalty exception within Topic 606. Revenues for these services are typically billed and paid on a weekly basis. These revenues are presented as franchise contributions in the revenue section and expenses incurred to provide these services are presented as franchise advertising expense in the expense section in the Statements of Income and Members' Equity.

Advertising Costs

Advertising costs are expensed as incurred.

Recent Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") has issued standards on the recognition and measurement of leases that are intended to increase transparency and comparability among organizations by requiring that substantially all lease assets and liabilities be recognized on the balance sheet and by requiring the disclosure of key information about leasing arrangements. We will adopt these standards using a modified retrospective transition approach for leases existing at, or entered into after, December 31, 2021, and will not recast the comparative periods presented in the Financial Statements upon adoption. Management is currently in the process of assessing the impact of this standard.

Subsequent Events

For the year ended December 31, 2022, the Company has evaluated subsequent events for potential recognition and disclosure through March 17, 2023, which is the date the financial statements were available to be issued.

NOTE 2 – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2022 and 2021, related party companies accounted for $281,059 and $285,074 of product sales, respectively, and $5,369 and $10,056 of accounts receivable, respectively.

NOTE 3 – SYSTEM ADVERTISING FUND

The Company collects a 1% advertising royalty from its franchisees. This 1% contribution is accounted for separately to fund a franchise wide marketing program. For the year ended December 31, 2022 and 2021, due to the adoption of Topic 606, these amounts require gross presentation in the Statements of Income and Members' Equity. For the years ended December 31, 2022 and 2021, the Company collected $110,763 and $99,338 in System Advertising Fund revenue and expensed $93,307 and $93,650 respectively.

NOTE 4 – DEFERRED REVENUE

As of December 31, 2022 and 2021, deferred revenue of $394,145 and $269,278 is presented in accordance with TOPIC 606 as discussed in Note 1.

NOTE 5 – FRANCHISE CONTRACT

The Company's Master Franchising Agreement with Royal Tea provides it with two six-year renewal terms giving it the exclusive rights to operate and franchise restaurants using the "Gong Cha" theme in certain geographical areas. On February 13, 2020, the Company exercised its renewal option. On February 14, 2020, Royal Tea claimed that it was not obligated to honor the renewal rights because the terms of the agreement were commercially unreasonable, making the contractual rights voidable. The Company filed a complaint with the California Department of Financial Protection and Innovation and an investigation was initiated. The Company further initiated a lawsuit on June 24, 2020 in California state court. On July 9, 2021 a Settlement Agreement Renewal Amendment was entered into, under which the Master Franchising Agreement was renewed for the first six-year renewal term, effective as of July 1, 2021, and granting the Company the right to renew for one additional six-year term following expiration of the first renewal term. As of December 31, 2022, the Company is operating under this first renewal term.

NOTE 6 – CREDIT CARD PAYABLE

As of December 31, 2022 and 2021, the Company has a credit card with a commercial bank which accrued interest at a rate of 16.74% and 12.99% and a credit limit $39,300 and $33,300, respectively.

NOTE 7 – LINE OF CREDIT

As of December 31, 2022, the Company has one revolving credit agreements with a commercial bank. As of December 31, 2021, the Company has two revolving credit agreements with commercial banks.

The first is a 1-year line of credit capped at a 90-day tenor from a Taiwanese bank which provides for cash advances for operating expenditures up to a maximum outstanding balance of $200,000 with interest accruing at the 6-month TAIFX rate plus 1.73%. The

line of credit expires in March 2023, and as of December 31, 2022 and December 31, 2021, the outstanding balance was $0, respectively.

The second line of credit from a U.S. bank provides for cash advances for operating expenditures up to a maximum outstanding balance of $75,000 with interest accruing at the prime interest rate plus 0.25%. The line is secured by the Company's accounts receivable, inventory, and fixed assets. As of December 31, 2021, the outstanding balance was $0 and the interest rate was 3.5%.

As of December 31, 2021, the Company had two revolving credit agreements with commercial banks. The first line of credit from a U.S. bank provides for cash advances for operating expenditures up to a maximum outstanding balance of $75,000 with interest accruing at the prime interest rate plus 0.25%. The line is secured by the Company's accounts receivable, inventory, and fixed assets. As of December 31, 2021, the outstanding balance was $0 and the interest rate was 3.5%.

The second is a 1-year line of credit capped at a 90-day tenor from a Taiwanese bank which provides for cash advances for operating expenditures up to a maximum outstanding balance of $300,000 with interest accruing at the 6-month LIBOR rate plus 1.45% or 6-month TAIFX rate plus 1.2%, whichever is higher. The line of credit expired in September 2021, and as of December 31, 2021, the outstanding balance was $0.

NOTE 8 – SUBSEQUENT EVENTS

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern.

In the first quarter of fiscal and calendar year 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. A health pandemic is a disease outbreak that spreads rapidly and widely by infection and affects many individuals in an area or population at the same time. Customers might avoid public gathering places in the event of a health pandemic, and local, regional or national governments might limit or ban public gatherings to halt or delay the spread of disease.

The conditions may impact customer traffic and the ability to adequately staff restaurants, receive deliveries on a timely basis or perform functions at the corporate level. The Company also may be adversely affected if jurisdictions in which the Company has franchises impose mandatory closures, seek voluntary closures or impose restrictions on operations. Even if such measures are not implemented, the perceived risk of infection or significant health risk may adversely affect business. The Company cannot reasonably estimate the negative impact to the Company's business, revenues, financial condition or results of operations.

NOTE 9 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

For the year 2021, the company took a Paycheck Protection Program (PPP) loan of $94,407. The loan was forgiven in full in 2021. The loan is accounted for as an in-substance government grant according to IAS (International Accounting Standards) 20. The total amount of $94,407 is shown on the Statements of Income and Member's Equity as non-operating income.

NOTE 10 – SUMMARY OF FRANCHISE UNITS

The changes in franchise ownership for fiscal years 2022 and 2021 are as follows:

	2022	2021
Number of franchises sold	6	4
Number of franchises purchased	0	0
Number of franchised outlets in operation	24	20
Number of franchisor-owned outlets in operation	5	6

GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)

FINANCIAL STATEMENTS

PERIOD FROM JANUARY 10, 2023 (INCEPTION) THROUGH DECEMBER 31, 2023

GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)
FOR THE PERIOD FROM JANUARY 10, 2023 (INCEPTION) THROUGH DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Member
Gong Cha USA Franchising, LLC

Opinion

We have audited the accompanying financial statements of Gong Cha USA Franchising, LLC (a limited liability company), which comprise the balance sheet as of December 31, 2023, and the related statements of income and changes in member's equity, and cash flows for the period from January 10, 2023 (inception) through December 31, 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gong Cha USA Franchising, LLC as of December 31, 2023, and the results of its operations and its cash flows for the period from January 10, 2023 (inception) through December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Gong Cha USA Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Citrin Cooperman & Company, LLP

Melville, New York
March 28, 2024

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GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)
BALANCE SHEET
DECEMBER 31, 2023

ASSETS

Current assets:	
Cash	$ 60,611
Accounts receivable	368,576
Total current assets	429,187
Intangible assets, net	670,208
Due from related parties, net	635,343
TOTAL ASSETS	$ 1,734,738

LIABILITIES AND MEMBER'S EQUITY

Current liabilities:	
Accounts payable and accrued expenses	$ 131,286
Brand marketing fund payable	83,811
Deferred revenues - current	174,565
Total current liabilities	389,662
Long-term liabilities:	
Franchisee deposits	365,000
Deferred revenues, net of current portion	325,893
Total long-term liabilities	690,893
Total liabilities	1,080,555
Commitments and contingencies (Notes 5 and 7)	
Member's equity	654,183
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 1,734,738

See accompanying notes to financial statements.

GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)
STATEMENT OF INCOME AND CHANGES IN MEMBER'S EQUITY
FOR THE PERIOD FROM JANUARY 10, 2023 (INCEPTION) THROUGH DECEMBER 31, 2023

Revenues:	
Franchise fees and royalties	$ 858,977
Brand marketing fund	789,324
Fees from other services	1,245,279
Total revenues	2,893,580
Operating expenses	2,754,456
Income from operations	139,124
Other income:	
Interest income	15,059
Net income	154,183
Member's equity - beginning	-
Member contributions	500,000
MEMBER'S EQUITY - ENDING	$ 654,183

See accompanying notes to financial statements.

GONG CHA USA FRANCHISING, LLC
(A Limited Liability Company)
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JANUARY 10, 2023 (INCEPTION) THROUGH DECEMBER 31, 2023

Cash flows from operating activities:	
Net income	$ 154,183
Adjustments to reconcile net income to net cash used in operating activities:	
Amortization expense	67,900
Changes in assets and liabilities:	
Accounts receivable	(368,576)
Due from related parties, net	(635,343)
Accounts payable	131,285
Brand marketing fund payable	83,811
Deferred revenues	(189,747)
Net cash used in operating activities	(756,487)
Cash provided by investing activities:	
Proceeds from loan receivable (Note 5)	317,098
Cash provided by financing activities:	
Contribution from member	500,000
Net increase in cash	60,611
Cash - beginning	-
CASH - ENDING	$ 60,611
Supplemental disclosure of non-cash investing activities:	
Common control transaction (Note 5)	$ 317,098

See accompanying notes to financial statements.

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Gong Cha USA Franchising, LLC (the "Company") is a wholly-owned subsidiary of Gong Cha Americas, Inc. (the "Parent"). The Parent is a wholly-owned subsidiary of Gong Cha Global Limited (the "Licensor"). The Company was formed on January 10, 2023, as a Delaware limited liability company to sell franchises through master franchise and unit franchise agreements pursuant to a license agreement dated May 1, 2023, between the Company and the Licensor, as discussed in Note 5. Pursuant to the Company's standard franchise agreement, franchisees will operate retail shop businesses known as "Gong Cha," which offers a variety of bubble tea blends, coffees, juices, and other related products prepared to order, in the Gong Cha Shop.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Use of estimates

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

Accounts receivable

Accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts, and changes in the allowance are included in operating expenses on the statement of income and changes in member's equity. The Company assesses collectibility by reviewing accounts receivable and its contract assets on a collective basis where similar risk characteristics exist. In determining the amount of the allowance for doubtful accounts, management considers historical collectibility and makes judgments about the creditworthiness of the pool of customers based on credit evaluations. Current market conditions and reasonable and supportable forecasts of future economic conditions adjust the historical losses to determine the appropriate allowance for doubtful accounts. Uncollectible accounts are written off when all collection efforts have been exhausted.

The Company did not require an allowance for doubtful accounts as of December 31, 2023.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangibles assets

Intangible assets consist of franchise relationships and master franchise agreements that were assigned to the Company from the Licensor in a common control transaction. Intangible assets were recorded at their carrying values on the date they were assigned, are being amortized over their original estimated useful lives, and are reviewed for impairment if indicators of impairment arise. The useful life of the intangible assets was deemed to be 10 years.

The evaluation of impairment is based upon a comparison of the carrying amount of the intangible assets to the estimated future undiscounted net cash flows expected to be generated by the asset. If the estimated future undiscounted net cash flows are less than the carrying amount of the asset, the asset is considered impaired. The impairment expense is determined by comparing the estimated fair value of the intangible asset to its carrying value, with any shortfall from fair value recognized as an expense in the current period. The Company did not recognize any impairment charges on its intangible assets during the period ended December 31, 2023.

Franchisee deposits

In accordance with the unit franchise agreements and master franchise agreement ("MFA")s, franchisees pay a deposit, as defined in the unit franchise agreements and MFAs, to the Company upon signing. The franchise deposit is returned to the franchisee or offset against any outstanding receivables at the end of the initial contract term.

Revenue and cost recognition

The Company derives substantially all its revenue from master franchise and unit franchise agreements related to franchise fee revenue, royalty revenue, transfer fees, technology fees, brand marketing fund revenue and store opening fees.

Franchise fees, royalties and other franchise related fees

Contract consideration from franchisees consists primarily of initial or renewal franchise fees, MFA fees, sales-based royalties, sales-based brand marketing fund fees, technology fees and transfer fees payable by a franchisee for the transfer of its franchise unit to another franchisee. The Company also may enter into MFAs which grant a franchisee the right to develop and sell franchises within a specific territory, as defined in the respective agreement. The Company collects an up-front fee for the grant of such rights. The initial franchise fees are nonrefundable and collectible when the underlying franchise agreement or MFA is signed by the franchisee. Sales-based royalties, sales-based brand marketing fund fees, store opening fees and technology fees are payable on a quarterly basis. Renewal and transfer fees are due from franchisees when an existing franchisee renews the franchise agreement for an additional term or when a transfer to a third party occurs, respectively.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and cost recognition (continued)

Franchise fees, royalties and other franchise related fees (continued)

The Company's primary performance obligation under the master franchise and unit franchise agreements include granting certain rights to the Company's intellectual property in addition to a variety of activities relating to opening a franchise unit. Those services include training and other such activities commonly referred to collectively as "pre-opening activities." The Company has determined that certain of the training provided to the franchisee is not brand specific and provides the franchisee with relevant general business information that is separate and distinct from the operation of a company-branded franchise unit. The portion of training services provided that is not brand specific is deemed to be distinct, as it provides a benefit to the franchisee and is not highly interrelated or interdependent to the access of the Company's intellectual property and, therefore, is accounted for as a separate distinct performance obligation. All other pre-opening activities have been determined to be highly interrelated and interdependent to the access to the Company's intellectual property and, therefore, are accounted for as a single performance obligation, which is satisfied by granting certain rights to access the Company's intellectual property over the term of each franchise agreement.

The Company estimates the stand-alone selling price of training services that are not brand specific using an adjusted market assessment approach. The Company first allocates the initial franchise fees and the fixed consideration under the franchise agreement to the stand-alone selling price of the training services that are not brand specific and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to training services that are not brand specific are recognized ratably as the training services are rendered.

Initial and renewal franchise fees allocated to the right to use the Company's intellectual property are recognized as revenue on a straight-line basis over the term of the respective master franchise or unit franchise agreements.

Royalties are earned as a percentage of master franchise or unit franchisee gross sales over the term of the respective master franchise and unit franchise agreements, as defined in each respective franchise agreement. Franchise royalties which represent sales-based royalties that are related entirely to the use of the Company's intellectual property are recognized as franchisee sales occur and the royalty is deemed collectible.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and cost recognition (continued)

Brand marketing fund

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

The Company collects a brand marketing fund fee from its franchisees up to 1**%** of its franchisees' gross revenues, with an option to increase the fee to up to 2% of gross revenues, in accordance with the Company's standard franchise agreement. The brand marketing fund is to be utilized for the benefit of the franchisees, with a portion designated to offset the Company's administrative costs for its administration. Pursuant to the standard franchise agreement, the Company is not required to segregate and restrict monies collected on behalf of the brand marketing fund. For the period from January 10, 2023 (inception) through December 31, 2023, the Company incurred expenses related to franchisee advertising in the amount of $789,324, respectively, which is included in "Operating expenses" in the accompanying statement of income and changes in member's equity. As of December 31, 2023, the Company had collected, but not yet disbursed, $83,811 of amounts collected on behalf of franchisees for advertising, which is included in "Brand marketing fund payable" in the accompanying balance sheet.

Other revenues

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

Income taxes

The Company is a single-member limited liability company and is, therefore, considered a disregarded entity for income tax purposes. Accordingly, no provision has been made for income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the member, who is responsible for any taxes thereon.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

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

Advertising

Advertising costs are expensed as incurred and amounted to $140,027 for the period from January 10, 2023 (inception) through December 31, 2023.

Variable interest entities

In accordance with the provisions of FASB Accounting Standards Update (ASU) No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* ("ASU 2018-17"), FASB no longer requires nonpublic companies to apply variable interest entity guidance to certain common control arrangements, including leasing arrangements under common control. The Company has applied these provisions to the accompanying financial statements and has determined that the entities disclosed in Note 5, meet the conditions under ASU 2018-17, and accordingly, is not required to include the accounts of the related parties in the Company's financial statements.

Recently adopted accounting standards

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)* ("ASC 326"), which, along with subsequently issued related ASUs, requires financial assets (or groups of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected, among other provisions. ASC 326 eliminates the probable initial threshold for recognition of credit losses for financial assets recorded at amortized cost, which could result in earlier recognition of credit losses. It utilizes a lifetime expected credit loss measurement model for the recognition of credit losses at the time the financial asset is originated or acquired. The Company's financial instruments include cash and accounts receivable. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The Company adopted ASC 326 using the modified retrospective method at inception on January 10, 2023 and it did not have a material impact on the financial statements.

Subsequent events

The Company has evaluated subsequent events through March 28, 2024, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in this financial statement.

NOTE 3. REVENUES AND RELATED CONTRACT BALANCES

Franchised outlets

The following data reflects the status of the Company's franchises for the period from January 10, 2023 (inception) through December 31, 2023:

Unit Franchises	2023
Affiliate-owned outlets in operation	2
Master Franchises	
Master franchise outlets assigned to the Company by the Licensor	5
Franchised outlets in operation	222

Disaggregated revenues

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

Revenues by timing of recognition were as follows for the period from January 10, 2023 (inception) through December 31, 2023:

	2023
Point in time:	
Royalties	$ 671,978
Brand marketing fund	789,324
Fees from other services	1,245,279
Total	2,706,581
Over time:	
Franchise fees	186,999
Total revenues	$ 2,893,580

Contract balances

Contract liabilities are comprised of unamortized initial and renewal franchise fees received from franchisees, which are presented as "Deferred revenues" on the accompanying balance sheet. A summary of significant changes in deferred revenues for the period from January 10, 2023 (inception) through December 31, 2023 is as follows:

	2023
Deferred franchise revenues - beginning of year	$ -
Deferred franchise revenues assumed - Note 5	687,457
Revenue recognized during the year	(186,999)
Deferred franchise fees - end of year	$ 500,458

NOTE 3. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)

Contract balances (continued)

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

Year ending December 31:	Amount
2024	$ 174,565
2025	58,018
2026	48,250
2027	45,125
2028	42,000
Thereafter	132,500
Total	$ 500,458

Deferred franchise fees consisted of the following at December 31, 2023:

	2023
Franchise units not yet opened	$ -
Opened franchise units	500,458
Total	$ 500,458

NOTE 4. CONCENTRATION OF CREDIT RISK

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

As of December 31, 2023, two franchisees accounted for approximately 95% of the Company's accounts receivable. For the period from January 10, 2023 (inception) through December 31, 2023, two franchisees accounted for approximately 40% of the Company's total revenues.

NOTE 5. RELATED-PARTY TRANSACTIONS

License agreement

On May 1, 2023, the Company entered into a 10-year exclusive license agreement with the Licensor for the use of the registered name "Gong Cha" (the "License Agreement"), which shall automatically renew for four additional five-year terms, unless agreed to otherwise by both parties. Pursuant to the License Agreement, the Company acquired the right to sell "Gong Cha" franchises, and the right to earn franchise fees, royalties and other fees from the franchisees. The Company shall pay a license fee based on a percentage of total franchise fees and royalties earned, as defined in the License Agreement. The license fee will be waived to the extent the Company has a net income below $250,000. As of December 31, 2023, there was no license fee incurred.

NOTE 5. RELATED-PARTY TRANSACTIONS (CONTINUED)

Service agreements

On May 1, 2023, the Company entered into a 10-year service agreement with the Licensor (the "Service Agreement") for the Company to grow the number of Gong Cha stores through a range of marketing and operations-focused initiatives aimed to increase the Gong Cha business in various territories. The Service Agreement shall automatically renew until both parties agree to terminate. The Company shall charge the Licensor a service fee, based on a percentage of sales, as defined in the Service Agreement, as services are performed. For the period from January 10, 2023 (inception) through December 31, 2023, the service fee charged amounted to $1,245,279, which remains outstanding as of December 31, 2023, and is included in "Due from related parties, net" on the accompanying balance sheet. Management does not expect such balances to be settled within the next year.

Additionally, on May 1, 2023, the Company entered into a 10-year service agreement with Gong Cha USA Product Supplier, LLC ("GC Product Supplier") (the "GC Service Agreement"), a related party through common ownership, for GC Product Supplier to sell and supply products to the Company's master and unit franchisees. The GC Service Agreement shall automatically renew until both parties agree to terminate. GC Product Supplier shall charge the Company a service fee, as defined in the GC Service Agreement, as services are performed. For the period from January 10, 2023 (inception) through December 31, 2023, the service fee charged amounted to $4,858, which remains outstanding as of December 31, 2023, and is included in "Due from related parties, net" on the accompanying balance sheet.

Common control transaction

On May 1, 2023, the Company entered into an assignment and assumption agreement with the Licensor, whereby the Licensor assigned its interests in certain master and unit franchise agreements (the "Agreements"), which included certain assets and liabilities being transferred to the Company. As the Licensor is the ultimate parent of the Company, the transaction was accounted for as a common control transaction which requires that a group of net assets or liabilities be transferred at their carrying amounts on a prospective basis.

The Company recognized the assets and liabilities transferred from the Licensor at their carrying amounts at May 1, 2023, which are summarized as follows:

Franchise relationships	$ 691,511
Master franchise agreements	46,597
Franchisee deposits	(365,000)
Deferred revenues	(690,206)
Net liabilities transferred	$ (317,098)

NOTE 5. RELATED-PARTY TRANSACTIONS (CONTINUED)

Common control transactions (continued)

A loan receivable was recorded at the transaction date for the net liabilities assumed by the Company. The Licensor repaid the balance during the period ended December 31, 2023. The deferred revenues transferred represent the value of the remaining performance obligations under the Agreements and will be amortized over the remaining life of the Agreements, in accordance to the revenue recognition policy described in Note 2.

Due to parent

In the ordinary course of business, the Company receives funds from the Parent. The amount due to the Parent at December 31, 2023 was $655,437 and is included in "Due from related parties, net" in the accompanying balance sheet**.** No interest is charged on these advances. Advances from the Parent are unsecured and have no specific repayment terms. Management does not expect such balances to be settled within the next year.

Due from related parties, net

The Company receives royalties and brand marketing funds fees from stores owned by entities affiliated through common ownership. Receivables related to royalties and brand marketing fund fees owed from these affiliates amounted to $45,501 as of December 31, 2023.

NOTE 6. INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31, 2023:

	Carrying value	Accumulated amortization	Net value
Franchise relationships	$ 691,511	$ 63,374	$ 628,137
Master franchise agreements	46,597	4,526	42,071
	$ 738,108	$ 67,900	$ 670,208

At December 31, 2023, amortization expense related to intangible assets is expected to be as follows:

Year ending December 31:	Amount
2024	$ 101,849
2025	101,849
2026	101,849
2027	101,849
2028	101,849
Thereafter	160,963
	$ 670,208

Amortization expense amounted to $67,900 for the period from January 10, 2023 (inception) through December 31, 2023 and is included in "Operating expenses" in the accompanying statement of income and changes in member's equity.

NOTE 7. CONTINGENCIES

Litigation

The Company, the Parent and its related parties may be, from time to time, involved in ordinary and routine litigation. Management presently believes that the ultimate outcome of these proceedings, individually or in the aggregate, will not have a material adverse effect on the Company's financial position. Nevertheless, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include money damages and, in such event, could result in a material adverse impact on the Company's financial position.

State Effective Dates

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

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

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

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 Area Development Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If we offer you a franchise, we must provide this Disclosure Document to you 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.

If we do not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit 1.

The name, principal business address and telephone number of each franchise seller offering the franchise is as follows: Larry Chen and Michelle Chen, Gong Cha CA Franchise, LLC, 1111 Triton Drive, Suite 200, Foster City, California 94404, (650) 670-6873; and _____.

The issuance date of this Disclosure Document is: April 19, 2024.

See Exhibit 1 for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated April 19, 2024 that included the following Exhibits:

Exhibit 1 – State Administrators/Agents for Service of Process
Exhibit 2 – State Specific Addendum
Exhibit 3 – Franchise Agreement
Exhibit 4 – Area Development Agreement
Exhibit 5 – Non-Use and Non-Disclosure Agreement
Exhibit 6 – List of Franchisees and Area Developers
Exhibit 7 – List of Franchisees and Area Developers Who Have Left the System
Exhibit 8 – Financial Statements

_____ _____
Date Prospective Franchisee

_____
Printed Name

PLEASE KEEP THIS COPY FOR YOUR RECORDS.

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(OUR COPY)

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_____ _____
Date Prospective Franchisee

_____
Printed Name

PLEASE SIGN THIS COPY OF THE RECEIPT, DATE YOUR SIGNATURE, AND RETURN IT TO LARRY CHEN, GONG CHA CA FRANCHISE, LLC, 1111 TRITON DRIVE, SUITE 200, FOSTER CITY, CALIFORNIA 94404.