

ADMINISTRATIVE PROCEEDING  
BEFORE THE  
SECURITIES COMMISSIONER OF MARYLAND

In the Matter of:

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GONG CHA  
INTERNATIONAL CO., LTD.,

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GONG CHA USA FRANCHISING, LLC, and

Case No. 2024-0131

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GCDMV, LLC

\*

Respondents,

\*

\*   \*   \*   \*   \*   \*   \*   \*   \*   \*   \*   \*

**CONSENT ORDER**

WHEREAS, the Securities Division of the Office of the Attorney General of Maryland (the “Securities Division”) initiated an investigation into the franchise-related activities of Gong cha International Co. Ltd. (“Gong Cha International”), Gong cha USA Franchising, LLC, a.k.a. Gong Cha Franchising, LLC (“Gong Cha Franchising”), and GCDMV, LLC (“GCDMV”) under the authority granted under the Maryland Franchise Registration and Disclosure Law, MD. BUS. REG. CODE ANN. Sections 14-201 et seq. (2015 Repl. Vol.) (the “Maryland Franchise Law”); and

WHEREAS, as a result of that investigation, the Maryland Securities Commissioner (the “Securities Commissioner”) found grounds to allege that Gong Cha International violated the registration and disclosure provisions of the Maryland Franchise Law in relation to an offer to sell and sale of a Gong cha area franchise in the District of Columbia, Maryland and Virginia, that Gong Cha Franchising violated the registration and disclosure provisions of the Maryland Franchise Law in relation to the offer of a Gong cha area franchise in the District of Columbia, Maryland and Virginia, and that GCDMV violated the registration and disclosure provisions of

the Maryland Franchise Law in relation to offers and sales of Gong cha franchises in the District of Columbia, Maryland and Virginia; and

WHEREAS, before the holding of a hearing in this matter, without trial or final adjudication of any issue of fact or law, and without Gong Cha International, Gong Cha Franchising, or GCDMV (collectively “Respondents”) admitting or denying any violation of law, the Securities Commissioner and Respondents have reached an agreement to enter into this Consent Order; and

WHEREAS, Respondents waive their respective rights to a hearing and any rights to seek judicial review or otherwise challenge or contest the terms and conditions of this Consent Order; and

WHEREAS, the Securities Commissioner has determined that it is in the public interest to issue this Consent Order.

NOW, THEREFORE, it is hereby agreed, and the Securities Commissioner hereby orders:

## **I. JURISDICTION**

1. The Securities Commissioner has jurisdiction in this proceeding and over Respondents pursuant to Section 14-210 (a) of the Maryland Franchise Law.

## **II. FINDINGS OF FACT**

### **A. The Gong cha Franchise**

2. “Gong cha” is a recognized brand of Taiwanese bubble tea, which is a sweet milk tea infused with pearl-shaped tapioca.

3. The Gong cha brand originated in Taiwan in 2006, expanded to Korea, and

eventually expanded into the United States in 2014 and 2015.

4. Gong Cha International, formerly known as Royal Tea Taiwan Co., Ltd., is a Taiwanese limited liability company that originally was the global franchisor of the Gong cha brand. Gong Cha International's principal business address is No. 1685, Huaxia Rd., Zuoying Dist., Kaohsiung City, 813031 Taiwan (R.O.C.).

5. Until July 2020, Gong Cha International offered and sold Gong cha area franchises and Gong cha unit franchises throughout the world, including without limitation, in the United States.

6. Gong Cha Franchising is a Delaware limited liability company formed in January 2023 with a principal business address of 200 Clarendon St., Suite #5600, Boston, Massachusetts 02116.

7. As further described in Paragraphs 14 and 15 below, Gong Cha Franchising is an indirect successor to Gong Cha International. Since May 1, 2023, Gong Cha Franchising has offered both Gong cha area franchises and Gong cha unit franchises in the United States.

8. GCDMV is a Maryland limited liability company formed on August 11, 2017, with a principal business address of 8341 Beechcraft Avenue, Gaithersburg, MD 20879.

9. GCDMV is a subfranchisor of Gong Cha Franchising and in that capacity has offered Gong cha unit franchises in the form of license agreements or other arrangements for Gong cha stores located in Maryland or located outside of Maryland, but owned, in part, by unaffiliated Maryland residents.

#### **B. The Sale of a Gong cha Area Franchise to GCDMV**

10. On August 1, 2017, Gong Cha International entered into a Master Franchising Agreement ("2017 Master Franchise Agreement") with GCDMV.

11. Under the 2017 Master Franchise Agreement, Gong Cha International granted GCDMV the right to open Gong cha stores in, and the right to subfranchise Gong cha stores in, a territory that included the District of Columbia, Maryland, and Virginia.

12. Under the 2017 Master Franchise Agreement, GCDMV was required to pay Gong Cha International a license fee of \$400,000 plus an additional \$10,000 license fee for each Gong cha store that GCDMV opened after the opening of the 16<sup>th</sup> store.

13. Under the 2017 Master Franchise Agreement, GCDMV was required to: (i) open a total of at least 2 Gong cha stores (both of which outlets to be owned and operated directly) prior to June 30, 2018, (ii) open a total of at least 7 Gong cha stores (including at least 3 outlets to be owned and operated directly) by June 30, 2019, and (iii) open a total of at least 12 Gong cha stores (including at least 4 outlets to be owned and operated directly) by June 30, 2020.

### **C. The 2020 and 2023 Corporate Restructuring of Gong Cha International**

14. Gong Cha International was purchased by new owners in 2019. On July 1, 2020, as part of a global restructuring, Gong Cha International sold to Gong Cha Global Limited (“Gong Cha Global”), a limited liability company based in the United Kingdom, certain of its intellectual property, including without limitation its rights and obligations under its area franchise agreements, including without limitation the 2017 Master Franchise Agreement, and other franchise agreements, and its trademarks, service marks, logos, designs and identifying slogans, including without limitation the “Gong cha” mark, and also assigned to Gong Cha Global its area franchise agreements, including without limitation the 2017 Master Franchise Agreement. Following this global restructuring, Gong Cha Global became the global franchisor of the Gong cha brand.

15. In 2023, Gong Cha Global implemented a corporate restructuring and formed a

U.S. subsidiary to act as the U.S. franchisor of the Gong cha brand. As part of that restructuring, Gong Cha Global assigned all its area franchise agreements in the United States, including without limitation the 2017 Master Franchise Agreement with GCDMV, to Gong Cha Franchising.

**D. The 2024 Extension of the 2017 Master Franchise Agreement**

16. The 2017 Master Franchise Agreement originally between Gong Cha International and GCDMV was set to expire on January 31, 2024. On January 31, 2024, Gong Cha Franchising, as an indirect successor to Gong Cha International, entered into an extension of the 2017 Master Franchise Agreement (“2024 Extension Agreement”) under which the terms of the 2017 Master Franchise Agreement were extended on a monthly rolling basis until the parties were able to reach an acceptable arrangement with franchise authorities in Maryland and Virginia to resolve any issues of unregistered sales of area franchises and unit franchises in those states.

17. At the time Gong Cha Franchising entered into the 2024 Extension Agreement with GCDMV, Gong Cha Franchising also provided to GCDMV a proposed, new Master Franchise Agreement with an effective date of January 31, 2024 (“2024 Master Franchise Agreement”). As of the date of this Consent Order, neither Gong Cha Franchising nor GCDMV has signed the 2024 Master Franchise Agreement.

18. Under the 2024 Master Franchise Agreement, GCDMV, either directly or through its subfranchisees, would be required to open a total of 32 Gong cha stores on the one-year anniversary of the effective date of the 2024 Master Franchise Agreement and a total of 86 Gong cha stores by the fifth anniversary of the effective date of that agreement.

19. On April 4, 2024, an attorney representing Gong Cha Franchising, along with a

separate attorney representing GCDMV, contacted the Securities Division to advise Securities Division staff about Gong Cha International's 2017 Master Franchise Agreement with GCDMV, Gong Cha Franchising's 2024 Extension Agreement and related 2024 Master Franchise Agreement between Gong Cha Franchising and GCDMV, as well as GCDMV's sales of Gong cha unit franchises for Gong cha stores located in Maryland or located outside of Maryland, but owned, in part, by unaffiliated Maryland residents.

**E. The 17 Gong cha Stores Located in Maryland or Co-Owned by Maryland Residents**

20. Respondents represent that, as of the date of this Consent Order, there are seventeen (17) open and operating Gong cha stores located in Maryland or located outside of Maryland, but owned, in part, by unaffiliated Maryland residents: (a) one (1) Gong cha store is owned and operated by GCDMV; (b) eight (8) Gong cha stores are owned and operated by GCDMV's affiliates that are owned by one or both of the principals of GCDMV or by one or both of the principals of GCDMV and an unaffiliated third party, including one (1) in the District of Columbia and one (1) in Virginia that are owned by a principal of GCDMV and an unaffiliated Maryland resident; and (c) eight (8) Gong cha stores that are owned by unaffiliated subfranchisees ("Maryland Licensees") operating under sublicense agreements with GCDMV ("License Agreements"), including one (1) in the District of Columbia that is owned, in part, by a Maryland resident.

21. Respondents further represent that two (2) additional Gong cha stores were open and operating in Maryland but have closed: one located in Columbia, Maryland that closed in 2021, and one located in North Bethesda, Maryland that closed in April 2024. Both stores were owned by GCDMV affiliates that were owned 100% by one or both principals of GCDMV.

**F. GCDMV's Sales of Gong cha Unit Franchises to Maryland Licensees**

22. Between September 2018 and July 2019, GCDMV entered into written License Agreements ("Written License Agreements") with the following Maryland Licensees on the following dates for the following locations:

- A. Gong Cha Howard County, LLC ("GCHC") on September 27, 2018, granting GCHC the right to open and operate a Gong cha store in Fulton, Maryland;
- B. The Hub Maryland, Inc., ("Hub") on September 30, 2018, granting Hub the right to open and operate a Gong cha store located in Catonsville, Maryland;
- C. Gong Cha Belair, LLC ("GCBA") on January 26, 2019, granting GCBA the right to operate a Gong cha store in Bel Air, Maryland;
- D. Gong Cha Arundel Mills, LLC ("GCAM") on July 31, 2019, granting GCAM the right to open and operate a Gong cha store in Hanover, Maryland; and
- E. Gong Cha DC, Inc. ("GCDC"), on June 13, 2019, granting GCDC the right to open and operate a Gong cha store in the District of Columbia. GCDC is owned, in part, by "WW," a Maryland resident.

23. Each of the Written License Agreements GCDMV signed with the Maryland Licensees required those Maryland Licensees to pay GCDMV an initial fee ("Initial Fee") of \$35,000 or \$60,000, consisting of a \$25,000 or \$50,000 license fee, a \$3,000 training fee, a \$2,000 opening support fee, and a \$5,000 guarantee fee that was to be refunded after the expiration of the term of the license agreement. Under the Written License Agreement, the Maryland Licensees agreed to purchase products, supplies, merchandise, and inventory (all approved by or supplied by Gong Cha International) from GCDMV.

24. Between August 2020 and January 2021, GCDMV also entered into oral understandings ("Oral License Agreements") with the following Maryland Licensees on the following dates for the following locations:

- A. KDC, Inc. ("KDC"), on or about August 2020 granting KDC, Inc. the right to open and operate a Gong cha store in Silver Spring, Maryland;

- B. Gong Cha Towson, LLC (“GCT”), on or about July 2020, granting GCT the right to open and operate a Gong cha store located in Towson, Maryland; and
- C. Gong Cha Ellicott City, LLC (“GCEC”), on or about January 2021 granting GCEC the right to open and operate a Gong cha store in Ellicott City, Maryland.

25. Each of the Oral License Agreements GCDMV entered into with the Maryland Licensees required those Maryland Licensees to pay GCDMV an Initial Fee of \$33,500 or \$40,000, a royalty fee, and a brand marketing fee. Under the Oral License Agreements, the Maryland Licensees also agreed to purchase products, supplies, merchandise, and inventory (all approved by or supplied by Gong Cha International) from GCDMV.

26. All of the Gong cha stores that GCDMV sold to Maryland Licensees are open as of the date of this Consent Order.

#### **G. The GCDMV Maryland Affiliate Owned Stores**

27. GCDMV’s owners have opened several Gong cha stores themselves. In addition, GCDMV owners have opened the following Gong cha stores in ownership arrangements with other individuals who are Maryland residents (“Maryland Affiliates”):

- A. Three (3) Maryland Affiliate Gong cha stores are jointly owned by one of the owners of GCDMV and another individual, “GYZ,” who is a Maryland resident. Those three (3) Maryland Affiliate stores are located on N. Washington Street in Rockville, Maryland, on Old Georgetown Road, in Bethesda, Maryland, and on New York Avenue in the District of Columbia, respectively.
- B. One (1) Maryland Affiliate Gong cha store is owned jointly by one of the owners of GCDMV and another individual, “TH,” who is a Maryland resident who also is a Maryland Licensee who owns and operates three (3) other Gong cha stores, one (1) under a Written License Agreements and two (2) under Oral License Agreements. That Maryland Affiliate store is located on Little Patuxent Parkway, Columbia, Maryland.
- C. One (1) Maryland Affiliate Gong cha store is owned jointly by one of the owners of GCDMV and another individual, “BY,” who is a Maryland resident. That Maryland Affiliate store is located on Braddock Road in Centreville, Virginia.

## **H. Alleged Violations of the Maryland Franchise Law by Gong Cha International**

28. Under section 14-201(c) of the Maryland Franchise Law, an “area franchise” is an agreement between a franchisor (also known as an area franchisor) and a subfranchisor in which the subfranchisor is granted the right to sell or negotiate the sale of franchises in the name of or for the franchisor. An area franchise is also called a “master franchise” or a “subfranchise.”

29. Under section 14-201(e)(2) of the Maryland Franchise Law, an area franchise is a franchise. A subfranchisor is a franchisee of the area franchisor, and, when that subfranchisor sells unit franchises to other franchisees (also called “subfranchisees”), the subfranchisor also is a franchisor.

30. The Securities Commissioner has concluded that the 2017 Master Franchise Agreement is an “area franchise” under section 14-201(c) of the Maryland Franchise Law and that Gong Cha International offered and sold an area franchise to GCDMV in the form of the 2017 Master Franchise Agreement.

31. The Securities Commissioner also has concluded that Gong Cha Franchising offered (but has not yet sold) an area franchise to GCDMV in the form of the 2024 Master Franchise Agreement.

32. Neither Gong Cha International nor Gong Cha Franchising has ever registered to offer and sell unit franchises or area franchises under the Maryland Franchise Law.

33. Gong Cha International did not give GCDMV a copy of a franchise disclosure document required under the Maryland Franchise Law prior to the offer and sale of an area franchise to GCDMV in the form of the 2017 Master Franchise Agreement, and Gong Cha Franchising did not give GCDMV a copy of a franchise disclosure document required under the Maryland Franchise Law prior to the offer of an area franchise to GCDMV in the form of the

2024 Master Franchise Agreement.

34. The Securities Commissioner has further concluded that GCDMV, as subfranchisor, offered and sold franchises to the Maryland Licensees in the form of both Written and Oral License Agreements.

35. GCDMV has never registered to offer and sell franchises under the Maryland Franchise Law.

36. GCDMV did not give a copy of a franchise disclosure document required under the Maryland Franchise Law prior to the offers and the sale of franchises to the Maryland Licensees.

**I. Representations by Gong Cha International and Gong Cha Franchising**

37. Gong Cha International and Gong Cha Franchising, represent that, other than offers to sell and a sale of an area franchise to GCDMV described in this Consent Order, neither Gong Cha International nor Gong Cha Franchising has offered to sell or sold any area franchises or unit franchises in Maryland or to any Maryland residents.

38. Gong Cha Franchising represents and agrees that, in the future, it will comply with all provisions under the Maryland Franchise Law.

39. On May 2, 2024, Gong Cha Franchising filed with the Securities Division an initial franchise registration for the Gong cha area franchise offering described in the 2024 Master Franchise Agreement to GCDMV. As of the date of this Consent Order, the initial franchise registration application of the Gong cha area franchise offering is pending.

40. Gong Cha Franchising represents that it will work cooperatively with GCDMV to promptly supply GCDMV with the necessary disclosures about Gong Cha Franchising and audited financial statements necessary for GCDMV to prepare and file an initial franchise

registration application for the Gong cha unit franchise offering under the Maryland Franchise Law.

41. Gong Cha Franchising and GCDMV represent that GCDMV paid to Gong Cha Franchising or its predecessor or affiliate (hereafter “Gong Cha Franchising”) store licensing fees totaling Ninety Thousand Dollars (\$90,000) consisting of Ten Thousand Dollars (\$10,000) each upon the opening of six (6) Affiliate Owned Stores and three (3) sublicensed stores sold to Maryland Licensees with respect to Maryland stores and offerees.

#### **J. Representations by GCDMV**

42. GCDMV represents that, other than offers to sell and sales of the eight (8) franchises sold to Maryland Licensees described in this Consent Order and the five (5) Maryland Affiliates owned, in part, by Maryland residents, GCDMV did not offer to sell or sell any franchises, including without limitation license agreements, in Maryland or to any Maryland residents.

43. GCDMV represents and agrees that, in the future, it will comply with all provisions under the Maryland Franchise Law.

44. GCDMV represents that it is preparing to submit to the Securities Division an initial franchise registration application for the sale of Gong cha unit franchises and that, once that application has been filed, GCDMV will diligently pursue that registration of the Gong cha franchise offering in Maryland.

#### **III. CONCLUSIONS OF LAW**

45. By engaging in the above activities, the Securities Commissioner has concluded that Respondents violated sections 14-214, 14-216, and 14-223 of the Maryland Franchise Law.

#### IV. ORDER AND CONSENT

46. THE SECURITIES COMMISSIONER HEREBY ORDERS AND RESPONDENTS HEREBY CONSENT AND REPRESENT AS FOLLOWS:

- A. Respondents shall permanently cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Law;
- B. Gong Cha Franchising shall pay to the Office of the Attorney General the sum of Thirty Thousand Dollars (\$30,000) as a civil monetary penalty;
- C. Gong Cha Franchising shall diligently pursue the pending franchise registration application it has filed with the Securities Division for the Gong cha area franchise offering and, once that registration is made effective by the Securities Division, Gong Cha Franchising will deliver a Maryland-registered FDD to GCDMV with a letter confirming that GCDMV is under no obligation to enter into the 2024 Master Franchise Agreement with Gong Cha Franchising;
- D. Within ten (10) days of its receipt of a fully executed Consent Order of the Securities Commissioner, GCDMV shall send a copy of this Consent Order to (i) the Maryland Licensees, (ii) the Maryland Affiliates, and (iii) Maryland individuals GYZ, TH, and BY;
- E. At the same time GCDMV sends a copy of the fully executed Consent Order to the Maryland Affiliates and Maryland Licensees, GCDMV will include with that notification to each Maryland Licensee and Maryland Affiliate a Notice of Rescission Rights, in substantially the form attached to this Consent Order as Exhibit 1, notifying each Maryland Licensee and Maryland Affiliate that it is being offered an opportunity to immediately rescind the license agreement or sublicense arrangement, whether written or oral, under the terms of this Consent Order and, if any Maryland Licensee or Maryland Affiliate opts to rescind that agreement, GCDMV shall refund the Initial Fee that Maryland Licensee or Maryland Affiliate paid to GCDMV, and GCDMV further agrees to refund the price the Maryland Licensee or Maryland Affiliate paid to GCDMV for products, supplies, merchandise, and inventory if the Maryland Licensee or Maryland Affiliate returns those products, supplies, merchandise and inventory at GCDMV's expense;
- F. If, in response to the Notice of Rescission Rights, any Maryland Licensee or Maryland Affiliate does not immediately rescind its license agreement in response to GCDMV's Notice of Rescission Rights, GCDMV shall promptly file and diligently pursue an initial application to register the Gong cha unit franchise offering under section 14-215 of the Maryland Franchise Law. For purposes of this Consent Order, "promptly file" means that the applicant files an initial registration application within 60 days after the date of the Consent Order and "diligently

pursue” means that the applicant submits a substantive response to each Securities Division comment letter regarding a registration application no later than 30 days after the applicant’s receipt of that comment letter;

- G. If GCDMV is required to promptly file and diligently pursue an initial unit franchise registration application as required under this Consent Order and has not registered that franchise registration as of eight (8) months from the date of this Consent Order (“Due Date”), GCDMV shall be assessed a civil monetary penalty of One Thousand Dollars (\$1,000) payable within fifteen (15) days after the Due Date, which civil penalty amount shall continue to increase by Two Hundred Fifty Dollars (\$250) (“Additional Penalty”) for every additional month after the Due Date so long as GCDMV has not obtained a registration of its franchise offering with the Securities Division. If GCDMV is not registered as required under this Consent Order after nine (9) months, an Additional Penalty shall be due and payable by the fifteenth (15th) day of the ninth (9th) month after the date of this Consent Order, and on the fifteenth (15th) day of each succeeding month so long as GCDMV is not registered as required under this Consent Order. If GCDMV fails to make timely payments to the Office of the Attorney General as required under this Consent Order, and payments are delinquent for more than sixty (60) days, the Office of the Attorney General may refer collection of the monies due under this Consent Order to the Central Collections Unit (“CCU”) of the State of Maryland. If a referral is made, any fee assessed by CCU shall be in addition to, and not offset by, the balance of the civil monetary penalty owed to the Securities Division;
- H. If GCDMV is required to register its unit franchise offering under Subparagraph F of this Paragraph, within ten (10) days of notification by the Securities Division that GCDMV’s franchise offering is effectively registered for use in Maryland, GCDMV shall send to any Maryland Licensee or Maryland Affiliate who has not previously rescinded the following: (i) a copy of an effectively registered Maryland FDD; and (ii) a letter, in substantially the form attached to this Consent Order as Exhibit 2 captioned “Offer to Rescind Franchise,” notifying the Maryland Licensee or Maryland Affiliate that it is being given a second opportunity to rescind its Gong cha franchise under the terms of this Consent Order;
- I. If any Maryland Licensee or Maryland Affiliate opts to rescind its franchise in response to either the Notice of Rescission Rights or Offer to Rescind sent by GCDMV, Gong Cha Franchising will pay to GCDMV the sum of Ten Thousand Dollars (\$10,000) for each such Maryland Licensee or Maryland Affiliate within thirty (30) days of GCDMV’s delivery to Gong Cha Franchising of a signed Acceptance of Offer to Rescind Franchise from the Maryland Licensee or Maryland Affiliate;
- J. The Securities Commissioner has determined that GCDMV’s offer of a franchise to any Maryland Licensee and Affiliate in the form of the Notice of Rescission Rights described in Subparagraph E of this Paragraph is exempt from the registration provisions of the Maryland Franchise Law;

- K. GCDMV represents that, as of the date of this Consent Order, GCDMV's owners and sales team have attended a comprehensive franchise compliance training program in a format approved by the Securities Division and from an attorney/trainer acceptable to the Securities Division; and
- L. Respondents acknowledge that this Consent Order is a disclosable order as described under the Maryland Franchise Law, and Item 3 of the NASAA Franchise Registration and Disclosure Guidelines and Amended FTC Franchise Rule.

#### V. JURISDICTION RETAINED

47. Jurisdiction shall be retained by the Securities Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of the Consent Order.

#### VI. CONSEQUENCES OF VIOLATING THIS CONSENT ORDER

48. If any Respondents fails to comply with any term of this Consent Order, the Securities Division may bring administrative or judicial proceedings against that Respondent to enforce this Consent Order or to sanction it for violating an order of the Securities Commissioner and may take any other action authorized under the Maryland Franchise Law or any other applicable law. In any such proceeding in which, after an opportunity for a hearing, the Securities Commissioner or a court finds that any Respondent violated this Consent Order, the Statement of Facts and the violations of the Maryland Franchise Law alleged in the Consent Order shall be deemed admitted and may be introduced into evidence against that Respondent.

VII. MODIFICATION OF CONSENT ORDER

49. The terms of this Consent Order may be modified only by a subsequent order issued by the Securities Commissioner.

**DATE OF THIS ORDER:**

December 5, 2024

**SO ORDERED:**

**Commissioner's Signature on File  
w/Original Documents**

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MELANIE SENTER LUBIN  
SECURITIES COMMISSIONER

**BY CONSENT:**

GONG CHA INTERNATIONAL CO., LTD.

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By:

GONG CHA USA FRANCHISING, LLC

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By: Geoff Henry, President

GCDMV, LLC

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By: Kam You Wong, Chief Executive Officer

FORM  
(On Company Letterhead)

**BY FEDERAL EXPRESS**

Re:    **[Company] Notice of Rescission Rights**

Dear \_\_\_\_\_:

In accordance with discussions our attorneys have had with the Securities Division of the Office of the Attorney General of Maryland, [Insert Name of Company] (“we”) have agreed under the attached Consent Order to offer rescission to any Maryland residents who entered into franchises with us, in the form of license agreements, in violation of the registration and disclosure provisions of the Maryland Franchise Law. We are making this offer in settlement of the administrative proceeding that the Securities Division may bring for the alleged sale of a franchise in violation of the Maryland Franchise Law, and this offer does not affect any civil liability for which we may be responsible.

If you elect to rescind and terminate your license agreement, we agree to cancel your license agreement, including all post-term and non-competition obligations you may have to us under that license agreement. You also will give up any rights to use our trademarks and system and be obligated to refrain from using and disclosing any of our trade secrets and any of our confidential and proprietary information.

If you rescind, we will return to you the Initial Fees you paid us under your license agreement, and we will make payments to you within thirty-one (31) days after we receive your Acceptance of Offer to Rescind. We also agree to fully refund the price you paid us for products, supplies, merchandise, and inventory under your license agreement within thirty (30) days of your return of those products, supplies, merchandise, and inventory at our sole expense.

If you do not rescind your license agreement now, you will be given a second opportunity to rescind your license agreement, after we have completed the franchise registration process. When that registration is complete, we will send you a copy of a Maryland registered Franchise Disclosure Document and a new letter offering to rescind your license agreement under the same terms outlined in this letter.

This offer will remain open for thirty (30) days from the date you receive this letter. Please check the appropriate place below and return a signed copy of this letter to me within the time period. If you have any questions, please contact Tade Osikomaiya, Assistant Attorney General, at the Division (410-576-7039).

Sincerely,

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[The Company]

cc:     Consent Order

## ACCEPTANCE OR REFUSAL OF NOTICE OF RESCISSION RIGHTS

1. I, the undersigned, acknowledge that I have read the preceding Notice of Rescission Rights and understand its contents.
2. I understand that I have not waived my rights under the Maryland Franchise and Disclosure Law by signing this document.
3. I hereby make the following choice to accept or refuse your offer to rescind my franchise:

### CHECK ONE

\_\_\_\_\_ I hereby **accept** your offer of rescission and agree to not use your trademarks and system and to not use or disclose to anyone the trade secrets and confidential and proprietary information that we obtained from you. Please contact me to arrange for the return of products, supplies, merchandise, and inventory, that I purchased from you.

\_\_\_\_\_ I **do not accept** your offer of rescission. I wish to remain a franchisee under my license agreement at this time. I understand that I will be given a second opportunity to rescind my license agreement after the company has registered its franchise offering under the Maryland Franchise Law.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Licensee/Franchisee

FORM  
(On Company Letterhead)

**BY FEDERAL EXPRESS**

Re:    **[Company] Offer to Rescind Franchise**

Dear \_\_\_\_\_:

As you recall, [Insert Name of Company] (“we”) agreed to offer rescission to you of your franchise with us in the form of your license agreement. You previously received a “Notice of Rescission Rights” from us offering to rescind your franchise immediately. Now that we have completed the registration of our franchise offering, we are giving you this second opportunity to rescind your franchise. This offer of rescission is made in settlement of the administrative proceeding that the Securities Division may bring for the sale of a franchise in violation of the Maryland Franchise Law and does not affect any civil liability for which we may be responsible.

If you elect to rescind and terminate your franchise, we agree to cancel your license Agreement, including all post-term and non-competition obligations you may have to us under that license agreement. You also will give up any rights to use our trademarks and system and be obligated to refrain from using and disclosing any of our trade secrets and any of our confidential and proprietary information.

If you rescind, we will return to you the Initial Fee you paid us under your license agreement, and we will make payments to you of that amount within thirty-one (31) days after we receive your Acceptance of Offer to Rescind. We also agree to fully refund the price you paid us for products, supplies, merchandise, and inventory you purchased from us under your license agreement within thirty (30) days of your return to us of those products, supplies, merchandise, and inventory at our direction and at our sole expense.

If you consider remaining a franchisee with us, we are including a Franchise Disclosure Document regarding that franchise offering that you should review before making that decision. You are not required to sign the form of new franchise agreement described in the attached Franchise Disclosure Document if you prefer to operate under the terms of the existing license agreement you have with us for the remainder of the term of that agreement.

This offer will remain open for thirty (30) days from the date you receive this letter. Please check the appropriate place below and return a signed copy of this letter to me within the time period. If you have any questions, please contact Tade Osikomaiya, Assistant Attorney General, at the Division (410-576-7039).

Sincerely,

\_\_\_\_\_  
[The Company]

cc: Franchise Disclosure Document

## ACCEPTANCE OR REFUSAL OF OFFER TO RESCIND FRANCHISE

1. I, the undersigned, acknowledge that I have read the preceding Offer to Rescind Franchise and understand its contents.
2. I understand that I have not waived my rights under the Maryland Franchise and Disclosure Law by signing this document.
3. I hereby make the following choice to accept or refuse your offer to rescind my master franchise agreement:

### CHECK ONE

\_\_\_\_\_ I hereby **accept** your offer of rescission and agree to not use your trademarks, patents, and system and to not use or disclose to anyone the trade secrets, and confidential and proprietary information that we obtained from you. Please contact me to arrange for the return of products, supplies, merchandise, and inventory that I purchased from you.

\_\_\_\_\_ I do **not accept** your offer of rescission. I wish to remain a franchisee under my license agreement (or, if I choose, sign the new franchise agreement described in the attached Franchise Disclosure Document).

\_\_\_\_\_  
Date

\_\_\_\_\_  
Licensee/Franchisee