

FRANCHISE DISCLOSURE DOCUMENT



Boba Time, Inc.
A California corporation
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Boba Time, Inc. offers franchises for specialty juice and snack bars that operate under name “It’s Boba Time®” and feature premium freshly made smoothies, snacks, desserts and other beverages for dine-in and take-out service (a “Store”).

The total investment necessary to begin operation of a franchised Store ranges from \$389,100 to \$531,700. This includes \$40,000 that must be paid to us.

Area developers must commit to open a minimum of 3 franchised Stores. If you purchase area development rights to open 3 to 5 franchised Stores, the total investment necessary to begin operation of an It’s Boba Time franchise ranges from \$419,100 to \$591,700. This includes \$70,000 to \$100,000 that must be paid to us.

This Disclosure Document summarizes certain provisions of your franchise agreement, area development agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this 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 the franchisor at 701 S. Vermont Ave., Los Angeles, California 90005 or by phone at (213) 251-0001.

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 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 (the “FTC”). 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.

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How to Use this Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or EXHIBIT "F".
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 "G" 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 It's Boba Time 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 an It's Boba Time franchisee?	Item 20 or EXHIBIT "F" 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 "A".

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 and area development agreement require 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.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails."

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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ITEM 1 FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, the following definitions have the meanings given to them below:

“Store” means an It’s Boba Time juice and snack bar, including outlets operated by us, our affiliates and our franchisees.

“We” or “us” means to Boba Time, Inc. - the franchisor.

“You” means the person who buys an It’s Boba Time franchise - the franchisee, and includes your partners if you are a partnership, your shareholders if you are a corporation, and your members if you are a limited liability company.

Corporate Information

Boba Time, Inc. is a California corporation that was incorporated on September 15, 2011, originally under the name Big Popote, Inc. We changed our legal name to Boba Mia, Inc. on December 7, 2011 and then to Boba Time, Inc. on September 10, 2012. Our principal business address is located at 701 S. Vermont Ave., Los Angeles, California 90005 and our telephone number is (213) 251-0001. Our agent for service of process is disclosed in EXHIBIT "B" to this Disclosure Document. We do not do business under any names other than “Boba Time, Inc.” and “It’s Boba Time.”

Business History

Our concept began in September 2003 when our founders opened the first Store in Los Angeles, California through an affiliated entity. We began offering franchises in 2011. We are not engaged in any business other than offering It’s Boba Time franchises and administering the franchise system. We have never offered franchises in any other line of business. We currently own and operate multiple Stores in California. The first Store owned and operated by us opened in 2016.

Parents, Affiliates and Predecessors

We do not have any parent companies or predecessors. We do not have any affiliates that: (a) offer (or have ever offered) franchises in this or any other line of business; or (b) provide any goods or services to our franchisees.

Description of Franchised Business

The franchised business offered under this Disclosure Document is a snack and dessert shop that offers smoothies, snacks, desserts and beverages for dine-in and take-out service. Our Stores offer and sell a wide assortment of juice beverages, including boba teas, smoothies, shaved ice and coffee, as well as various snack and food items. Menu items are freshly-prepared utilizing our proprietary recipes and procedures and high quality and raw materials, some of which have been specially formulated and produced exclusively for use within our Stores. Our Stores are typically located in high volume retail centers and other high traffic commercial locations.

This Disclosure Document refers to the franchised business you will operate as your “Business” or your “Store”. We will grant you a license to use certain logos, service marks and trademarks, including the trademark “Boba Time,” “It’s Boba Time” and related logos (collectively, the “Marks”) in the operation of your Business. The “Marks” also include our distinctive trade dress used to identify a Store, whether now in existence or created in the future. You must sign a franchise agreement (the “Franchise Agreement”) and operate your Store in accordance with the terms of the Franchise Agreement. The form of Franchise Agreement is attached to this Disclosure Document as EXHIBIT "C".

We have developed a distinct system (the “System”) for the operation of a Store. Distinctive characteristics of the System include proprietary recipes and other trade secrets, specially formulated ingredients, business formats, methods, procedures, designs, layouts, standards and specifications and operating system. Information pertaining to the operational aspects of a Store is contained within our confidential Brand Standards Manual (the “Manual”).

You will operate your franchised Store as an independent business using the Marks, the System as well as the support, guidance and other methods and materials that we make available to you.

Area Development Rights

If you satisfy all of our criteria for multi-unit developers, we may (but need not) offer you the right to enter into an Area Development Agreement (an “ADA”). The ADA grants you the right and obligation to establish and operate multiple franchised Stores within a defined “development territory” according to a predetermined development schedule. You must open and operate each of the Stores identified in the development schedule. We only grant area development rights to franchisees that commit to open and operate a minimum of 3 Stores. A copy of our current form of ADA is attached to this Disclosure Document as EXHIBIT "D". You will sign a separate franchise agreement for each franchised Store that you establish under the ADA. Each franchise agreement will be our then-current form of franchise agreement, which may differ from the current Franchise Agreement attached to this Disclosure Document.

Market and Competition

It’s Boba Time customers include all members of the general public. Sales are not seasonal, although the demand for certain menu items may fluctuate based on the season (for example, demand for smoothies and cold beverages may be higher during the summer while demand for coffee and hot beverages may be higher during the winter). The market for this industry is developed and highly competitive. However, we believe our Stores have a competitive advantage resulting from the outstanding quality of our products. You will compete with other juice bars featuring smoothies, boba tea and similar products. Some of these competitors are independently owned and operated while others are regional or national chains. Some of our competitors operate through a franchise model.

Laws and Regulations

You must comply with all local, state and federal laws that apply to businesses generally, including laws governing discrimination and sexual harassment in the work place, minimum wage, smoking in public areas as well as EEOC and OSHA standards. 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. Building codes and requirements vary in different jurisdictions and it is important for you and your architect to be aware of and comply with all local laws.

You must also comply with federal, state and local health and sanitation laws and licensure requirements applicable to food establishments, including laws that require food handlers to have certain inoculations and/or food service permits. Health laws are intended, in part, to reduce food borne illnesses and may cover such issues as: requiring employees to take a test and obtain a license as a food service worker, having accessible sinks, bathrooms for certain size establishments, inspections for cleanliness and compliance, equipment cleaning, storage and packaging, size of facilities, allowed foods, refrigeration, etc.

The United States Department of Agriculture and the Food and Drug Administration regulate the manufacture, labeling and distribution of food products. There may also be local ordinances and regulations governing food storage, preparation and serving. The Food and Drug Administration also regulates menu labeling for restaurants that are part of a chain of 20 or more restaurants operating under the same name, regardless of ownership. Some laws impose general requirements or restrictions on advertising containing false or misleading claims, or health and nutrient claims on menus, such as “low calorie” or “fat free.”

There may be other local, state and/or federal laws or regulations pertaining to your Store with which you must comply. We strongly suggest that you investigate these laws before buying this franchise.

ITEM 2 BUSINESS EXPERIENCE

President – Eunice Unmi Pak

Eunice Pak is our co-founder and has served as our President since September 2011. From June 2003 to present,

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she also served as President of our affiliate, J & U Corporation, in Los Angeles, California.

Vice President – Taehoon Richard Jun

Taehoon Richard Jun is our co-founder and has served as our Vice President since September 2011. Since June 2003, he has also served as Vice President of our affiliate, J & U Corporation in Los Angeles, California.

Accounting Director – Jamie Roh

Jamie Roh has served as our Accounting Director since November 2019 and our Accounting Supervisor from September 2012 to October 2019.

Franchise Director – Daniel Heo

Since October 2015, Daniel Heo has served in various capacities with us, including:

- Franchise Director (July 2019 to present)
- Franchise Relations Manager (January 2017 to July 2019)
- Site Development Coordinator (October 2015 to January 2017)

Operations Director – Esther Cho

Esther Cho has served as our Operations Director since October 2019. From April 2014 to September 2019, she was employed as an Account Manager at F. Gavina & Sons Inc. in Vernon, California.

ITEM 3 LITIGATION

Except for the 2 actions described below, there is no litigation that must be disclosed in this Item.

Glen Suh, et. al. v. Boba Time, Inc. et al. (Case No. BC685235)

On November 29, 2017, a Boba Time franchisee, Glen Suh (“Suh”), filed a lawsuit in the Los Angeles Superior Court against Boba Time, Inc., Eunice Pak, Tae Hoon Jun, IBT Brothers, Inc. (“IBT”) and others. The lawsuit relates to Suh’s purchase of a Boba Time store from our affiliate, IBT, in 2014. Specifically, the lawsuit is based upon Suh’s claim that the defendants breached a contractual noncompetition covenant contained within the Business Purchase Agreement (“BPA”) entered into between Suh, as buyer, and IBT, as seller. Suh presented IBT with a pre-printed proposed Business Purchase Agreement (“BPA”) for the transaction, which stated seller (i.e., IBT) could open no more than 2 Stores within a 10-mile radius from the Store acquired by Suh. Upon review of the proposed BPA, IBT rejected the 10-mile radius (as the parties had never agreed upon such a broad restriction) and made handwritten changes to the BPA that changed the restricted area from the area within a 10-mile radius to an area described as Korea Town (as defined by certain boundaries set forth in the BPA). The final escrow instructions also described the restricted area as Korea Town (rather than the area within a 10-mile radius, as argued by Suh). Approximately 1.5 years after learning that there were more than 3 Stores within a 10-mile radius, plaintiff filed the lawsuit.

The complaint includes claims for breach of contract, fraud, breach of fiduciary duty, negligent misrepresentation and other similar grounds. Defendants vehemently deny all wrongdoing and raised numerous defenses, including: (a) the area subject to the noncompetition covenant was limited to Korea Town, consistent with the handwritten changes to the BPA made by IBT and incorporated into the escrow instructions (and the defendants have complied with the noncompetition covenant within such area); (b) the noncompetition covenant only applied to IBT, and not the franchisor, since the franchisor was not a party to the BPA; (c) the franchise agreement between Suh and the franchisor specifically states Suh is granted no territorial protections or exclusivity and Suh declined to enter into an Area Development Agreement which would have provided such territorial protections; and (d) Suh’s claims are time-barred by the franchise agreement’s 1-year limitations period for bringing a claim. The case was tried and the parties are awaiting final ruling from the Court.

Morteza Vadipour v. Boba Time, Inc. et al. (Case No. 21STCV11254)

On March 23, 2021, a Boba Time franchisee, Morteza Vadipour, filed a lawsuit in the Los Angeles Superior Court against Boba Time, Inc., Eunice Pak, Tae Hoon Jun and Daniel Heo. The Complaint includes claims for fraud, breach of the covenant of good faith and fair dealing, unfair business practices, and violations of California's Franchise Investment Law (CFIL). The lawsuit relates to plaintiff's purchase of 2 Stores from an existing franchisee. Plaintiff claims that defendants required him to pay certain fees to Boba Time, Inc. (including training fees and transfer fees) prior to furnishing him with a current Franchise Disclosure Document and waiting for the expiration of the 14-day cooling off period required under the CFIL. Defendants vehemently deny any wrongdoing on the basis that the registration and disclosure obligations imposed under the CFIL did not apply because the transaction was exempt from the requirements of the CFIL. Specifically, defendants argue the transaction met the criteria for the exemption applicable to the private sale of a franchise by an existing franchisee for his or her own account that is not effected by or through the franchisor. Plaintiff also claims defendants fraudulently induced him to purchase the Stores by failing to disclose their plans to open another Store 2.5 miles away from one of the acquired Stores. The defendants believe this claim is baseless and point to plaintiff's admission that the assigned Franchise Agreements did not provide any territorial exclusivity or protections. The case is currently pending and discovery ongoing.

ITEM 4 BANKRUPTCY

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

ITEM 5 INITIAL FEES

Initial Franchise Fee

You must pay us a nonrefundable initial franchise fee of \$40,000 (if this is your 1st franchised Store) or \$30,000 (if this is your 2nd or subsequent franchised Store). The entire initial franchise fee is payable in full at the time you sign the Franchise Agreement. The initial franchise fee is uniform (except as discussed below for area developers) and fully earned.

Development Fee

If you sign an ADA, you will pay a \$40,000 initial franchise fee for your first Store and a \$30,000 discounted initial franchise fee for each additional Store that you commit to develop under your development schedule. At the time you sign the ADA, you will pay us the full \$40,000 initial franchise fee for your first Store and a development fee equal to 50% of the total discounted initial franchise fee (i.e., \$15,000) for each additional Store that you commit to develop under the ADA. For example, if you purchase the right to develop 5 Stores, you will pay us the full \$40,000 initial franchise for your first Store plus a development fee equal to \$60,000 (\$15,000 X 4) for the right to develop the 4 additional Stores under the ADA. We anticipate that most area developers will purchase the right to develop between 3 to 5 Stores, which results in development fees ranging from \$30,000 to \$60,000.

You must pay us the remaining balance of the initial franchise fee (i.e., \$15,000) for each additional Store at the time you sign the Franchise Agreement for that Store. However, if we terminate your ADA due to your default, you will not be required to pay the remaining balance of the initial franchise fee for any Store for which a Franchise Agreement had not been signed as of the date of termination.

Development fees are nonrefundable and uniformly imposed.

ITEM 6 OTHER FEES

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS
Royalty Fee	5% of Gross Sales ²	Day of each week that we specify (currently Wednesday) for Gross Sales generated during prior reporting period.	Our current reporting period runs from Monday morning through close of business on Sunday. We may change the reporting period and royalty fee due date at any time upon at least 30 days' prior notice. You may be requested to provide us with weekly reports of your Gross Sales.
Brand and System Development Fund Fee	2% of Gross Sales ²	Same as royalty fee	See Note 3.
Training Fee	\$350 per day (plus reimbursement of expenses for onsite training)	10 days after invoice	See Note 4.
Conference Registration Fee	Up to \$400 per person per day	10 days after invoice	See Note 5.
Technology Fee	Varies (not currently charged)	10 days after invoice or as otherwise specified by us	See Note 6.
Product Purchases	Varies depending on item purchased	At time of purchase	We and affiliates may, but need not, be a supplier for certain items purchased by franchisees, such as inventory, marketing material, equipment and operating supplies. If we supply any of these items, we will provide you with a price list upon request. Neither we nor any of our affiliates is currently a supplier.
Audit Fee	Actual cost of audit (estimated to range from \$1,000 to \$3,000) plus travel and lodging expenses for audit team	10 days after invoice	Payable only if the audit (a) reveals that you have understated any amount that you owe us by at least 2% or (b) is necessary because you fail to furnish required information or reports to us in a timely manner.
Fines	Up to \$500 per incident	Upon demand	Payable if you fail to comply with a mandatory standard or operating procedure (including timely submission of required reports) and you do not cure the non-compliance within the time period we require. We may impose an additional fine for every 24 hours that the non-compliance issue is not cured after we impose the initial fine. We will deposit all fines into the brand and system development fund.
Renewal Fee	\$10,000	At time you sign Renewal Agreement	None.
Transfer Fee	<i>[Franchise Agreement]</i> \$10,000	Before transfer	Payable when you transfer or sell your franchise. No charge if franchise transferred to an entity that you control or for certain transfers of ownership interests between existing owners.
	<i>[ADA]</i> \$10,000		

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS
Late Fee	\$100 plus default interest at 18% per annum (prorated on daily basis) or highest rate allowed by applicable law (highest rate allowed by law is 10% in California)	10 days after invoice	If we debit your account but there are insufficient funds, or a check you issue is returned due to insufficient funds, then we may also charge you an NSF fee of \$50 per incident.
Management Fee	Commercially reasonable fee (not to exceed 10% of Gross Sales) plus reimbursement of travel and living expenses	10 days after invoice	If you default under the Franchise Agreement or the Managing Owner dies, we can designate a temporary manager to manage your Business until you cure the default or find a replacement Managing Owner, as applicable.
Indemnification	Will vary with circumstances	10 days after invoice	You must indemnify and reimburse us for any damages, losses or expenses we incur as a result of the operation of your Business or your breach of the Franchise Agreement.
Attorneys' Fees and Costs	Will vary with circumstances	Upon demand	You must reimburse us for all attorneys' fees and other costs we incur relating to your breach of any term of the Franchise Agreement or any other agreement with us or our affiliates.
New Product or Supplier Testing	Cost of testing (estimated to range from \$1,000 to \$2,000 per test)	10 days after invoice	This covers the costs of testing new products or inspecting new suppliers you propose.
Insurance	Actual cost of premiums, plus our costs and expenses	10 days after invoice	If you fail to obtain and maintain the insurance we require, and we elect to do so on your behalf, you must reimburse us.

Notes:

1. All fees are imposed by and are payable to us. All fees are non-refundable and uniformly imposed on franchisees. You will be required to sign an ACH Authorization Form prior to opening (attached to the Franchise Agreement as ATTACHMENT "E"), permitting us to electronically debit your designated bank account for payment of all fees payable to us (other than the initial franchise fee) as well as any amounts that you owe to us or our affiliates for the purchase of goods or services. You must deposit all Gross Sales into the bank account and ensure that there are sufficient funds available for withdrawal before each due date. You must pay us all taxes that are imposed upon us or that we are required to collect and pay by reason of the furnishing of products, intangible property (including trademarks) or services to you.

2. "Gross Sales" means all gross sums that you collect from all goods and services that you sell (including from on-premises dining, take-out, delivery and catering), plus all other sums that you collect from the operation of your Store, including the proceeds of any business interruption insurance.

"Gross Sales" also includes the full value of meals furnished to your employees as in incident to their employment. However, the value of any such discounts may be credited against Gross Sales for purposes of determining the amount of Gross Sales upon which the royalty fee and brand fund contribution is due.

If you utilize a third-party delivery service to deliver orders to consumers, "Gross Sales" includes the entire sale price paid by the consumer, regardless of any fee deduction made by the delivery service provider prior to remittance of the net proceeds to you. In other words, any service fee deducted by the third-party delivery service provider from the proceeds paid by the consumer must be included in Gross Sales, even if not collected by you.

"Gross Sales" does not include sales or use taxes, tips (if paid to and retained by employees), proceeds from

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the isolated sale of trade fixtures in the ordinary course of business, or receipts from vending machines located at your Store (but Gross Sales includes your share of any such revenues). From time to time, we may establish policies governing the manner in which the proceeds from the sale of gift cards are treated for purposes of calculating Gross Sales.

3. We have established and administer a brand and system development fund to promote public awareness of our brand and improve our System. You will have no voting rights pertaining to the administration of the fund, the creation and placement of the marketing materials or the amount of the required contribution. We recommend, but do not require, that you spend any minimum amount of money on local marketing during the term of your Franchise Agreement.
4. Before you open, we will provide our initial training program for up to 2 individuals at no additional charge for your 1st Store (the training fee is included as part of the initial franchise fee). You must pay us a training fee of up to \$350 per day (for a maximum of 6 hours of training per day) for:
 - each person that attends our initial training program after you open your Store (such as new Managing Owners or managers)
 - any person who must retake training after failing to successfully complete training on a prior attempt
 - any remedial training that we require based on your operational deficiencies
 - each person you send to our pre-opening initial training program in connection with your 2nd or subsequent Store (pre-opening training is provided as part of the initial franchise fee for your 1st Store; pre-opening initial training is optional for your 2nd and subsequent Stores)
 - each person to whom we provide additional training that you request
 - each person who attends any system-wide or additional training that we conduct (although we generally do not charge for this training unless conducted by a 3rd party such as a vendor or manufacturer)

If we agree to provide onsite training or assistance, you must also reimburse us for all costs incurred by our representative for meals, travel and lodging. You must also reimburse us for the hourly rate we pay to our representative. You are responsible for all expenses and costs that your trainees incur for training, including wages, travel and living expenses. If you transfer your franchise, we may charge the new franchisee \$2,000 initial training fee for our initial training program, which will be in addition to the transfer fee.

5. We may hold periodic national or regional conferences to discuss business and operational issues affecting Stores. We may designate attendance at these conferences as optional or mandatory. You are also responsible for all expenses and costs that the conference attendees incur, including wages, travel and living expenses.
6. You must acquire and utilize all information and communication technology systems that we specify from time to time (the “Technology Systems”). The “technology fee” includes all amounts you pay us or our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts we collect from you and remit to third-party suppliers based on your use of their systems, software, technology or services. The amount of the technology fee may change based upon changes to the Technology Systems or the prices charged by third-party suppliers with whom we enter into master agreements. The technology fee does not include any amounts you pay directly to third-party suppliers for any component of the Technology Systems. As of the issuance date of this Disclosure Document, we do not charge a technology fee.

ITEM 7 ESTIMATED INITIAL INVESTMENT

Table A: Estimated initial investment for the purchase of a Store.

YOUR ESTIMATED INITIAL INVESTMENT (SINGLE STORE)				
TYPE OF EXPENDITURE ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ² (assumes this is your first store purchased)	\$40,000	Lump sum	At time you sign Franchise Agreement	Us
Food, Travel and Lodging Expenses (2 people during initial training)	\$0 to \$3,000	As incurred	During training	Hotels, restaurants and airlines
Lease Deposit & 3 Months' Rent ³	\$20,000 to \$40,000	Lump sum	Monthly (with security deposit paid before opening)	Landlord
Build Out & Improvements ⁴	\$237,000 to \$297,000	As incurred	Before opening	Contractors, suppliers, designer and architect
Exterior Signage ⁵	\$4,000 to \$6,000	Lump sum	Before opening	Suppliers
Decorating, Furniture & Furnishings	\$5,000 to \$20,000	As incurred	Before opening	Suppliers
Kitchen Equipment ⁶	\$50,000 to \$60,000	As incurred	Before opening	Suppliers
Technology Systems ⁷	\$13,600 to \$17,200	Lump sum	Before opening	Suppliers
Initial Supply of Inventory ⁸	\$7,500 to \$14,000	Lump sum	Before opening	Suppliers
Grand Opening Advertising ⁹	\$0 to \$5,000	Lump sum	60 days before through 30 days after opening	Suppliers
Utility Deposits, Licenses & Permits	\$1,000 to \$4,000	As incurred	Before opening	Utility companies and government agencies
Professional Fees	\$0 to \$3,500	Lump sum	Before opening	Lawyers & accountants
Insurance (3 months' premium)	\$1,000 to \$2,000	Lump sum	Before opening	Insurance companies
Additional Funds ¹⁰ (3 month period after opening)	\$10,000 to \$20,000	As incurred	As incurred	Suppliers, employees and us
Total Estimated Initial Investment ¹¹	\$389,100 to \$531,700			

Table B – Estimated initial investment for the purchase of area development rights.

YOUR ESTIMATED INITIAL INVESTMENT (AREA DEVELOPMENT - ASSUMES COMMITMENT OF 3 TO 5 STORES)				
TYPE OF EXPENDITURE ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Development Fee ¹²	\$30,000 to \$60,000	Lump sum	At time you sign ADA	Us
Initial Investment to Open Initial Store	\$389,100 to \$531,700	This is the total estimated initial investment in Table A above.		
Total Estimated Initial Investment	\$419,100 to \$591,700			

Notes:

1. We do not offer direct or indirect financing for any of these items. None of the fees payable to us are refundable. We are unaware of any fees payable to third-party suppliers that are refundable, although some landlords refund security deposits at the end of the lease if the tenant does not default.
2. The initial franchise fee is \$40,000 if you are purchasing your first Store or \$30,000 if you are purchasing your 2nd or subsequent Store.
3. These figures presume that you will be leasing your premises. The expense of leasing will vary depending upon the size of the premises, its location, landlord contributions, and the requirements of individual landlords. We anticipate that most Stores will range in size from 1,200 to 1,500 square feet. We estimate the rent will range from \$5,000 to \$10,000 per month for a typical franchisee. However, your actual rent may vary depending on your area and the local market conditions. For example, a franchisee may face significantly higher rent in areas such as New York City, San Francisco or Boston. Landlords typically require security deposits equal to 1 or 2 months' rent and may, in addition, require payment in advance of the first and/or last (or more) month's rent. The total estimated initial investment shown in the chart above includes 1 months' security plus 3 month's rent. Some franchisees may prefer to own the premises for their Store. The cost to purchase real estate varies so widely that we cannot reasonably estimate the cost.
4. The cost of leasehold improvements and build-out vary widely based upon a number of factors, including the size and condition of the premises, whether or not there are any existing leasehold improvements and whether the landlord will contribute to the cost of the improvements. These costs can also be affected by the prevailing wage rate in your local market and local demand for construction services. This estimate also includes the costs of hiring our designated supplier of interior design and architectural services (the cost for these services ranges from \$17,000 to \$19,000).
5. This estimate includes the cost for your exterior signage. You must purchase and install the signage that we specify. However, you may need to modify our standard signage to conform to local zoning laws, property use restrictions and/or lease terms. In some instances, exterior signage may be prohibited due to applicable zoning or use restrictions.
6. This estimates the cost to purchase your kitchen equipment, including blenders, tea brewers, espresso machines, refrigerators, refrigeration units, dispensers, etc.
7. This includes your initial cost to purchase and set up your Technology Systems, including:
 - POS system and installation (\$3,000 to \$4,000)
 - 5 Digital Menu Boards (\$5,500 to \$6,500)
 - security/camera system, including DVC, cameras and PC (\$5,000 to \$6,500)
 - music system (\$100 to \$200)

8. This estimates the cost for your initial supply of food and beverage products, merchandise and retail items offered for sale at your Store, gift cards, uniforms, smallwares, utensils, cleaning supplies, printing and other operating supplies. You must offer for sale at your Store all merchandise and retail items that we specify. At all times, you must maintain a reasonable supply of these inventory items at your Store.
9. We do not require that you spend any minimum amount of money on local marketing. However, some franchisees choose to spend a reasonable amount of money on grand opening marketing activities to promote the opening of their store. The high estimate assumes you choose to spend money on grand opening marketing activities and includes expenditures for newspaper, direct mail advertising and promotional items such as menu brochures and promotional flyers.
10. This estimates your expenses during the first 3 months of operation, including payroll costs (excluding any wage or salary paid to you) and other miscellaneous expenses and required working capital. It also includes the estimated amounts you must reimburse to us for the expenses we incur in sending our corporate trainer to your Store to provide 14 days of onsite assistance relating to the opening of your Store (the total amount of these reimbursable expenses is estimated to range from \$4,000 to \$5,000). Your initial 3 months of rent is separately stated in the table above. We have not included or accounted for any fees paid to the franchisor or an affiliate that are calculated as a percentage of revenues. These figures are estimates based on our principals' experience in developing, opening and operating affiliate-owned Stores in California since 2003.
11. You may have additional expenses starting your Store. We strongly recommend that you have independent estimates on your anticipated cost to develop, open and operate your Store.
12. See Item 5 for a discussion of the calculation of the development fee. This initial investment estimate assumes the area developer franchisee will commit to develop either 3 Stores (low estimate) or 5 Stores (high estimate). If you choose to purchase the right to develop more than 5 Stores, your development fee will increase by an additional \$15,000 per additional Store that you commit to develop (beyond the initial 5 Stores covered in the estimate above). This initial investment estimate does not include any of the costs you will incur in opening any Stores other than the first Store to be developed under the ADA.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Source Restricted Purchases and Leases - Generally

We require that you purchase or lease certain "source restricted" goods and services for the development and ongoing operation of your Business. By "source restricted," we mean that the good or service must meet our specifications and/or must be purchased from an approved or designated supplier (in some cases, an exclusive designated supplier, which may be us or an affiliate). Our specifications and list of approved and designated suppliers are contained in the Manual. We have formulated (and may modify) our specifications based upon our experience in operating and franchising Stores. We will notify you of any changes to our specifications or list of approved or designated suppliers. We may notify you of these changes in various ways, including written or electronic correspondence, verbal or telephonic notification, amendments or updates to the Manual, bulletins, or other means of communication.

Supplier Criteria

Our criteria for evaluating a supplier include standards for quality, delivery, performance, design, appearance and price of the product or service as well as the dependability, reputation, financial viability and customer service standards of the supplier. We may also consider a supplier's willingness to pay us or our franchisees for the right to do business with our Stores. We are not required to provide you with our specifications for reviewing suppliers or products.

If you want to purchase or lease a source restricted item from a non-approved supplier, you must send us a written request for approval and submit any additional information that we request. We may require that you send us samples from the supplier for testing. We may also require that we be allowed to inspect the supplier's facilities.

We will notify you of our approval or disapproval within 30 days after we receive your request for approval plus all additional information and samples that we require. We may, at our option, re-inspect the facilities and products of any approved supplier and revoke our approval if the supplier fails to meet any of our then-current criteria. You must reimburse us for all costs that we incur in reviewing a proposed supplier and testing the products (estimated to range from \$1,000 to \$2,000 per product or supplier tested).

Current Source Restricted Items

As described below in more detail, we currently require that you purchase or lease the following source restricted goods and services: the lease for your facility; design and construction services; fixtures, furnishings and décor; operating equipment; Technology Systems; signage; inventory; marketing materials and services; and insurance policies. We estimate that nearly 28% of the total purchases and leases that will be required to establish your Business and 35% of your ongoing operating expenses will consist of source restricted goods or services.

Lease

If you will lease the premises for your Store, we must review and approve the lease before you sign it. The scope of our review is limited to ensuring that it meets our minimum brand compliance standards (we do not review or provide feedback on the business terms, such as the reasonableness of the rent charged). You must use your best efforts to ensure your landlord signs the Lease Addendum that is attached to the Franchise Agreement as ATTACHMENT "C". If your landlord refuses to sign the Lease Addendum in substantially the form attached to the Franchise Agreement, we may require that you find a new site. The terms of the Lease Addendum are designed to protect our interests. For example, the landlord must notify us of your defaults, offer us the opportunity to cure your defaults, allow us to take an assignment of your lease in certain situations, permit us to enter the premises to remove items bearing our Marks if you refuse to do so and give us a right of first refusal to lease the premises upon the expiration or termination of your lease.

Design and Construction Services

You must utilize the supplier that we designate to provide architectural and interior design services relating to the development of your Store. We will provide you with prototype plans for a Store, including requirements for dimensions, design, image, interior layout, décor, fixtures, equipment and color scheme. You must engage our designated architect to prepare final plans for our approval. Once approved, you must construct and equip your Store according to the approved plans as well as the specifications contained in the Manual. Your general contractor must be appropriately licensed and bonded (if required by applicable law).

Fixtures, Furnishings and Décor

All of your fixtures, furnishings and décor must meet our standards and specifications. You must use only the décor items that we specify or approve and that are consistent with our trade dress. We do not restrict the suppliers from whom you may purchase these items.

Kitchen Equipment

All of your kitchen equipment must meet our standards and specifications. You must purchase this equipment only from approved or designated suppliers.

Technology Systems

Our currently required Technology Systems include a POS system, camera/security system, music system and digital menu boards. Your Technology Systems (including hardware, software, equipment, software applications, mobile apps and similar items) must meet our standards and specifications. Certain components of your Technology Systems must be purchased from approved or designated suppliers while other components may be purchased from any supplier of your choosing. We may also require that certain services relating to the establishment, use, maintenance, monitoring, security or improvement of your Technology Systems be purchased from approved or designated suppliers. With respect to certain Technology Systems, you must purchase the

specific system that we designate.

Signage

All of your exterior signage must meet our standards and specifications. You may purchase your signage from any supplier of your choosing.

Inventory

All of your inventory items must meet our standards and specifications, including all food and beverage products, merchandise and retail items offered for sale at your Store, gift cards, uniforms, smallwares, utensils, cleaning supplies, printing and other operating supplies. Certain inventory items, including all branded items (such as cups, bowls, bags, uniforms, gift cards, etc.) and all food items specially formulated for use at our Stores, must be purchased only from suppliers that we designate. You may not utilize or sell any inventory items that we have not approved.

Marketing Materials and Services

All of your marketing materials must comply with our standards and requirements. We must approve all of your marketing materials before you use them. You must purchase all branded marketing materials only from us or other suppliers that we designate or approve. We may require that you utilize a designated supplier to provide social media marketing to promote your Store (we do not currently require that you utilize any particular supplier).

Insurance Policies

You must obtain the insurance coverage that we require from time to time (whether in the Franchise Agreement or in the Manual). You agree to obtain these insurance policies from insurance carriers that are rated A or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which you operate your Business. The required coverage currently includes:

Policy Type	Minimum Coverage
“All risk” Property Insurance	Replacement Value
Comprehensive General Liability Insurance	\$2,000,000 per occurrence
Products Liability Insurance	\$2,000,000 per occurrence
Business Interruption Insurance	At least 6 months
Employer’s Liability Insurance	As required by law
Worker’s Compensation Insurance	As required by law
Landlord-Required Insurance	As required by lease

The required coverage and policies are subject to change. All insurance policies must be endorsed to: (a) name us (and our members, officers, directors, and employees) as additional insureds; (b) contain a waiver by the insurance carrier of all subrogation rights against us; and (c) provide that we receive 10 days’ prior written notice of the termination, expiration, cancellation or modification of the policy.

Purchase Agreements

We will try to negotiate relationships with suppliers to enable our affiliates and franchisees to purchase certain items at discounted prices. If we succeed, you will be able to purchase these items at the discounted prices that we negotiate (less any rebates or other consideration paid to us). Alternatively, we reserve the right to purchase the items in bulk and resell them to you at our cost plus a reasonable markup (your total cost to purchase the items from us will not exceed your total cost to purchase the items directly from the supplier without the benefit of our group purchasing power). As of the date of this Disclosure Document, we have negotiated purchase agreements

(including pricing terms) with the suppliers for the following goods and services: certain inventory items, equipment, building supplies and signage.

There are no purchasing cooperatives, although we reserve the right to establish one or more purchasing cooperatives in the future. You do not receive any material benefits for using designated or approved suppliers other than having access to any discounted pricing that we negotiate.

Franchisor Revenues from Source Restricted Purchases

Neither we nor any of our affiliates are currently suppliers for any source restricted items. However, we reserve the right to designate ourselves and our affiliates as approved or designated suppliers in the future. No persons affiliated with us are currently an approved (or the only approved) supplier. There are no approved or designated suppliers in which any of our officers owns an interest.

We may receive rebates, payments or other material benefits from suppliers based on franchisee purchases and we have no obligation to pass them on to our franchisees or use them in any particular manner. As of the issuance date of this Disclosure Document, we do not have any relationships with suppliers that involve rebates, payments or other material benefits based upon franchisee purchase or leases.

During the fiscal year ended December 31, 2021, our affiliate, B2B Time, Inc. received a total of \$604,279 in revenue as a result of franchisee purchases or leases of goods or services from designated or approved suppliers (including purchase from B2B). The source of this information is profit and loss statements prepared for our affiliate by our affiliate's CPA. B2B Time, Inc. formerly served as a supplier of various inventory and branded items but no longer acts as a supplier.

During the fiscal year ended December 31, 2021, we did not receive any revenue as a result of franchisee purchases or leases of goods or services from designated or approved suppliers (including purchases from us or our affiliates).

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement (FA), Area Development Agreement (ADA) and other agreements. It will help you find more detailed information about your obligations in these agreements and other items in this Disclosure Document.

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	FA: Section 7.1 & 7.2	Item 7 & Item 11 Item 11
	ADA: Section 4.2	
b. Pre-opening purchases/leases	FA: Section 7.3, 12.5 & 16.1	Item 5, Item 7, Item 8 & Item 11
	ADA: Not Applicable	
c. Site development and other pre-opening requirements	FA: Section 7.3 & 7.4	Item 6, Item 7 & Item 11
	ADA: Section 4.2	
d. Initial and ongoing training	FA: Section 5	Item 6 & Item 11
	ADA: Not Applicable	
e. Opening	FA: Section 7.4	Item 11
	ADA: Section 4.1	
f. Fees	FA: Section 4.2, 5.7, 6.2 6.6, 8.4, 11.1, 12.5, 12.7, 12.12, 14, 16.1, 17.2 & 20.2	Item 5 & Item 6
	ADA: Section 5 & 7.2	

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
g. Compliance with standards and policies/Operating Manual	FA: Section 6.1, 7.1, 7.3, 11.3, 12 & 18.1	Item 11
	ADA: Section 4.2	
h. Trademarks and proprietary information	FA: Section 18	Item 13 & Item 14
	ADA: Section 2	
i. Restrictions on products/services offered	FA: Section 12.3	Item 16
	ADA: Not Applicable	
j. Warranty and client service requirements	FA: Section 12.11	Not Applicable
	ADA: Not Applicable	
k. Territorial development and sales quotas	FA: Not Applicable	Item 12
	ADA: Section 4.1	
l. Ongoing product/service purchases	FA: Section 12.5	Item 8
	ADA: Not Applicable	
m. Maintenance, appearance and remodeling requirements	FA: Section 12.6 & 12.8	Item 11
	ADA: Not Applicable	
n. Insurance	FA: Section 16.1	Item 6 & Item 7 & Item 8
	ADA: Not Applicable	
o. Advertising	FA: Section 0	Item 6, Item 7 & Item 11
	ADA: Not Applicable	
p. Indemnification	FA: Section 19	Item 6
	ADA: Not Applicable	
q. Owner's participation/management/staffing	FA: Section 8	Item 11 & Item 15
	ADA: Not Applicable	
r. Records/reports	FA: Section 16.2 & 16.3	Item 6
	ADA: Not Applicable	
s. Inspections/audits	FA: Section 17	Item 6 & Item 11
	ADA: Not Applicable	
t. Transfer	FA: Section 20	Item 17
	ADA: Section 7	
u. Renewal	FA: Section 4	Item 17
	ADA: Section 4.4	
v. Post termination obligations	FA: Section 22	Item 17
	ADA: Not Applicable	
w. Non-competition covenants	FA: Section 15	Item 17
	ADA: Not Applicable	
x. Dispute resolution	FA: Section 23	Item 17
	ADA: Section 8.3	
y. Franchise Owner Agreement (brand	FA: ATTACHMENT "D"	Item 17

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
protection covenants, transfer restrictions and financial assurance for owners and spouses)	ADA: Not Applicable	

ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee any of your notes, leases or 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.

Before you open your Business, we will:

1. License you the Marks necessary to begin operating your Store. (Section 2)
2. Provide you with generic prototype plans for a Store, including requirements for dimensions, design, image, interior layout, décor, fixtures, equipment and color scheme. (Section 7.3)
3. Approve the location, build-out and design of your Store. See Section below entitled "Site Development" for additional information. (Sections 7.1, 7.3 & 7.4)
4. Provide you with access to our Manual, which will help you establish and operate your Store. See Section below entitled "Manual" for additional information. (Section 6.1)
5. Provide you with written specifications for the goods and services you must purchase to establish your Store, as well as a written list of approved and/or designated suppliers for purposes of acquiring these goods and services. We will assist you with the purchase of required equipment, signs, fixtures, opening inventory and supplies by helping you set up accounts with approved suppliers. We do not deliver or install any items that you are required to purchase. (Section 7.3 & 12.2)
6. Provide an initial training program. See Section below entitled "Training Program" for additional information. (Section 5)

During the operation of your Business, we will:

1. Send a corporate trainer to your Store to provide up to 14 days of on-site assistance and training relating to the opening of your first Store. You must reimburse us for the costs we incur in sending our corporate trainer to your Store. (Section 6.2)
2. Provide ongoing guidance and recommendations on ways to improve the marketing and operation of your Store. (Section 6.3)
3. Provide periodic training programs. See Section below entitled "Training Program" for additional information. (Section 5)
4. Maintain a corporate website to promote our brand. The website will include certain information about your Store that we deem appropriate, such as address, contact information and hours of operation. We may modify the content of and/or discontinue the website at any time in our sole discretion. (Section 6.5 & 11.3(d))
5. Administer the brand and system development fund. See Section below entitled "Brand and System Development Fund" for additional information. (Section 11.1)
6. Provide you with our suggested retail pricing. You may deviate from our suggested retail pricing in your

discretion. However, you must obtain our approval of any deviation that is more than 5% higher or lower than our suggested retail pricing, unless such pricing is part of a temporary advertising campaign that we require or approve or the discount is part of our loyalty program. To the extent permitted by applicable law, we may set maximum or minimum prices on the goods and services you offer. (Section 12.4)

During the operation of your Business, we may, but need not:

1. Develop new recipes, menu items and merchandise for sale at your Store. (Section 6.7)
2. Negotiate purchase agreements with suppliers to allow you to purchase certain goods or services at discounted prices. We may also purchase items in bulk at discounted prices and resell them to you at our cost plus shipping and a reasonable markup. (Section 6.6)
3. Hold periodic national or regional conferences to discuss business and operational issues affecting our Stores, including industry changes, new services, recipes, menu items and/or merchandise, marketing strategies and the like. (Section 5)
4. Create a franchise advisory council. See Section below entitled “Advisory Council” for additional information. (Section 13)
5. Upon your request, provide additional training or assistance (either at our headquarters or at your Store). See Section below entitled “Training Program” for additional information. (Section 5)

We do not provide area developers with any support under their ADA.

Training Program (Section 5 & 6.2)

Overview

We will provide an initial training program for the Managing Owner (defined in Item 15) and up to 1 other person. These individuals must successfully complete the initial training program to our satisfaction.

Your Managing Owner must successfully complete training before you open your Store. However, there is no specific period of time after signing or before opening that training must be completed.

The initial training program includes approximately 14 days of training at our corporate headquarters located in Los Angeles, California (or at any other location we designate). A portion of the corporate training may also take place at a Store owned by an affiliate of ours.

Currently, we intend to offer the initial training program at least once per month assuming sufficient demand.

Training Topics

The initial training program consists of the following:

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
Orientation and Concept	4	0	Los Angeles, California
Operations Management	3	0	Los Angeles, California
POS System	2	0	Los Angeles, California
Beverage and Food Preparation (On-site)	0	50	Los Angeles, California
Food Handlers Manager Course	1	0	Los Angeles, California

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
Product Ordering – Specifications and Inventory Control	2	0	Los Angeles, California
Equipment Usage and Maintenance	3	0	Los Angeles, California
Marketing, Advertising and Design	2	0	Los Angeles, California
Quality Standards and Store Sanitation	3	0	Los Angeles, California
Total	20	50	

In addition to the training described above, we will send a corporate trainer to your Store to provide approximately 14 days of on-site training and assistance. We need not send a corporate trainer to provide on-site assistance except for the opening of your first Store. If we decide to send a corporate trainer to provide on-site training or assistance for additional Stores, the time spent will not exceed 5 days at your Store. On-site training is an informal training program where our corporate trainer provides on-site training, assists in coordinating your opening activities, monitors your operations, and assist you with the opening of your Store.

Training Materials

The training materials will consist of the Manual, handouts, slide presentations, PowerPoint presentations, our website and our new store opening list. You will not be charged an additional fee for any of the training materials.

Instructors

Esther Cho is in charge of our training program. Esther is our Operations Director and has been with us since October 2019. She has more than 18 years of experience in the industry. Esther may be assisted by other corporate store trainers who will all have at least 5 years of experience with the It's Boba Time System.

Ongoing Training

From time to time, we may require that your Managing Owner and managers attend system-wide refresher or additional training courses.

If you appoint a new Managing Owner or manager, that person must attend and successfully complete our initial training program before assuming responsibility for the management of your Business.

If we conduct an inspection of your Store and determine you are not operating in compliance with the Franchise Agreement and/or the Manual, we may require that the Managing Owner and your managers attend remedial training that addresses your operational deficiencies.

You may also request that we provide additional training (either at corporate headquarters or at your Store). We are not required to provide this additional training.

Training Fees and Costs

Before you open, we will provide our initial training program at no additional charge for your 1st Store (the training fee is included as part of the initial franchise fee). You must pay us a training fee of up to \$350 per day (which covers a maximum of 6 hours of training per day) for:

- each person that attends our initial training program after you open your Store (such as new Managing Owners or managers)
- any person who must retake training after failing to successfully complete training on a prior attempt

- any remedial training that we require based on your operational deficiencies
- each person you send to our pre-opening initial training program in connection with your 2nd or subsequent Store (pre-opening training is provided as part of the initial franchise fee for your 1st Store; pre-opening initial training is optional for your 2nd and subsequent Stores)
- each person to whom we provide additional training that you request
- each person who attends any system-wide or additional training that we conduct (although we generally do not charge for this training unless conducted by a 3rd party such as a vendor or manufacturer)

If we agree to provide onsite training or assistance, you must also reimburse us for all costs incurred by our representative for meals, travel and lodging. We estimate the total amount of reimbursable expenses you must pay us for sending our corporate trainer to your Store to provide 14 days of onsite opening assistance and training will range from \$4,000 to \$5,000. You are responsible for all expenses and costs that your trainees incur for training, including wages, travel and living expenses. If you transfer your franchise, we may charge the new franchisee a \$2,000 initial training fee, which would be in addition to the transfer fee.

Manual (Section 6.1, 12.2 & 25.8)

We will provide you with access to our Manual in text or electronic form for the term of your Franchise Agreement. The Manual may include, among other things:

- a description of the authorized goods and services that you may offer at your Store
- mandatory and suggested specifications, operating procedures, and quality standards for products, services and procedures that we prescribe from time to time for Stores
- mandatory reporting and insurance requirements
- mandatory and suggested specifications for your Store's facility
- policies and procedures pertaining to any gift card or loyalty program that we establish
- policies and procedures pertaining to marketing and advertising
- policies relating to data ownership, protection, sharing and use
- a written list of goods and services (or specifications for goods and services) you must purchase for the construction, development and operation of your Store and a list of any designated or approved suppliers for these goods or services

The Manual is designed to establish and protect our brand standards and the uniformity and quality of the goods and services offered by our franchisees. All mandatory provisions contained in the Manual are binding on you. We can modify the Manual at any time (the most current version will be available on our franchisee website portal), but the modifications will not alter your status or fundamental rights under the Franchise Agreement. Any modification to the Manual is effective at the time we notify you of the change. However, we may provide you with a reasonable period of time to implement certain changes resulting from modifications to the Manual (for example, implementing new software or technology). The Manual contains a total of 211 pages. A copy of the Table of Contents to the Manual is attached to this Disclosure Document as EXHIBIT "E".

Site Development (Section 7.1, 7.2, 7.3, 7.5 & 12.8)

Stores are typically located in shopping centers, shopping malls or can be free-standing locations. They typically range in size from 1,200 to 1,500 square feet. We do not select the site for your Store and we do not purchase the premises and lease it to you. You must locate and obtain our approval of the site for your Store within 180 days after you sign the Franchise Agreement. If you fail to obtain our approval of your site in the required period of time, we may terminate your Franchise Agreement.

Your Store must be located within the Site Selection Area identified in Part B of ATTACHMENT "A" to the Franchise Agreement (the "Site Selection Area") and conform to our minimum site selection criteria. You must

send us a complete site report (containing the demographic, commercial and other information, photographs and video tapes that we may reasonably require) for your proposed site.

We will use our best efforts to approve or disapprove a proposed site within 15 business days after we receive all of the requisite materials. Your site is deemed disapproved if we fail to issue our written approval within the 15 business day period. In reviewing a proposed site, we will consider factors such as parking, size, residential population, daytime population (including workers), traffic counts and patterns, general location, existence and location of competitive businesses, general character of the neighborhood and various economic indicators, lease terms and physical configuration of the site.

If the site for your Store has been approved prior to signing the Franchise Agreement, then the address of your approved site will be listed in Part C of ATTACHMENT "A" to the Franchise Agreement. If the site for your Store has not been approved prior to signing the Franchise Agreement, then within 15 days after we approve your site, we will send you a Site Approval Notice in the form attached to the Franchise Agreement as ATTACHMENT "B" (the "Site Approval Notice"). The Site Approval Notice will list the address of your approved location and will identify your Territory.

If you will lease the premises for your Store, we must review and approve the lease before you sign it. The scope of our review is limited to ensuring that it meets our minimum brand compliance standards (we do not review or provide feedback on the business terms, such as the reasonableness of the rent charged). You must use your best efforts to ensure your landlord signs the Lease Addendum that is attached to the Franchise Agreement as ATTACHMENT "C". If your landlord refuses to sign the Lease Addendum in substantially the form attached to the Franchise Agreement, we may require that you find a new site for your Store.

We will provide you with generic prototype plans for a Store, including requirements for dimensions, design, image, interior layout, décor, fixtures, equipment and color scheme. You must utilize the supplier that we designate to provide architectural and interior design services relating to the development of your Store. Our designated architect must prepare detailed construction plans and ensure these plans comply with all federal, state and local laws, regulations and ordinances, building codes, permits requirements, and lease requirements and restrictions applicable to the premises. You must submit the final plans to us for approval. Once approved, you must construct and equip your Store according to the approved plans as well as the specifications contained in the Manual. You must also purchase and install the equipment, fixtures, signs and other items that we require.

In order for you to renew your franchise or transfer your Store, you must remodel and make all improvements and alterations to your Store that we reasonably require to reflect our then-current design, image and specifications. The cost of this remodeling obligation will not exceed \$60,000 (for remodeling required as a condition to renewal) or \$30,000 (for remodeling required as a condition to transfer). You may not remodel or significantly alter your premises without our prior approval.

If you sign an ADA, we must approve the location of each franchise to be developed under our then-current site selection criteria.

Computer System (Section 12.5, 12.6, 12.7, 16.3 & 17.1)

Required Components

You must purchase and use all Technology Systems (as defined in Note 6 in Item 6) that we designate from time to time. One component of our Technology Systems is your "computer system," which is currently limited to the Toast POS System that must be purchased from a designated supplier. The Toast POS System hardware components include:

- Toast Flex for Guest (Direct Attach)
- Toast Printer (No Power Supply)
- Toast Tap (On Counter)

- BBPOS Multi Reader
- Toast Printer (With Power Supply – Kitchen Printer)
- Toast Cash Drawer – TC200
- Meraki Z3 Router (Toast Programmed)

We may change the components of the Technology Systems from time to time, including your computer system.

How Computer System Is Used

The computer system will generally be used to process sales transactions, implement our gift card program, financial accounting, inventory management, preparing financial and other reports and communicating via e-mail.

Fees and Costs

We estimate the initial cost of your computer system (including hardware and implementation/installation costs) will range from \$3,000 to \$4,000.

You must pay the licensor of your POS system a monthly subscription fee that is currently \$195 to \$225 per month (\$2,340 to \$2,700 per year). The specific fee can vary depending on whether you choose to utilize certain optional features, such as a Kitchen Display Screen. This fee is subject to change. In addition to the monthly subscription fee, you must pay the licensor processing fees for credit card sales. The current processing fee is as follows:

Transaction Type	Visa/MasterCard/Discover	American Express*
Swiped	2.49% + \$0.15 per transaction	2.79% + \$0.15 per transaction
Keyed	3.50% + \$0.15 per transaction	3.09% + \$0.15 per transaction

* Acceptance of American Express cards is optional. If you choose to accept these cards, you must sign a separate merchant agreement with American Express.

As further detailed in Item 6, we may require that you pay us a technology fee for certain software, technology and related services that we provide. As of the issuance date of this Disclosure Document, we do not charge a technology fee.

Maintenance, Support, Updates and Upgrades

We are not aware of any optional or required maintenance, updating, upgrading or support contracts relating to any component of your computer system. In exchange for the \$195 to \$225 monthly subscription fee described above, the licensor of the Toast POS system will provide ongoing support, maintenance and updates. Except as described in the preceding sentence, neither we nor any other party has any obligation to provide ongoing maintenance, repairs, upgrades or updates to your computer system.

Collection and Sharing of Data

Your computer system will collect sales data and information about your customers, including names, contact information and purchase history. We will have independent unlimited access to the data collected on your computer system and there are no contractual limits imposed on our access.

We will own all data that you and/or we collect relating to your customers. We will grant you a license to use this data solely for purposes of operating your Store. You must protect all customer data with a level of control proportionate to the sensitivity of data. You must comply with all applicable data protection laws as well as our data processing and data privacy policies set forth in the Manual from time to time. You must also comply with the standards established by PCI-DSS to protect the security of credit card information.

Computer System Maintenance and Changes

You must maintain the computer system in good working order at your cost. During the term of your franchise, you may be required to upgrade or update your computer system and other Technology Systems to conform to our then-current specifications. There are no contractual limitations on the frequency or cost of these updates or upgrades.

Brand and System Development Fund (Section 11.1)

We have established and administer a brand and system development fund to promote public awareness of our brand and to improve our System. We may use the fund to pay for any of the following in our discretion:

- developing maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs
- conducting and administering promotions, contests or giveaways
- public awareness of any of the Marks
- public and consumer relations and publicity
- brand development
- administering a call center for consumer inquiries
- research and development of technology, products and services
- website development and search engine optimization
- development and implementation of quality control programs, including the use of mystery shoppers or customer satisfaction surveys
- conducting market research
- changes and improvements to the System
- the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts
- collecting and accounting for contributions to the fund
- preparing and distributing financial accountings of the fund
- any other programs or activities that we deem necessary or appropriate to promote or improve the System
- direct and indirect labor, administrative, overhead and other expenses incurred by us and/or our affiliates in relation to any of these activities (including salary, benefits and other compensation of any our or our affiliate's officers, directors, employees or independent contractors based upon time spent working on any brand fund matters described above)

We will direct and have complete control and discretion over all advertising programs paid for by the fund, including the creative concepts, content, materials, endorsements, media used, coverage and placement of the advertising. Currently, most advertising paid for by the fund is regional or national in coverage. Advertising may be conducted through any media, including digital, print, radio and television. The fund will not be used to pay for advertisements principally directed at selling additional franchises, although consumer advertising may include notations such as "franchises available" and one or more pages on our website may promote the franchise opportunity.

In terms of marketing activities paid for by the fund, we do not ensure that these expenditures in or affecting any geographic area are proportionate or equivalent to the fund contributions by franchisees operating in that geographic area or that any franchisee benefits directly or in proportion to their fund contributions. We assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the

fund. The fund will not be a trust and we will have no fiduciary obligations with respect to our administration of the fund. Once established, we reserve the right to discontinue the fund at any time in our sole discretion upon at least 30 days' prior notice.

On a weekly basis, you must contribute 2% of your Gross Sales to the fund. We will deposit into the fund all: (a) fund contributions paid by you and other franchisees; and (b) fines paid by you and other franchisees. Any Store owned by us or our affiliates will contribute to the fund on the same basis as our franchisees. However, if we modify the amount or timing of the contributions that must be made to the fund, any Store owned by us or our affiliates that is established or acquired after the modification may contribute to the fund utilizing the modified amount or timing. Except as stated in this paragraph, we have no obligation to expend our own funds or resources for any marketing activities in your area.

All monies deposited into the fund that are not used in the fiscal year in which they accrue will be utilized in the following fiscal year. Any surplus of monies in the fund may be invested and we may lend money to the fund if there is a deficit. An unaudited financial accounting of the operations of the fund will be prepared annually and made available to you upon request. During the fiscal year ended December 31, 2021, we spent the marketing funds in the following manner:

Allocation of Marketing Expenditures (2021)				
Use of Funds	Production	Media Placement	Administrative Expenses	Other*
Percentage Allocation	15%	7%	50%	28%

* Other includes marketing & design related office supplies, and marketing & design related payroll reimbursements.

Local Advertising (Section 11.2 & 11.3)

You must participate at your own expense in all advertising, promotional and marketing programs that we require. At a minimum, you must obtain and maintain a bold listing in your local white pages directory and maintain a yellow pages advertisement in the form we specify. We may require other minimum advertising obligations in the Manual from time to time.

Except for your required contributions to the brand and system development fund, we do not require that you spend any minimum amount of money on marketing or advertising. However, you must comply with all mandatory advertising programs and other marketing requirements in the Manual at your expense.

We may create and make available to you advertising and marketing materials for your purchase. We may use the brand and system development fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may make these materials available over the Internet (in which case you must arrange for printing the materials and paying all printing costs). Alternatively, we may enter into relationships with third-party suppliers who will create the advertising or marketing materials for your purchase. We will provide reasonable marketing consulting, guidance and support throughout the franchise term on an as needed basis.

You will also have an opportunity to create advertising for your own use, provided we approve it in advance. You may not use any advertising materials that have not been approved by us. You must submit to us any advertising materials that you prepare or modify and we will have 10 business days to review and either approve or reject the materials. Our failure to approve any advertising materials within the 10 business day period will be deemed to be our disapproval of the materials.

You are encouraged to market your Store through approved social media channels in accordance with our social media policy. We may require that you utilize our designated supplier for social media marketing services. At all times you must comply with any social media policy that we develop.

At this time, we do not allow our franchisees to maintain their own websites or market their Stores on the Internet

(except through approved social media channels). Therefore, you may not maintain a website, conduct e-commerce, or otherwise maintain a presence or advertise on the Internet or any other public computer network. If we change our policy at a later date to allow franchisees to maintain their own websites or market on the Internet, you may do so only if you comply with all of the website and Internet requirements that we specify.

You are not required to participate in an advertising cooperative.

Advisory Council (Section 13)

We may, but need not, create a franchise advisory council to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. We would consider all suggestions from the advisory council in good faith, but we would not be bound by any such suggestions. The advisory council would be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of representatives of the advisory council to communicate with us on matters raised by the advisory council. You would have the right to be a member of the advisory council as long as you are not in default under the Franchise Agreement and you do not act in a disruptive, abusive or counter-productive manner, as determined by us in our discretion. As a member, you would be entitled to all voting rights and privileges granted to other members of the council. Any Store operated by us or our affiliates would also be a member of the Advisory Council. Each member would be granted 1 vote on all matters on which members are authorized to vote. We would have the power to form, change or dissolve the advisory council in our discretion.

Opening Requirements (Section 7.4)

We anticipate that a typical franchisee will open his or her Store within 9 to 12 months after signing the Franchise Agreement. Some of the factors that may affect this time are identification of a suitable location, financing, the extent to which an existing location must be upgraded or remodeled, construction delays, delayed installation of equipment and fixtures, completion of training, obtaining insurance, and complying with local laws and regulations. Unless we agree to the contrary, your Store must be opened within 1 year after you sign the Franchise Agreement. Your failure to open within the 1-year period constitutes an event of default under your Franchise Agreement.

You may not open your Store prior to receipt of our written authorization to open. We will not issue our authorization to open until each of the following occur:

- your Managing successfully completes our initial training program
- you purchase all required insurance policies and provide us with evidence of coverage
- you obtain all required licenses, permits and other governmental approvals
- you pay us the initial franchise fee and all other amounts due to us and our affiliate
- we review and approve the construction, build-out and layout of your Store as meeting our required standards and specifications

ITEM 12 TERRITORY

Location of Your Business

Each Franchise Agreement grants you the right to operate a single Store at a single location that must be approved by us in advance. You must identify a location for your Store within the Site Selection Area described in Part B of ATTACHMENT "A" to your Franchise Agreement.

You may relocate your Store with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate, you must: (a) obtain our approval of the site for your new Store within the Site Selection Area (but outside any territory granted or reserved to us, our affiliate or any other franchisee); (b) comply with all of our then-current site selection and development requirements; and (c) open your new Store and resume operations within 30 days after closing your prior store.

Your Territory (Franchise Agreement)

We will provide you with a designated territory. Your territory will be identified either: (a) in Part D of ATTACHMENT "A" to your Franchise Agreement (if we approve the site for your Store before signing the Franchise Agreement); or (b) in the Site Approval Notice that we send to you after we approve the site for your Store (if we have not approved the site for your Store before signing the Franchise Agreement). Your territory will be determined as follows:

- If your Store is located within a Captive Venue (defined further below in this Section), your territory will be limited to premises of your Store (you will not receive any territory beyond your Store's premises)
- If your Store is located in an urban area (but not within a Captive Venue), your territory will consist of the geographic area within a ¼ mile radius from your Store
- If your Store is located neither within a Captive Venue nor within an urban area, your territory will consist of the geographic area within a 1 mile radius from your Store

The determination of whether an area qualifies as an "urban area" will be made as of the date the territory is determined by reference to the most recently issued publication by the US Census Bureau defining an "urban area" and identifying "urban areas" located within the United States. Upon renewal, we reserve the right to modify the boundaries of your territory in accordance with our then-current territory guidelines and criteria.

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.

Although we do not grant exclusive territories, we do grant you certain territorial protections. Specifically, we will not operate or authorize a third party to operate a Store using our Marks that is physically located within your territory during the term of your Franchise Agreement except as otherwise permitted below with respect to Captive Venues and Acquisitions (each defined below).

Your Development Territory (ADA)

If you sign an ADA, we will grant you a protected development territory. All stores that you open under the ADA must be located within your development territory. A development territory typically consists of a geographic area that coincides with the boundaries of a municipality, such as a city, county or state or may consist of a smaller designated market area. There is no specific minimum or maximum size for a development territory. In determining the size of your development territory, we primarily consider the number of stores we believe your development territory can sustain.

You will not receive an exclusive development 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.

Although we do not grant exclusive development territories, we do grant you certain territorial protections. Specifically, we will not establish or grant rights to other persons to establish another Store in your development territory during the term of the ADA except: (a) for any Stores that are located within your development territory as of the date you sign the ADA (either open, under construction or for which a Franchise Agreement has been signed); and (b) as otherwise permitted below with respect to Captive Venues and Acquisitions.

You must sign a separate Franchise Agreement for each store that you establish under the ADA and you may only operate from the locations approved by us under the Franchise Agreements. We must approve the location of each store to be developed under our then-current site selection criteria. We identify your development territory, the development fee and the development schedule in the ADA before you sign it.

Limitations on Territorial Rights

We reserve the right to operate Stores, or license others to operate Stores, in Captive Venues. A "Captive Venue"

means a Store that is located within, or is a part of, another establishment or facility that consumers may visit for a purpose other than visiting a Store. Examples include Stores that are located within hotels, college campuses or universities, airports, train stations, stadiums or sporting arenas, bus stations, shopping malls, or within other similar types of establishments. Captive Venues are excluded from your territorial protections. This means that we may operate, or license or franchise a third party to operate, a Store within a Captive Venue that is located within your territory and development territory, if applicable.

We reserve the right to acquire, or be acquired by, another business or chain that may sell competitive or identical goods or services, and those businesses may be converted into Stores operating under the Marks regardless of their location (an “Acquisition”). Any such acquired or converted stores may be located within your territory and development territory, if applicable.

Alternative Channels of Distribution

We reserve the right to sell or license others to sell competitive or identical goods or services (whether under the Marks or under different trademarks) through Alternative Channels of Distribution. An “Alternative Channel of Distribution” means any channel of distribution other than retail sales made to customers while present at a Store. Examples of Alternative Channels of Distribution include:

- sales through direct marketing, such as over the Internet or through catalogs or telemarketing
- sales through retail stores that do not operate under the Marks, such as grocery stores, convenience stores or department stores
- sales made at wholesale
- on-site sales to customers, such as sales to employee groups at a business site or sales to customers in their homes
- sales through catering or other delivery services
- sales through kiosks or mobile trailers

We may sell or license a third party to sell competitive or identical goods or services through Alternative Channels of Distribution (whether under the Marks or different trademarks) anywhere within your territory and development territory, if applicable. You are not entitled to any compensation for sales that take place through Alternative Channels of Distribution.

Restrictions on Your Sales and Marketing Activities

You can market and advertise outside of your territory and development territory, if applicable, as long as you comply with all policies and procedures set forth in the Manual from time to time governing extra-territorial marketing. You are not permitted to market or sell through Alternative Channels of Distribution (such as the Internet, catalog sales, telemarketing or other direct marketing) either within or outside of your territory or development territory, if applicable, except that you may promote your Store through approved social media channels in accordance with our social media policy. Your marketing activities are also subject to the additional restrictions described in Item 11 under the Section entitled “Local Advertising.” There are no other restrictions on your right to solicit customers, whether from inside or outside of your territory and development territory, if applicable.

Minimum Performance Requirements

Your territorial protections under your Franchise Agreement do not depend on achieving a certain sales volume, market penetration, or other contingency.

If you sign an ADA and fail to satisfy your development schedule by establishing the minimum number of Stores within the required period of time, we may terminate your ADA and you will lose the territorial protections associated with your development territory.

Additional Franchises and Territories

You are not granted any options, rights of first refusal or similar rights to acquire additional territories or franchises, other than your right and obligation to develop multiple Stores within your development territory if you sign an ADA.

Competitive Businesses Under Different Marks

Currently, neither we nor any affiliate of ours intends to operate or franchise another business under a different trademark that sells products or services similar to the products or services offered at a Store. However, we reserve the right to do so in the future.

ITEM 13 TRADEMARKS

Our affiliate, J & U Corporation (“J&U”), registered the following trademarks on the United States Patent and Trademark Office principal register:

REGISTERED MARKS		
Mark	Registration Number	Registration Date (Renewal Date)
IT'S BOBA TIME	4273426	January 8, 2013
BOBA TIME	4229643	October 23, 2012

J&U also applied to register the following trademarks on the Principal Register at the United States Patent and Trademark Office based on actual use:

UNREGISTERED MARKS		
Mark	Serial Number	Application Date
BOBA TIME	90809433	July 2, 2021
IT'S BOBA TIME	90809413	July 2, 2021
	90809637	July 2, 2021

We do not have a federal registration for the Marks in the table above labeled “Unregistered Marks.” Therefore, these Marks do not have many legal benefits and rights as a federally registered trademark. If our right to use any of these Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

All required affidavits have been filed and all renewals will be filed when due.

On August 27, 2021, we entered into a License Agreement (the “License Agreement”) with J&U. Under the terms of the License Agreement, J&U granted us the right to use the Marks and to sublicense the Marks to our franchisees. The term of the License Agreement automatically renews annually, unless it is terminated in accordance with its terms. J&U is permitted to terminate the License Agreement only if we declare bankruptcy or become insolvent, if we and J&U mutually agree to terminate the License Agreement or if we breach J&U’s quality control standards and fail to cure the breach within a 60 day cure period. If the License Agreement is terminated, the agreement states that all sublicenses granted by us to our franchisees will continue in full force and effect until the expiration or termination of the applicable franchise agreement. Except as discussed above, no

agreements limit our right to use or sublicense the use of the Marks.

We grant you the right to operate your Store under the names “Boba Time,” “It’s Boba Time” and logo shown on the cover page of this Disclosure Document. By trademark, we mean trade names, trademarks, service marks, and logotypes used to identify your Store or the products or services sold at your Store. We may change the trademarks you may use from time to time (including by discontinuing use of the Marks listed in this Item 13). If this happens, you must change to the new trademark at your expense.

You must follow our rules when using the Marks. You cannot use our name or mark as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You may not use the Boba Time or It’s Boba Time name relating to the sale of any product or service that is not previously authorized by us in writing.

You must notify us immediately when you learn about an infringing or challenging use of the Marks. We will take the action we think appropriate, but we are not required to take any action if we do not feel it is warranted. We may require your assistance, but you are not permitted to control any proceeding or litigation relating to our Marks. You must not directly or indirectly contest our or J&U’s right to the Marks.

The Franchise Agreement does not require us to: (a) protect your right to use the Marks or protect you against claims of infringement or unfair competition arising out of your use of the Marks; or (b) participate in your defense or indemnify you for expenses or damages you incur if you are a party to an administrative or judicial proceeding involving our marks or if the proceeding is resolved in a manner that is unfavorable to you.

There are no currently effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court; no pending infringements, oppositions or cancellations; and no pending material litigation involving any of the Marks. We do not know of any infringing uses that could materially affect your use of the Marks.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or pending patent applications are material to the franchise. Although we have not filed an application for copyright registration for the Manual, our website or our marketing materials, we do claim a copyright to these items. During the term of your Franchise Agreement, we will allow you to use our proprietary information relating to the development, marketing and operation of a Store, including, recipes, training materials, merchandise and vendor lists, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System and the Manual. All ideas, improvements, inventions, marketing materials, and other concepts you develop relating to the operation of your Store will be owned by us. We will also own all data that you collect regarding your customers and business operations, but we will license you the right to utilize this data during the term of your Franchise Agreement.

You are required to maintain the confidentiality of all of our proprietary information and use it only in strict accordance with the terms of the Franchise Agreement and the Manual. You must promptly tell us when you learn about unauthorized use of our proprietary information. We are not obligated to act, but will respond to this information as we deem appropriate. You are not permitted to control any proceeding or litigation alleging the unauthorized use of any of our proprietary information. We have no obligation to indemnify you for any expenses or damages arising from any proceeding or litigation involving our proprietary information. There are no infringements that are known by us at this time.

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

The Franchise Agreement requires that you designate an owner who will be primarily responsible for the daily management and supervision of the Store (the “Managing Owner”). We must approve the owner that you appoint to serve as the Managing Owner. The Managing Owner must at all times hold at least a 20% ownership interest in the franchise (or the entity that is the franchisee under the Franchise Agreement). The Managing Owner must

dedicate his or her full time efforts to your Business. Any new Managing Owner must successfully complete the initial training program before becoming involved with the supervision, management or operation of the Business. The Managing Owner must also complete any mandatory refresher or advanced training courses that we require.

You may hire a manager to assume responsibility for the daily on-site management and supervision of your Store, but only if: (a) the manager successfully completes the initial training program (and you pay us the associated training fee); (b) the manager signs a Confidentiality Agreement, the current form of which is attached to the Franchise Agreement as ATTACHMENT "F"; and (c) the Managing Owner agrees to assume responsibility for the supervision and operation of your Store if the manager is unable to perform his or her duties due to death, disability, termination of employment, or for any other reason, until such time that you obtain a suitable replacement manager.

At all times, the Managing Owner must monitor and supervise the activities of each manager to ensure the Store is operated in accordance with the Franchise Agreement and the Manual. We do not require that the manager own any equity interest in the franchise. At all times during normal business hours, either the Managing Owner or a trained manager must be present at your Store to provide on-site supervision and management.

All of your employees and other agents or representatives who may have access to our confidential information must sign a Confidentiality Agreement, the current form of which is attached to the Franchise Agreement as ATTACHMENT "F". If you are an entity, each owner (i.e., each person holding an ownership interest in you) and the spouse of each owner must sign a Franchise Owner Agreement, the form of which is attached to the Franchise Agreement as ATTACHMENT "D".

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We must approve all goods and services that you sell from or in connection with your Store. You must offer all goods and services that we require. You may not sell any goods or services that we have disapproved. We have the unrestricted right to change the goods and/or services that you are required to sell at any time in our sole discretion, and you must comply with any such change.

We may require that you participate in a gift card or other customer loyalty program in accordance with our policies and procedures. You must follow all of our policies regarding any gift card or loyalty program that we establish.

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

This table lists certain important provisions of the franchise agreement (FA), Area Development Agreement (ADA) and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
a. Length of the franchise term	FA: Section 4.1	Term is equal to 10 years.
	ADA: Section 2	Term expires on opening of last franchise to be developed under development schedule.
b. Renewal or extension of the term	FA: Section 4.1 & 4.2	If you meet our conditions for renewal, you can enter into 2 consecutive successor franchise agreements. Each renewal term will be 5 years, for a total maximum term of 20 years. The parties may mutually agree to further renewals but neither party is obligated to do so (subject to state law).
	ADA: Section 4.4	No renewal rights.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
c. Requirements for you to renew or extend	FA: Section 4.1 & 4.2	You must: not be in default; give us timely notice; sign our then-current form of franchise agreement and related documents (e.g., Franchise Owner Agreement, etc.); sign a general release (subject to state law); pay the renewal fee; remodel or upgrade your Store and its furniture, fixtures and equipment to comply with our then-current standards and specifications; and maintain possession of your Store under your lease. If you renew, you may be required to sign a contract with materially different terms and conditions than the original contract.
	ADA: Section 4.4	You may not renew or extend the term of the ADA.
d. Termination by you	FA: Section 21.1	You can terminate only if we fail to cure a material default within the cure period.
	ADA: Section 8	You can terminate under any grounds permitted by law.
e. Termination by us without cause	FA: Section 21.4	We can terminate without cause if you and we mutually agree to terminate.
	ADA: Not Applicable	Not applicable
f. Termination by us with cause	FA: Section 21.2 & 21.3	We can terminate if you default.
	ADA: Section 8	We can terminate if you default.
g. "Cause" defined - curable defaults	FA: Section 21.2 & 21.3	You have 10 days to cure any monetary default. You have 30 days to cure any other default (other than defaults described below under "non-curable defaults").
	ADA: Section 8	You have 30 days to cure any default, other than defaults described below under "non-curable defaults."
h. "Cause" defined - non-curable defaults	FA: Section 21.2	The following defaults cannot be cured: failure to successfully complete training; failure to find approved site or open in timely manner; insolvency, bankruptcy or seizure of assets; abandonment of franchise; failure to maintain required license or permit; conviction of certain types of crimes or subject of certain administrative actions; failure to comply with material law; commission of act that may adversely affect reputation of System or Marks; health or safety hazards; material misrepresentations; 2 nd underreporting of any amount due by at least 2%; unauthorized transfers; unauthorized use of our intellectual property; violation of brand protection covenant; breach of Franchise Owner Agreement by owner or spouse; termination of your lease due to your default; or termination of any other agreement between you and us or an affiliate due to your default. However, the termination of an ADA due to your default is not grounds for termination of any Franchise Agreement that is otherwise in good standing.
	ADA: Section 8	You cannot cure any default relating to the termination of a franchise agreement based on your default. Any termination of a franchise agreement is a default under the ADA allowing us to terminate without cure period.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
i. Your obligations on termination/non-renewal	FA: Section 22.1	Obligations include: complete deidentification; cease use of intellectual property; return of Manuals and all branded materials; assignment of telephone numbers, listings and domain names; cancellation of fictitious names; and payment of amounts due (also see “r”, below).
	ADA: Not Applicable	The ADA does not impose any specific obligations on you after it is terminated or expires.
j. Assignment of contract by us	FA: Section 20.1	No restriction on our right to assign.
	ADA: Section 7.1	No restriction on our right to assign.
k. “Transfer” by you – definition	FA: Section 20.2 & <u>ATTACHMENT "G"</u> (definition of “Transfer”)	Includes transfer of contract or assets, or ownership change.
	ADA: Section 1 (definition of “Transfer”) & 7.2	Includes transfer of contract or assets, or ownership change.
l. Our approval of transfer by you	FA: Section 20.2, 20.3 & <u>ATTACHMENT "G"</u> (definition of “Permitted Transfer”)	If certain conditions are met, you may transfer to a newly-formed entity owned by you, or in certain instances, to an existing owner, without our approval. We have the right to approve all other transfers but will not unreasonably withhold approval.
	ADA: Section 1 (definition of “Permitted Transfer”), 7.2 & 7.3	If certain conditions are met, you may transfer to a newly-formed entity owned by you, or in certain instances, to an existing owner, without our approval. We have the right to approve all other transfers but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	FA: Section 20.2	Transferee must: meet our qualifications; successfully complete training (or commit to do so); obtain all required licenses and permits; agree in writing to assume all of your obligations under any agreements relating to the Business; and sign a new franchise agreement for the remainder of the term (or at our option, take assignment of existing franchise agreement). You must: notify us in advance if you intend to offer your business for sale; be in compliance with Franchise Agreement; assign your lease, if applicable; remodel the Store and upgrade its furniture, fixtures and equipment to current standards (or get a commitment from transferee to do so); pay us the transfer fee; sign a general release (subject to state law); and provide 2 weeks of on-site training to transferee at no cost. We must notify you that we do not intend to exercise our right of first refusal.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
	ADA: Section 7.2	Transferee must meet our qualifications, successfully complete training (or commit to do so) and sign a new area development agreement for the remainder of the term (or at our option, take assignment of existing ADA). You must be in compliance with all Franchise Agreements and ADA, assign all Franchise Agreements to same purchaser unless we agree to contrary (or at our option, purchaser must sign our then current form of franchise agreement), comply with transfer provisions under Franchise Agreements, pay us the transfer fee and sign a general release (subject to state law). We must notify you that we do not intend to exercise our right of first refusal.
n. Our right of first refusal to acquire your business	FA: Section 20.5	We have the right to match any bona fide, arms-length offer for your business.
	ADA: Section 7.5	We have the right to match any bona fide, arms-length offer for your area development rights.
o. Our option to purchase your business	FA: Section 22.2	We have the option to purchase your Business at the expiration or termination of the Franchise Agreement.
	ADA: Not Applicable	We do not have a right to purchase your area development rights unless you attempt to transfer your rights to a third-party purchaser.
p. Your death or disability	FA: Section 20.4	Within 1 year, franchise must be assigned by estate to an assignee in compliance with conditions for other transfers. We may designate manager to operate the Business prior to transfer.
	ADA: Section 7.4	Within 1 year, franchise must be assigned by estate to an assignee in compliance with conditions for other transfers.
q. Non-competition covenants during the term of the franchise	FA: Section 15.2 & 15.3	No involvement in competing business; comply with non-disclosure covenants.
	ADA: Not Applicable	The ADA does not impose any noncompetition covenants.
r. Non-competition covenants after the franchise is terminated or expires	FA: Section 15.2, 15.4 & 22.1	No involvement for 2 years in competing business at your Store or within 25 miles of any other Store; comply with non-disclosure covenants; cease use of intellectual property.
	ADA: Not Applicable	The ADA does not impose any noncompetition covenants.
s. Modification of the agreement	FA: Section 25.3 & 25.8	Requires writing signed by both parties (except for unilateral changes to Manual or unilateral reduction of scope of restrictive covenants by us). Other modifications primarily to comply with various states laws.
	ADA: Section 11.6	Requires writing signed by both parties. Other modifications primarily to comply with various states laws.
t. Integration/merger clause	FA: Section 25.8	Only the terms of the Franchise Agreement and attachments to Franchise Agreement are binding (subject to state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
	ADA: Section 11.6	Only the terms of the ADA and attachments to ADA are binding (subject to state law). Any representations or promises made outside the Disclosure Document and ADA may not be enforceable. Nothing in the ADA or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	FA: Section 23	Subject to state law, all disputes must be mediated or arbitrated before litigation, except for certain disputes involving our intellectual property or compliance with restrictive covenants.
	ADA: Section 8.3	Subject to state law, all disputes must be mediated and then arbitrated before litigation.
v. Choice of forum	FA: Section 23	Subject to state law, all mediation, arbitration and litigation must take place in county where we maintain our principal place of business at time dispute arises (currently, Los Angeles County, California).
	ADA: Section 8.3	Subject to state law, all mediation, arbitration and litigation must take place in county where we maintain our principal place of business at time dispute arises (currently, Los Angeles County, California).
w. Choice of law	FA: Section 25.1	Subject to state law, California law governs, except laws and public policies of your state govern enforcement of the non-competition covenants
	ADA: Section 11.1	Subject to state law, California law governs, except laws and public policies of your state govern enforcement of the non-competition covenants

ITEM 18 PUBLIC FIGURES

We do not use any public figures 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.

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 Federal Trade Commission, the appropriate state regulatory agencies, and our management by contacting our President, Ms. Eunice Unmi Pak, at 701 S. Vermont Ave., Los Angeles, California 90005 or by phone at (213) 251-0001.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION
TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2019 TO 2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	28	40	+12
	2020	40	45	+5
	2021	45	46	+1
Company-Owned	2019	4	4	0
	2020	4	7	+3
	2021	7	7	0
Total Outlets	2019	32	44	+12
	2020	44	52	+8
	2021	52	53	+1

TABLE 2 - TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2019 TO 2021

State	Year	Number of Transfers
California	2019	4
	2020	5
	2021	5
Total	2019	4
	2020	5
	2021	5

TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2019 TO 2021

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
California	2019	28	12	0	0	0	0	40
	2020	40	7	0	0	2	0	45
	2021	45	5	4	0	0	0	46
Totals	2019	28	12	0	0	0	0	40
	2020	40	7	0	0	2	0	45
	2021	45	5	4	0	0	0	46

Notes:

1. In 2021, one franchisee in California terminated their Franchise Agreement prior to opening the outlet.

TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2019 TO 2021

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
California	2019	4	0	0	0	0	4
	2020	4	1	2	0	0	7
	2021	7	0	0	0	0	7
Totals	2019	4	0	0	0	0	4
	2020	4	1	2	0	0	7
	2021	7	0	0	0	0	7

TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2021

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	1	1	0
California	27	14	0
Nevada	1	1	0
Total	29	16	0

Our fiscal year ends on December 31st. A list of all current franchisees is attached to this Disclosure Document as EXHIBIT "F" (Part A), including their names and the addresses and telephone numbers of their outlets as of December 31, 2021. In addition, EXHIBIT "F" (Part B) lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

In the last 3 fiscal years, some franchisees have signed confidentiality agreements with us. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no (a) trademark-specific franchisee organizations associated with the franchise system being offered that we have created, sponsored or endorsed or (b) independent franchisee organizations that have asked to be included in this Disclosure Document.

ITEM 21 FINANCIAL STATEMENTS

Audited financial statements of Boba Time, Inc. for the fiscal years ended December 31, 2019, December 31, 2020 and December 31, 2021 are attached to this Disclosure Document as EXHIBIT "G".

ITEM 22 CONTRACTS

Attached to this Disclosure Document (or the Franchise Agreement attached to this Disclosure Document) are copies of the following franchise and other contracts or agreements proposed for use or in use in this state:

Exhibits to Disclosure Document

EXHIBIT "C" Franchise Agreement
EXHIBIT "D" Area Development Agreement
EXHIBIT "H"-1 State Addenda
EXHIBIT "H"-2 Franchisee Disclosure Questionnaire
EXHIBIT "H"-3 General Release

Attachments to Franchise Agreement

ATTACHMENT "B" Form of Site Approval Notice
ATTACHMENT "C" Lease Addendum
ATTACHMENT "D" Franchise Owner Agreement
ATTACHMENT "E" ACH Authorization Form
ATTACHMENT "F" Confidentiality Agreement

ITEM 23 RECEIPT

EXHIBIT "J" to this Disclosure Document are detachable receipts. You are to sign both, keep one copy and return the other copy to us.

EXHIBIT "A"

TO DISCLOSURE DOCUMENT

STATE AGENCIES AND ADMINISTRATORS

<u>CALIFORNIA</u> Commissioner of Financial Protection & Innovation Department of Financial Protection & Innovation 320 West 4th Street, #750 Los Angeles, CA 90013 (213) 576-7500 1-866-275-2677 <u>HAWAII</u> Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 <u>Agents for Service of Process:</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 <u>ILLINOIS</u> Illinois Attorney General Chief, Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465 <u>INDIANA</u> Secretary of State Securities Division Room E-018 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681 <u>MARYLAND</u> Office of the Attorney General Securities Division 200 St. Paul Place	Baltimore, Maryland 21202 (410) 576-6360 <u>Agent for Service of Process:</u> Maryland Securities Commission 200 St. Paul Place Baltimore, Maryland 21202-2020 <u>MICHIGAN</u> Franchise Section Consumer Protection Division 525 W. Ottawa Street, G. Mennen Williams Building, 1st Floor Lansing, MI 48913 (517) 335-7567 <u>MINNESOTA</u> Commissioner of Commerce Director of Registration 85 Seventh Place East, #280 St. Paul, Minnesota 55101-3165 (651) 539-1500 <u>NEW YORK</u> NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st fl New York, NY 10005 (212) 416-8285 <u>Agents for Service of Process:</u> New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231 <u>NORTH DAKOTA</u> North Dakota Securities Department State Capitol, 5th Floor, Dept 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712 <u>RHODE ISLAND</u> Department of Franchise Regulation 1511 Pontiac Avenue, John O. Pastore Complex, Bldg 69-1 Cranston, Rhode Island 02920 (401) 462-9527	<u>SOUTH DAKOTA</u> Department of Labor and Regulation Division of Insurance Securities Regulation 124 S Euclid, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563 <u>VIRGINIA</u> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051 <u>Agents for Service of Process:</u> Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 <u>WASHINGTON</u> Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760 <u>Mailing Address:</u> Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 <u>WISCONSIN</u> Department of Financial Institutions Division of Securities 201 W Washington Avenue, Suite 500, Madison, WI 53703 (608) 261-9555
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EXHIBIT "B"

TO DISCLOSURE DOCUMENT

FRANCHISOR'S AGENT FOR SERVICE OF PROCESS

Eunice Unmi Pak
701 S. Vermont Ave.
Los Angeles, California 90005

In states listed in EXHIBIT "A", the additional agent
for Service of Process is listed in EXHIBIT "A"

EXHIBIT "C"
TO DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

[See Attached]



FRANCHISE AGREEMENT

FRANCHISEE: _____
DATE: _____

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ATTACHMENTS

ATTACHMENT "A"	Deal Terms
ATTACHMENT "B"	Form of Site Approval Notice
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ATTACHMENT "D"	Franchise Owner Agreement
ATTACHMENT "E"	ACH Authorization Form
ATTACHMENT "F"	Confidentiality Agreement
ATTACHMENT "G"	Definitions

IT'S BOBA TIME FRANCHISE AGREEMENT

This It's Boba Time Franchise Agreement (this "Agreement") is entered into as of _____, 202__ (the "Effective Date") between Boba Time, Inc., a California corporation ("we" or "us") and _____, a(n) _____ ("you").

1. **DEFINITIONS.** Capitalized terms used in this Agreement are defined either in the body of this Agreement or in ATTACHMENT "G". For capitalized terms that are defined in the body of this Agreement, ATTACHMENT "G" lists the Sections of this Agreement in which such terms are defined.
2. **GRANT OF FRANCHISE.** We hereby grant you a license to own and operate an It's Boba Time store (your "Business" or your "Store") using our Intellectual Property from a single location that we approve. As a franchisee, you will establish and operate a specialty juice and snack bar that operate under name "It's Boba Time®" and features premium freshly made smoothies, snacks, desserts and beverages for dine-in and take-out service. We reserve all rights not expressly granted to you.
3. **TERRITORIAL RIGHTS AND LIMITATIONS.** We will grant you a territory (your "Territory") that will be determined as follows:
 - (i) if your Store is located within a Captive Venue, your Territory will be limited to premises of your Store (you will not receive any territory beyond your Store's premises);
 - (ii) if your Store is located in an urban area (but not within a Captive Venue), your Territory will consist of the geographic area within a ¼ mile radius from your Store; or
 - (iii) if your Store is located neither within a Captive Venue nor within an urban area, your Territory will consist of the geographic area within a one (1) mile radius from your Store.

The determination of whether an area qualifies as an "urban area" will be made as of the date the Territory is determined by reference to the most recently issued publication by the US Census Bureau defining an "urban area" and identifying "urban areas" located within the United States. If we approved the site for your Store prior to execution of this Agreement, then Part D of ATTACHMENT "A" shall identify the geographic area that comprises your Territory. If we have not approved the site for your Store prior to execution of this Agreement, then within 15 days after we approve the site for your Store we will send you a written notice (the "Site Approval Notice") that will identify: (a) the approved site for your Store; and (b) the geographic area that comprises your Territory, as determined by us in our sole discretion (but subject to the minimum population specified above). Your Territory will be protected, meaning we will not operate, or grant a franchise or license to a third party to operate, an It's Boba Time store that is physically located within your Territory during the Term, except as otherwise provided in this Section with respect to Captive Venues and Acquisitions. We reserve the right to: (a) operate, or grant franchises or licenses to third parties to operate, It's Boba Time stores in Captive Venues that are located in your Territory; and (b) engage in Acquisitions, even if as a result of an Acquisition one or more competitive businesses of the acquired or acquiring company begin using our Intellectual Property (including our Marks) and are located within your Territory. We reserve the right to sell, or grant franchises or licenses to third parties to sell, competitive or identical goods or services (including under the Marks) through Alternative Channels of Distribution, irrespective of whether the sales take place in your Territory.

4. **TERM AND RENEWAL.**

- 4.1. **Generally.** The term of this Agreement will begin on the Effective Date and expire 10 years thereafter (the "Term"). If this Agreement is the initial franchise agreement for your Store, you may enter into a maximum of two (2) successor franchise agreements (each, a "Successor Agreement") as long as you meet the conditions for renewal specified below. The Successor Agreement shall be the current form of franchise agreement that we use in granting It's Boba Time franchises as of the expiration of the Term or renewal term, as applicable. The terms and conditions of the Successor Agreement may vary materially and substantially from the terms and conditions of this Agreement. Upon renewal, we also reserve the right to modify the boundaries of your Territory in accordance

with our then-current territory guidelines and criteria. Each renewal term will be five (5) years, for a maximum total term of 20 years. You will have no further right to operate your Store following the expiration of the final renewal term unless we grant you another franchise in our sole discretion. If this Agreement is a Successor Agreement, the renewal provisions in your original franchise agreement will dictate the length of the Term of this Agreement as well as your remaining renewal rights, if any.

4.2. Renewal Requirements. In order to enter into a Successor Agreement, you and the Owners (as applicable) must:

- (i) notify us in writing of your desire to enter into a Successor Agreement not less than 180 days nor more than 270 days before the expiration of the Term or renewal term, as applicable;
- (ii) not be in default under this Agreement or any other agreement with us or any affiliate of ours at the time you send the renewal notice or the time you sign the Successor Agreement;
- (iii) sign the Successor Agreement and all ancillary documents that we require franchisees to sign;
- (iv) sign a General Release;
- (v) pay us a \$10,000 renewal fee;
- (vi) remodel your Store (these remodeling costs will not exceed \$60,000, subject to CPI adjustments) and upgrade your furniture, fixtures and equipment to comply with our then-current standards and specifications;
- (vii) have the right under your lease to maintain possession of your premises for the duration of the renewal term; and
- (viii) take any additional action that we reasonably require.

4.3. Interim Term. If you do not sign a Successor Agreement after the expiration of the Term and you continue to accept the benefits of this Agreement, then at our option, this Agreement may be treated either as: (a) expired as of the date of the expiration with you then operating without a franchise to do so and in violation of our rights; or (b) continued on a month-to-month basis (the “Interim Term”) until either party provides the other party with 30 days’ prior written notice of the party’s intention to terminate the Interim Term. In the latter case, all of your obligations will remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations and restrictions imposed on you upon the expiration or termination of this Agreement will be deemed to take effect upon the termination of the Interim Term.

Except as otherwise permitted by this Section 4, you have no right to continue to operate your Business following the expiration of the Term.

5. TRAINING AND CONFERENCES

- 5.1. Initial Training Program.** The Managing Owner and up to one (1) additional person must attend and successfully complete our initial training program to our satisfaction before you open your Store.
- 5.2. Initial Training For New Owners/Managers.** If you hire a new manager or appoint a new Managing Owner after we conduct our pre-opening initial training program, the new manager or Managing Owner, as applicable, must attend and successfully complete our then-current initial training program.
- 5.3. Periodic Training.** We may offer periodic refresher or additional training courses for your Owners and managers. Attendance at these training programs is mandatory unless we designate the program as optional.
- 5.4. Additional Training Upon Request.** Upon your written request, we may, but need not, provide additional assistance or training to you at a mutually convenient time.

- 5.5. **Remedial Training.** If we conduct an inspection of your Store and determine that you are not operating your Store in compliance with this Agreement and/or the Manual, we may, at our option, require that your Managing Owner and managers attend remedial training that is relevant to your operational deficiencies.
- 5.6. **Conferences.** We may hold periodic national or regional conferences to discuss various business issues and operational and general business concerns affecting It's Boba Time stores. Attendance at these conferences is mandatory. Each conference will not exceed three (3) days in duration, and we will not require attendance at more than two (2) conferences during any calendar year.
- 5.7. **Training Fees and Expenses.** If this Agreement is for your first (1st) Store, we will provide our pre-opening initial training program at no additional charge (the training fee is included as part of the initial franchise fee). You must pay us a training fee of up to \$350 per day (for a maximum of 6 hours of training per day) for:
- (i) each person that attends our initial training program after you open your Store (such as new Managing Owners or managers);
 - (ii) any person who must retake training after failing to successfully complete training on a prior attempt;
 - (iii) any remedial training that we require based on your operational deficiencies;
 - (iv) each person you send to our pre-opening initial training program in connection with your second (2nd) or subsequent Store (pre-opening training is provided as part of the initial franchise fee for your first (1st) Store; pre-opening initial training is optional for your second (2nd) and subsequent Stores);
 - (v) each person to whom we provide additional training that you request; and
 - (vi) each person who attends any system-wide or additional training that we conduct (although we generally do not charge for this training unless conducted by a third party such as a vendor or manufacturer).

We may charge you a conference registration fee of up to \$400 per person per day. If we agree to provide onsite training or assistance, you must also reimburse us for all costs incurred by our representative for meals, travel and lodging. You are responsible for all expenses and costs that your trainees incur for training or attending conferences, including wages, travel and living expenses. If you transfer your franchise, we may charge the new franchisee a \$2,000 initial training fee to attend our initial training program. All training fees and expense reimbursements are due 10 days after invoicing.

6. OTHER FRANCHISOR ASSISTANCE.

- 6.1. **Manual.** During the Term, we will provide you with access to our confidential Brand Standards Manual (the "Manual") in text or electronic form. The Manual will help you establish and operate your Business. The information in the Manual is confidential and proprietary and may not be disclosed to third parties without our prior approval.
- 6.2. **Opening Assistance.** If this Agreement is for your first Store, we will send a corporate trainer to your Store for up to 14 days to provide on-site training and assistance relating to the opening of your Store. This on-site assistance is an informal training program where our corporate trainer provides on-site training, assists in coordinating your opening activities, monitors your operations, and assist you with the opening of your Store. You must reimburse us for all expenses we incur in sending our corporate trainer to your Store, including hourly rates charged by the trainer and reasonable travel, meals, lodging and other expenses that our corporate trainer incurs. You agree to reimburse us for these amounts within 10 days after invoicing. We need not provide any opening assistance for your second or subsequent Stores.

- 6.3. **General Guidance.** Based upon our periodic inspections of your Store or reports that you submit to us, we will provide our guidance and recommendations on ways to improve the marketing and/or operation of your Store.
- 6.4. **Marketing Assistance.** As further described in Section 11.1 and Section 11.2, we will administer the brand and system development fund and provide you with other marketing assistance during the Term.
- 6.5. **Website.** We will maintain a corporate website for our brand that will include the information about your Store that we deem appropriate. We may modify the content of and/or discontinue the website at any time in our sole discretion.
- 6.6. **Purchase Agreements.** We may, but need not, negotiate purchase agreements with suppliers to obtain discounted prices for us and our franchisees. If we succeed in negotiating a purchase agreement, we will arrange for you to be able to purchase the goods directly from the supplier at the discounted prices that we negotiate (subject to any rebates the supplier pays to us). We may also purchase certain items from suppliers in bulk and resell them to you at our cost plus shipping fees and a reasonable markup.
- 6.7. **New Merchandise and Menu Items.** We may, but need not, develop new recipes, menu items and/or merchandise for sale at your Store. If we develop any merchandise, you must at all times maintain a reasonable supply of such merchandise at your Store.

7. ESTABLISHING YOUR STORE

- 7.1. **Site Selection.** You agree to locate and obtain our approval of the premises from which you will operate your Store within 180 days after the Effective Date. The premises must be located within the Site Selection Area identified in Part B of ATTACHMENT "A" (the "Site Selection Area") and must conform to our minimum site selection criteria. You must send us a complete site report (containing the demographic, commercial and other information, photographs and video tapes that we may reasonably require) for your proposed site. We have the right to accept or reject all proposed sites in our commercially reasonable judgment. We will use our best efforts to approve or disapprove a proposed site within 15 business days after we receive all of the requisite materials. Your site is deemed disapproved if we fail to issue our written approval within the 15 business day period. If we have approved the site for your Store prior to execution of this Agreement, then the address of the approved site will be listed in Part C of ATTACHMENT "A". If we have not approved your site for your Store prior to execution of this Agreement, then within 15 days after we approve your site we will send you the Site Approval Notice that will identify: (a) the approved site for your Store; and (b) the geographic area that comprises your Territory. Within five (5) business days after we send you the Site Approval Notice, you must sign and date the franchisee acknowledgment section of the Site Approval Notice and send us a copy for our records. Our approval of the site, and our designation of your Territory, in the Site Approval Notice shall be deemed immediately effective and binding on you at the time we issue such notice, regardless of whether you sign and/or send us the signed acknowledgment. You understand that our approval of a site does not constitute a representation or warranty of any kind, express or implied, of the suitability of the site for an It's Boba Time store. Our approval of the site indicates only that we believe the site meets our minimum criteria.
- 7.2. **Lease.** If you will lease the premises for your Store, we must review and approve the lease before you sign it. The scope of our review is limited to ensuring that it meets our minimum brand compliance standards (we do not review or provide feedback on the business terms, such as the reasonableness of the rent charged). You must use your best efforts to ensure your landlord signs the Lease Addendum that is attached to this Agreement as ATTACHMENT "C". If your landlord refuses to sign the Lease Addendum in substantially the form attached to this Agreement, we have the right to disapprove of your lease in our commercially reasonable judgment, in which case you must find a new site for your Store. You must promptly send us a copy of your fully executed lease and Lease Addendum for our records.

- 7.3. **Construction.** We will provide you with generic prototype plans for a Store, including requirements for dimensions, design, image, interior layout, décor, fixtures, equipment and color scheme. You must utilize the supplier that we designate to provide architectural and interior design services relating to the development of your Store. Our designated architect must prepare detailed construction plans and ensure these plans comply with all federal, state and local laws, regulations and ordinances (including, without limitation, the Americans with Disabilities Act), building codes, permits requirements, and lease requirements and restrictions applicable to the premises. You must submit the final plans to us for approval. Once approved, you must, at your sole expense, construct and equip the premises to the specifications contained in the Manual and purchase (or lease) and install the equipment, fixtures, signs and other items that we require. We will assist you with the purchase of required equipment, signs, fixtures, opening inventory and supplies by helping you set up accounts with approved suppliers.
- 7.4. **Opening.** You must open your Store to the public within one (1) year after the Effective Date. You may not open your Store prior to receipt of a written authorization to open issued by us. We will not issue an authorization to open before:
- (i) your Managing Owner and initial manager have successfully completed our initial training program;
 - (ii) you purchase all required insurance policies and provide us with evidence of coverage;
 - (iii) you obtain all required licenses, permits and other governmental approvals;
 - (iv) you have paid us the initial franchise fee and all other amounts due to us and our affiliates; and
 - (v) we have reviewed and approved the construction, build-out and layout of your Store as meeting our required standards and specifications.

You must send us a written notice identifying your proposed opening date at least 30 days before opening. We may conduct a pre-opening inspection of your Store and you agree to make any changes we require before opening. BY VIRTUE OF OPENING YOUR BUSINESS, YOU ACKNOWLEDGE THAT WE HAVE FULFILLED ALL OF OUR PRE-OPENING OBLIGATIONS TO YOU.

- 7.5. **Relocation.** You may relocate your Store with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate, you must: (a) locate your new Store within the Site Selection Area (but outside any territory granted to us, our affiliate or any other franchisee); (b) comply with Sections 7.1 through Section 7.4 of this Agreement with respect to your new Store (excluding the one year opening period); and (c) open your new Store and resume operations within 30 days after closing your prior Store.

8. MANAGEMENT AND STAFFING.

- 8.1. **Owner Participation.** You acknowledge that a major requirement for the success of your Store is the active, continuing, and substantial personal involvement and hands-on supervision by your Managing Owner. The Managing Owner must dedicate full time efforts to the management and operation of your Business. We recommend, but do not require, that your Managing Owner also serve as the on-premises manager of the Store. Any new Managing Owner that we approve must successfully complete the initial training program. At all times during the Term, the Managing Owner must hold at least a 20% ownership interest in the franchise or the Entity that is the franchisee under this Agreement, as applicable.
- 8.2. **Managers.** You may hire a manager to assume responsibility for the daily on-site management and supervision of your Store, but only if: (a) the manager successfully completes the initial training program at your expense; (b) the manager signs a Confidentiality Agreement; and (c) the Managing Owner agrees to assume responsibility for the on-site management and supervision of your Store if

the manager is unable to perform his or her duties due to death, disability, termination of employment, or for any other reason, until such time that you obtain a suitable replacement manager. At all times, the Managing Owner must dedicate commercially reasonable efforts to monitoring and supervising the activities of each manager to ensure the Store is managed and operated in accordance with this Agreement and the Manual. At all times during normal business hours, either the Managing Owner or a trained manager must be present at your Store to provide on-site supervision and management.

- 8.3. Employees.** You must determine appropriate staffing levels for your Business to ensure full compliance with this Agreement and our system standards. You may hire, train and supervise employees to assist you with the proper operation of the Store. You must pay all wages, commissions, fringe benefits, worker's compensation premiums and payroll taxes (and other withholdings required by law) due for your employees. These employees will be employees of yours and not of ours. We do not control the day to day activities of your employees or the manner in which they perform their assigned tasks. You must inform your employees that you exclusively supervise their activities and dictate the manner in which they perform their assigned tasks. In this regard, you must use your legal business entity name (not our Marks or a fictitious name) on all employee applications, paystubs, pay checks, employment agreements, time cards, and similar items. We also do not control the hiring or firing of your employees. You have sole responsibility and authority for all employment related decisions, including employee selection and promotion, hours worked, rates of pay and other benefits, work assignments, training and working conditions. We will not provide you any advice or guidance on these matters. You must require that your employees review and sign the acknowledgment form we prescribe that explains the nature of the franchise relationship and notifies the employee that you are his or her sole employer. You must also post a conspicuous notice for employees in the back-of-the-house area explaining your franchise relationship with us and that you (and not we) are the employee's sole employer. We may prescribe the form and content of this notice.
- 8.4. Interim Manager.** We have the right, but not the obligation, to designate an individual of our choosing (an "Interim Manager") to manage your Store if either: (a) your Managing Owner ceases to perform the responsibilities of a Managing Owner (whether due to retirement, death, disability, or for any other reason) and you fail to appoint an approved replacement Managing Owner, who has successfully completed all training we require, within 30 days; or (b) you are in material breach and fail to cure the breach before the expiration of the applicable cure period (if any). The Interim Manager will cease to manage your Store at such time that you appoint an approved replacement Managing Owner who has completed training or you cure the material breach, as applicable. If we appoint an Interim Manager, you agree to pay us a commercially reasonable management fee (not to exceed 10% of Gross Sales) generated during the period of time that the Interim Manager manages your Store, which shall be in addition to all other fees owed under this Agreement. You must also reimburse us for all travel and living expenses incurred by the Interim Manager. The Interim Manager will have no liability to you except for gross negligence or willful misconduct. We will have no liability to you for the activities of an Interim Manager unless we are grossly negligent in appointing the Interim Manager.
- 9. FRANCHISEE AS ENTITY.** If you are an Entity, you represent that Part A of ATTACHMENT "A" includes a complete and accurate list of all of your Owners. Upon our request, you must provide us with a resolution of the Entity authorizing the execution of this Agreement, a copy of the Entity's organizational documents and a current Certificate of Good Standing (or the functional equivalent thereof). You represent that the Entity is duly formed and validly existing under the laws of the state of its formation or incorporation.
- 10. FRANCHISE OWNER AGREEMENT.** If you are an Entity, all Owners (whether direct or indirect) and their spouses must sign a Franchise Owner Agreement, the current form of which is attached as ATTACHMENT "D".

11. ADVERTISING & MARKETING.

11.1. Brand and System Development Fund.

- (a) Administration. We have established and administer a brand and system development fund to promote public awareness of our brand and to improve our System. We may use the fund to pay for any of the following in our sole discretion:
- (i) developing, maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs;
 - (ii) conducting and administering promotions, contests or giveaways;
 - (iii) public awareness of any of the Marks;
 - (iv) public and consumer relations and publicity;
 - (v) brand development;
 - (vi) administering a call center for consumer inquiries;
 - (vii) research and development of technology, products and services;
 - (viii) website development and search engine optimization;
 - (ix) development and implementation of quality control programs, including the use of mystery shoppers or customer satisfaction surveys;
 - (x) conducting market research;
 - (xi) changes and improvements to the System;
 - (xii) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts;
 - (xiii) collecting and accounting for contributions to the fund;
 - (xiv) preparing and distributing financial accountings of the fund;
 - (xv) any other programs or activities that we deem necessary or appropriate to promote or improve the System; and
 - (xvi) direct or indirect labor, administrative, overhead and other expenses incurred by us and/or our affiliates in relation to any of these activities (including salary, benefits and other compensation of any our or our affiliate's officers, directors, employees or independent contractors based upon time spent working on any brand fund matters described above).

We have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location and all other matters pertaining to any of the foregoing activities. Any surplus of monies in the fund may be invested and we may lend money to the fund if there is a deficit. The fund is not a trust and we have no fiduciary obligations to you with respect to our administration of the fund. A financial accounting of the operations of the fund, including deposits into and disbursements from the fund, will be prepared annually and made available to you upon request. In terms of marketing activities paid for by the fund, we do not ensure that these expenditures in or affecting any geographic area are proportionate or equivalent to the fund contributions by franchisees operating in that geographic area or that any franchisee benefits directly or in proportion to their fund contributions. We reserve the right to discontinue the fund at any time in our sole discretion upon at least 30 days' prior notice.

- (b) Contributions. On each royalty payment due date, you must pay us a brand and system development fund fee equal to 2% of your Gross Sales generated during the immediately preceding reporting period. We will deposit into the fund all: (i) fund contributions paid by you and other franchisees; and (ii) fines paid by you and other franchisees.

11.2. Marketing Assistance From Us. We may create and make available to you advertising and other marketing materials for your purchase. We may use the brand and system development fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may make these materials available over the Internet (in which case you must arrange for printing the materials and paying all printing costs). Alternatively, we may enter into relationships with third-party suppliers who will create the advertising or marketing materials for your purchase. We will provide reasonable marketing consulting, guidance and support throughout the Term on an as-needed basis.

11.3. Your Marketing Activities.

- (a) Generally. Although you are encouraged to engage in local advertising, you are not required to spend any minimum amount on local advertising to promote your Store. However, you agree to participate at your own expense in all advertising, promotional and marketing programs that we require, including obtaining and maintaining a bold listing in your local white pages directory and maintain a yellow pages advertisement in the form we specify. We may require other minimum advertising obligations in the Manual from time to time. You also agree to comply with any gift card program that we establish, the specific terms of which may be set forth in the Manual.
- (b) Standards for Advertising. All advertisements and promotions that you create or use must be completely factual and conform to the highest standards of ethical advertising and comply with all federal, state and local laws. You must ensure that your advertisements and promotional materials do not infringe upon the intellectual property rights of others. We reserve the right to require that you comply with any minimum advertised pricing policy that we establish from time to time. You must follow any policies that we establish from time to time governing a franchisee's right to engage in marketing or advertising outside of the franchisee's territory.
- (c) Approval of Advertising. Before you use them, we must approve all advertising and promotional materials that we did not prepare or previously approve (including materials that we prepared or approved and you modify). We will be deemed to have disapproved the materials if we fail to issue our approval within 10 days after receipt. You may not use any advertising or promotional materials that we have disapproved (including materials that we previously approved and later disapprove).
- (d) Internet and Websites. You may market your Store through approved social media channels in accordance with our social media policy. We may require that you utilize our designated supplier for social media marketing services. At this time, we do not allow our franchisees to maintain their own websites (other than the localized webpage that we provide) or market their stores on the Internet (other than through approved social media outlets). Accordingly, you may not maintain a website, conduct e-commerce, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with your Store. If we change our policy at a later date to allow franchisees to maintain their own websites or market on the Internet, you may do so only if you comply with all of the website and Internet requirements that we specify.

12. OPERATING STANDARDS.

12.1. Generally. You agree to operate your Store: (a) in a manner that will promote the goodwill of the Marks; and (b) in full compliance with our standards and all other terms of this Agreement and the Manual.

12.2. Brand Standards Manual. You agree to establish and operate your Store in accordance with the Manual. The Manual may contain, among other things:

- (i) a description of the authorized goods and services that you may offer at your Store;
- (ii) mandatory and suggested specifications, operating procedures, and quality standards for products, services and procedures that we prescribe for It's Boba Time stores;
- (iii) mandatory reporting and insurance requirements;
- (iv) mandatory and suggested specifications for your Store's facility;
- (v) policies and procedures pertaining to any gift card or loyalty program that we establish;
- (vi) policies and procedures pertaining to marketing and advertising;
- (vii) policies relating to data ownership, protection, sharing and use; and
- (viii) a written list of goods and services (or specifications for goods and services) you must purchase for the development and operation of your Store and a list of any designated or approved suppliers for these goods or services.

The Manual is designed to establish and protect our brand standards and the uniformity and quality of the goods and services offered by our franchisees. We can modify the Manual at any time. The modifications will become binding at the time we notify you of the modification (subject to any "grace period" we provide to implement the change). All mandatory provisions contained in the Manual (whether they are included now or in the future) are binding on you.

12.3. Authorized Goods and Services. You agree to offer all goods and services that we require from time to time in our commercially reasonable discretion. You may not offer any other goods or services at or in connection with your Store without our prior written permission. You may not use your Store or permit your Store to be used for any purpose other than offering the goods and services that we authorize. We may, without obligation to do so, add, modify or delete authorized goods and services, and you must do the same upon notice from us. Our addition, modification or deletion of one or more goods or services shall not constitute a termination of the franchise or this Agreement.

12.4. Pricing. We will provide you with our suggested retail pricing. You may deviate from our suggested retail pricing in your discretion. However, you must obtain our approval of any deviation that is more than 5% higher or lower than our suggested retail pricing, unless such pricing is part of a temporary advertising campaign that we require or approve or the discount is part of our loyalty program. To the extent permitted by applicable law, we may set maximum or minimum prices on the goods and services you offer.

12.5. Suppliers and Purchasing. You agree to purchase or lease all products, supplies, equipment, services and other items specified in the Manual from time to time. If required by the Manual, you agree to purchase certain goods and services only from suppliers designated or approved by us (which may include, or be limited exclusively to, us or our affiliate). You acknowledge that our right to specify the suppliers that you may use is necessary and desirable so that we can control the uniformity and quality of goods and services used, sold or distributed in connection with the development and ongoing operation of It's Boba Time stores, maintain the confidentiality of our trade secrets, obtain discounted prices for our franchisees if we choose to do so, and protect the reputation and goodwill associated with the System and the Marks. If we receive rebates or other financial consideration from these suppliers based upon franchisee purchases, we have no obligation to pass these amounts on to you or to use them for your benefit. If you want us to approve a supplier that you propose, you must send us a written notice specifying the supplier's name and qualifications and provide any additional information that we request. We will approve or reject your request within 30 days after we receive your notice and all additional information (and samples) that we require. We shall be deemed to have rejected your request if we fail to issue our approval within the 30-day period. You must reimburse

us for all costs and expenses that we incur in reviewing a proposed supplier within 10 days after invoicing.

12.6. Equipment Maintenance and Changes. You agree to maintain all of your equipment in good condition and promptly replace or repair any equipment that is damaged, worn-out or obsolete. We may require that you change your equipment, which may require you to make additional investments. You acknowledge that our ability to require franchisees to make significant changes to their equipment is critical to our ability to administer and change the System and you agree to comply with any such required change within the time period that we reasonably prescribe.

12.7. Technology Systems.

- (a) Generally. You must acquire and utilize all information and communication technology systems that we specify from time to time, including, without limitation, computer systems, point-of-sale system, webcam systems, telecommunications systems, security systems, music systems and similar systems, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps, and third-party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems (collectively referred to as the “Technology Systems”). The Technology Systems may relate to matters such as purchasing, pricing, accounting, order entry, inventory control, security, information storage, retrieval and transmission, customer information, customer loyalty, marketing, communications, copying, printing and scanning, or any other business purpose that we deem appropriate. We may require that you, at your expense, acquire new or substitute Technology Systems, and/or replace, upgrade or update existing Technology Systems, upon reasonable prior notice.
- (b) Use and Access. You must utilize your Technology Systems in accordance with the Manual. You may not load or permit any unauthorized programs or games on your Technology Systems. You must ensure that your employees are adequately trained in the use of the Technology Systems. You agree to take all steps necessary to enable us to have independent and unlimited access to the operational data collected through your Technology Systems, including information regarding your Gross Sales for purposes of calculating fees owed. Upon our request, you agree to provide us with the user IDs and passwords for your Technology Systems, including upon termination or expiration of this Agreement.
- (c) Disruptions. You are solely responsible for protecting against computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Upon our request, you must obtain and maintain cyber insurance and business interruption insurance for technology disruptions.
- (d) Fees and Costs. You are responsible for all fees, costs and expenses associated with acquiring, licensing, utilizing, updating and upgrading the Technology Systems. Certain components of the Technology Systems must be purchased or licensed from third-party suppliers. We and/or our affiliate may develop proprietary software, technology or other components of the Technology Systems that will become part of our System. If this occurs: (i) you agree to pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees; and (ii) upon our request, you agree to enter into a license agreement with us (or our affiliate) in a form that we prescribe governing your use of the proprietary software, technology or other component of the Technology Systems. We also reserve the right to enter into master agreements with third-party suppliers relating to any components of the Technology Systems and then charge you for all amounts that we must pay to these suppliers based upon your use of the software, technology, equipment, or services provided by the suppliers. The “technology fee” includes all amounts that you must pay us or our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts that we collect from you and remit to third-party suppliers based on your use of their systems, software, technology or

services. The amount of the technology fee may change based upon changes to the Technology Systems or the prices charged by third-party suppliers with whom we enter into master agreements. The technology fee does not include any amounts that you directly pay to third-party suppliers for any component of the Technology Systems. The technology fee is due 10 days after invoicing or as otherwise specified by us from time to time.

- 12.8. Remodeling and Maintenance.** As a condition to you renewing or transferring the franchise, you agree to remodel and make all improvements and alterations to your Store that we reasonably require to reflect our then-current design, image and specifications. The cost of this remodeling obligation will not exceed \$60,000 (for remodeling required as a condition to renewal) or \$30,000 (for remodeling required as a condition to transfer). You may not remodel or significantly alter your premises without our prior written approval, which will not be unreasonably withheld. However we will not be required to approve any proposed remodeling or alteration if the same would not conform to our then-current specifications, standards or image requirements. You agree to maintain your Store in good order and condition, reasonable wear and tear excepted, and make all necessary repairs, including replacements, renewals and alterations, at your sole expense, to comply with our standards and specifications. Without limiting the generality of the foregoing, you agree to take the following actions at your sole expense: (a) thorough cleaning, repainting, redecorating of the interior and exterior of the Store at the intervals we may prescribe (or at such earlier times that such actions are required or advisable); and (b) interior and exterior repair of the Store as needed. You agree to comply with any maintenance, cleaning or facility upkeep schedule that we prescribe from time to time.
- 12.9. Gift Card and Loyalty Programs.** We may require that you participate in a gift card or other customer loyalty program in accordance with our policies and procedures. In order to participate, you may be required to purchase and utilize additional equipment, software and/or Apps and pay fees relating to the use of that equipment, software and/or Apps. If we establish a gift card program, we have the right to determine how the proceeds from the sale of gift cards will be divided or otherwise accounted for, and we reserve the right to retain the amount of any unredeemed gift cards. You agree to comply with all policies and procedures that we specify from time to time relating to customers who purchase a gift card at one store and redeem products or services from one or more other stores. We may implement new software and/or Apps to monitor sales and allocate payments to the store where goods or services are redeemed (either in whole or on a percentage basis), in which case we may require that the proceeds from gift card sales be deposited into a trust account that we control. You agree to comply with all policies and procedures that we specify and we may modify these policies and procedures at any time.
- 12.10. Hours of Operation.** Your Store must be open a minimum of 10 hours per day, seven (7) days a week, subject to any conflicting lease restrictions or applicable laws (we may change these minimum days and hours of operation through updates to the Manual). You must establish specific hours of operation and submit those hours to us for approval.
- 12.11. Customer Complaints.** If you receive a customer complaint, you must follow the complaint resolution process that we specify to protect the goodwill associated with the Marks.
- 12.12. Failure to Comply with Standards.** You acknowledge the importance of every one of our standards and operating procedures to the reputation and integrity of the System and the goodwill associated with the Marks. If we notify you of a failure to comply with our standards or operating procedures (including, without limitation, failure to provide required reports in a timely manner) and you fail to correct the non-compliance within the period of time that we require, then, in addition to any other remedies available to us under this Agreement, we may impose a fine of up to \$500 per occurrence. We may impose an additional fine for every 24 hours that the same non-compliance issue remains uncured following our imposition of the initial fine.
- 13. FRANCHISE ADVISORY COUNCIL.** We may, but need not, create a franchise advisory council to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. We will consider all suggestions from the advisory council in good

faith, but we are not bound by any such suggestions. The advisory council will be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of representatives of the advisory council who will communicate with us on matters raised by the advisory council. You will have the right to be a member of the advisory council as long as you are not in default under this Agreement and you do not act in a disruptive, abusive or counter-productive manner, as determined by us in our discretion. As a member, you will be entitled to all voting rights and privileges granted to other members of the council. Each member will be granted one vote on all matters on which members are authorized to vote.

14. FEES

- 14.1. Initial Franchise Fee.** You agree to pay us a \$40,000 initial franchise fee in one lump sum at the time you sign this Agreement (or, if applicable, any discounted initial franchise fee specified in an area development agreement signed by you and us). The initial franchise fee is fully earned by us and non-refundable once this Agreement has been signed.
- 14.2. Royalty Fee.** On the day of each week that we specify from time to time (referred to as the “royalty payment due date”), you agree to pay us a royalty fee equal to 5% of your Gross Sales generated during the immediately preceding reporting period. The current reporting period runs from the opening of business on Monday through the close of business on Sunday and the current royalty payment due date is the Wednesday immediately following the end of the prior reporting period. From time to time, we may change the reporting period and weekly royalty payment due date through updates to the Manual.
- 14.3. Other Fees and Payments.** You agree to pay all other fees, expense reimbursements and other amounts specified in this Agreement in a timely manner as if fully set forth in this Section 14. You also agree to promptly pay us an amount equal to all taxes levied or assessed against us based upon goods or services that you sell or based upon goods or services that we furnish to you (other than income taxes that we pay based on amounts that you pay us under this Agreement).
- 14.4. Late Fee.** If any sums due under this Agreement have not been received by us when due (or there are insufficient funds in your Account to cover any sums owed to us when due) then, in addition to those sums, you must pay us a late fee of \$100 plus default interest on the amounts past due at the rate equal to the lesser of 18% per annum (pro-rated on a daily basis), or the highest rate permitted by your State’s law. If no due date has been specified by us, then interest begins to run 10 days after we bill you. We will not impose a late fee for any amounts paid pursuant to Section 14.5 if, but only to the extent that, sufficient funds were available in your Account to be applied towards the payments at the time the payments became due and payable. However, we may impose a late fee for any amounts that we are unable to reasonably determine due to your failure to furnish us with a report required by Section 16.3 within the required period of time or record sales in a timely manner, in which case we may assess a late fee on the entire amount that was due and payable. You acknowledge that this Section 14.4 shall not constitute our agreement to accept the late payments after same are due, or a commitment by us to extend credit to or otherwise finance the operation of your Business.
- 14.5. Method of Payment.** Prior to opening your Store, you must complete and send us an ACH Authorization Form allowing us to electronically debit a banking account that you designate (your “Account”) for: (a) all fees payable to us pursuant to this Agreement (other than amounts paid prior to opening); and (b) any amounts that you owe to us or any of our affiliates for the purchase of goods or services after opening. We will debit your Account for these payments on or after the due date. Our current form of ACH Authorization Form is attached to this Agreement as ATTACHMENT "E". You must sign and deliver to us any other documents that we or your bank may require to authorize us to debit your Account for these amounts. You must deposit into the Account all revenues that you generate from the operation of your Business. You must make sufficient funds available for withdrawal by electronic transfer before each due date. If there are insufficient funds in your Account to cover all amounts that you owe, any excess amounts that you owe will be payable upon demand, together with any late charge imposed pursuant to Section 14.4. We may also impose a \$50 NSF fee

for each instance where either (a) there are insufficient funds in your Account to cover amounts owed or (b) a check you issue to us is returned due to insufficient funds.

- 14.6. Application of Payments.** We have sole discretion to apply any payments from you to any past due indebtedness of yours or in any other manner we feel appropriate.

15. BRAND PROTECTION COVENANTS.

- 15.1. Reason for Covenants.** You acknowledge that the Intellectual Property and the training and assistance that we provide would not be acquired except through implementation of this Agreement. You also acknowledge that competition by you, the Owners or persons associated with you or the Owners (including family members) could seriously jeopardize the entire franchise system because you and the Owners have received an advantage through knowledge of our day-to-day operations and Know-how related to the System. Accordingly, you and the Owners agree to comply with the covenants described in this Section to protect the Intellectual Property and our franchise system.

- 15.2. Our Know-how.** You and the Owners agree:

- (i) neither you nor any Owner will use the Know-how in any business or capacity other than the operation of your Business pursuant to this Agreement;
- (ii) you and the Owners will maintain the confidentiality of the Know-how at all times;
- (iii) neither you nor any Owner will make unauthorized copies of documents containing any Know-how;
- (iv) you and the Owners will take all reasonable steps that we require from time to time to prevent unauthorized use or disclosure of the Know-how; and
- (v) you and the Owners will stop using the Know-how immediately upon the expiration, termination or Transfer of this Agreement, and any Owner who ceases to be an Owner before the expiration, termination or Transfer of this Agreement will stop using the Know-how immediately at the time he or she ceases to be an Owner.

- 15.3. Unfair Competition During Term.** You and your Owners agree not to unfairly compete with us during the Term by engaging in any of the following activities ("Prohibited Activities"): (a) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in any Competitive Business, other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business; or (b) diverting or attempting to divert any business from us (or one of our affiliates or franchisees).

- 15.4. Unfair Competition After Term.** During the Post-Term Restricted Period, you and your Owners agree not to engage in any Prohibited Activities. Notwithstanding the foregoing, you and your Owners may have an interest in a Competitive Business during the Post-Term Restricted Period as long as the Competitive Business is not located within the Restricted Territory. If you or an Owner engages in a Prohibited Activity during the Post-Term Restricted Period (other than having an interest in a Competitive Business that is permitted under this Section), then the Post-Term Restricted Period applicable to you or the non-compliant Owner, as applicable, shall be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the Prohibited Activity.

- 15.5. Immediate Family Members.** The Owners acknowledge that they could circumvent the purpose of Section 15 by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). The Owners also acknowledge that it would be difficult for us to prove whether the Owners disclosed the Know-how to family members. Therefore, each Owner agrees that he or she will be presumed to have violated the terms of Section 15 if any member of his or her immediate family engages in any Prohibited Activities during the Term or Post-Term Restricted Period or uses

or discloses the Know-how. However, the Owner may rebut this presumption by furnishing evidence conclusively showing that the Owner did not disclose the Know-how to the family member.

- 15.6. Employees and Others Associated with You.** You must ensure that all of your employees, officers, directors, partners, members, independent contractors and other persons associated with you or your Business who may have access to our Know-how sign and send us a Confidentiality Agreement before having access to our Know-how. You must use your best efforts to ensure that these individuals comply with the terms of the Confidentiality Agreements and you must immediately notify us of any breach that comes to your attention. You agree to reimburse us for all reasonable expenses that we incur in enforcing a Confidentiality Agreement, including reasonable attorneys' fees and court costs.
- 15.7. Covenants Reasonable.** You and the Owners acknowledge and agree that: (a) the terms of this Agreement are reasonable both in time and in scope of geographic area; (b) our use and enforcement of covenants similar to those described above with respect to other franchisees benefits you and the Owners in that it prevents others from unfairly competing with your Business; and (c) you and the Owners have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU AND THE OWNERS HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS SECTION 15 AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**
- 15.8. Breach of Covenants.** You and the Owners agree that failure to comply with the terms of this Section 15 will cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at law. Therefore, you and the Owners agree that any violation of the terms of this Section 15 will entitle us to injunctive relief. We may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you or an Owner may have against us, regardless of cause or origin, cannot be used as a defense against our enforcement of this Section 15.

16. YOUR OTHER RESPONSIBILITIES

16.1. Insurance. For your protection and ours, you agree to maintain the following insurance policies:

- (i) "all risk" property insurance coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of your Store, which must include coverage for fire, vandalism and malicious mischief and have coverage limits of at least full replacement cost;
- (ii) broad form comprehensive general liability insurance with limits of not less than \$2,000,000 in case of damage or injury to one or more persons, including indemnification coverage and property damage insurance of \$500,000, both of which shall be considered primary policies;
- (iii) products liability insurance in an amount not less than \$2,000,000, which policy shall be considered primary;
- (iv) business interruption insurance in amounts not less than is sufficient to meet the co-insurance requirements of your policies, and which covers at least six (6) months of rent, royalties and brand fund contributions, and contains a replacement value endorsement in an amount not less than 90% of the replacement value thereof, and any loss shall be payable to us and you as our and your interests may appear;

- (v) worker's compensation and disability insurance as required by law;
- (vi) any insurance required by your lease or by law; and
- (vii) any other insurance that we specify in the Manual from time to time.

You agree to provide us with proof of coverage prior to opening, within 10 days of any renewal of a policy, and at any other time on demand. You agree to obtain these insurance policies from insurance carriers that are rated A by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which you operate your Business. All insurance policies must provide coverage on an "occurrence basis" and be endorsed to: (a) name us (and our members, officers, directors, and employees) as additional insureds; (b) contain a waiver by the insurance carrier of all subrogation rights against us; and (c) provide that we receive 10 days prior written notice of the termination, expiration, cancellation or modification of the policy. If any of your policies fail to meet this criteria, then we may disapprove the policy and you must immediately find additional coverage with an alternative carrier satisfactory to us. Upon 10 days' notice to you, we may increase the minimum liability protection requirement of any policy, and require different or additional types of insurance, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances. If you fail to maintain any required insurance coverage, we have the right to obtain the coverage on your behalf (which right shall be at our option and in addition to our other rights and remedies in this Agreement), and you must promptly sign all applications and other forms and instruments required to obtain the insurance and pay to us, within 10 days after invoicing, all costs and premiums that we incur.

- 16.2. Books and Records.** You agree to prepare and maintain at your Store for at least five (5) years after their preparation, complete and accurate books, records, accounts and tax returns pertaining to your Business. You must send us copies of your books and records within seven (7) days of our request.
- 16.3. Reports.** On each royalty payment due date, you must send us a signed and verified statement of Gross Sales in the format we require. You also agree to prepare all other reports that we require in the form and manner that we require. You agree to send us a copy of any report required by this Section upon request. If you miscalculate Gross Sales, you must notify us of the error no later than the end of the next Gross Sales reporting period. Otherwise, you will not be entitled to any refund or credit of any fees paid to us based upon the Gross Sales previously reported. If we require that you purchase a computer and/or automated cash management system that allows us to electronically retrieve information concerning your sales transactions, you agree that we will have the right to electronically poll your computer and/or automated cash management system to retrieve and compile information regarding the operation of your Business.
- 16.4. Financial Statements.** Within 60 days after the end of each calendar year, you must prepare a balance sheet for your Business (as of the end of the calendar year) and an annual statement of profit and loss and source and application of funds. All financial statements must be: (a) verified and signed by you certifying to us that the information is true, complete, and accurate; (b) prepared on an accrual basis in compliance with Generally Accepted Accounting Principles; and (c) submitted in any format that we reasonably require; and (d) reviewed by an independent certified public accountant. We have the right to require that your financial statements be audited by a certified public accountant if you have previously submitted to us materially inaccurate financial statements. You agree to send us a copy of any financial statement required by this Section upon request. You authorize us to disclose the financial statements, reports, and operating data to prospective franchisees, regulatory agencies and others at our discretion, provided the disclosure is not prohibited by applicable law.
- 16.5. Legal Compliance.** You must secure and maintain in force all required licenses, permits and regulatory approvals for the operation of your Business and operate and manage your Business in full compliance with all applicable laws, ordinances, rules and regulations. You must notify us in writing within two (2) business days of the beginning of any action, suit, investigation or proceeding,

or of the issuance of any order, writ, injunction, disciplinary action, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation of your Business or your financial condition. You must immediately deliver to us a copy of any inspection report, warning, certificate or rating by any governmental agency involving any health or safety law, rule or regulation that reflects your failure to fully comply with the law, rule or regulation.

16.6. Ownership and Protection of Data. We are the exclusive owner of all collected data relating to your customers. We hereby grant you a license to utilize such data solely for purposes of operating your Business in compliance with this Agreement. You must protect all customer data with a level of control proportionate to the sensitivity of data. You must adhere to applicable privacy laws with respect to data, which if compromised, could have a negative impact on our image or consumer confidence. You agree: (a) to comply with all applicable data protection laws as well as our data processing and data privacy policies as set forth in the Manuals from time to time; and (b) upon our request, to sign any data processing and/or data privacy agreement required by any applicable data protection law or otherwise required by us (including, but not limited to, any Joint Controllers Data Processing Agreement). You further agree to:

- (i) obtain, maintain and adhere to all applicable compliance standards established by PCI-DSS;
- (ii) establish appropriate administrative, technical and physical controls consistent with law and PCI-DSS to preserve the security and confidentiality of any credit card information, in any form whatsoever, that it stores, processes, transmits, or comes in contact with;
- (iii) promptly notify us if you suspect that there is, or has been, a security breach or potential compromise of any such credit card information;
- (iv) provide us with updates regarding the status of PCI-DSS, which update may be through a completed PCI AOC (Attestation of Compliance), PCI-DSS SAQ (Self-Assessment Questionnaire) or other method mutually agreed; and
- (v) promptly notify us of any noncompliance PCI-DSS requirements to discuss your remediation efforts and timeline.

17. INSPECTION AND AUDIT

17.1. Inspections. To ensure compliance with this Agreement, we or our representatives will have the right to enter your Store, evaluate your operations and inspect or examine your books, records, accounts and tax returns. Our evaluation may include sampling and testing your beverages and other menu items and contacting your landlord, customers and/or employees. We may conduct our evaluation at any time and without prior notice. During the course of our inspections, we and our representatives will use reasonable efforts to minimize our interference with the operation of your Business, and you and your employees will cooperate and not interfere with our inspection. You consent to us accessing your computer system and retrieving any information that we deem appropriate in conducting the inspection.

17.2. Audit. We have the right, at any time, to have an independent audit made of your books and financial records. You agree to fully cooperate with us and any third parties that we hire to conduct the audit. If an audit reveals an understatement of your Gross Sales or any amount that you owe us, you agree to immediately pay to us any additional fees that you owe us together with any late fee payable pursuant to Section 14.4. Any audit will be performed at our cost and expense unless the audit: (a) is necessitated by your failure to provide the information requested or to preserve records or file reports as required by this Agreement; or (b) reveals an understatement of any amount due to us by at least two percent (2%), in which case you agree to reimburse us for the cost of the audit or inspection, including without limitation, reasonable accounting and attorneys' fees and travel and lodging expenses that we or our representatives incur. The audit cost reimbursements will be due 10 days after invoicing. We shall not be deemed to have waived our right to terminate this Agreement by accepting reimbursements of our audit costs.

18. INTELLECTUAL PROPERTY

- 18.1. Ownership and Use of Intellectual Property.** You acknowledge that: (a) we are the sole and exclusive owner of the Intellectual Property and the goodwill associated with the Marks; (b) your right to use the Intellectual Property is derived solely from this Agreement; and (c) your right to use the Intellectual Property is limited to a license granted by us to operate your Store during the Term pursuant to, and only in compliance with, this Agreement, the Manual, and all applicable standards, specifications and operating procedures that we prescribe from time to time. You may not use any of the Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You agree to comply with all provisions of the Manual governing your use of the Intellectual Property. This Agreement does not confer to you any goodwill, title or interest in any of the Intellectual Property.
- 18.2. Changes to Intellectual Property.** We have the right to modify the Intellectual Property at any time in our sole and absolute discretion, including by changing the Marks, the System, the Copyrights or the Know-how. If we modify or discontinue use of any of the Intellectual Property, then you must comply with any such instructions from us within 30 days at your expense. We will not be liable to you for any expenses, losses or damages that you incur (including the loss of any goodwill associated with a Mark) because of any addition, modification, substitution or discontinuation of the Intellectual Property.
- 18.3. Use of Marks.** You agree to use the Marks as the sole identification of your Business; provided, however that you must identify yourself as the independent owner of your Business in the manner that we prescribe. You may not use any Marks in any modified form or as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you by this Agreement). You agree to: (a) prominently display the Marks on or in connection with any media advertising, promotional materials, posters and displays, receipts, stationery and forms that we designate and in the manner that we prescribe to give notice of trade and service mark registrations and copyrights; and (b) obtain any fictitious or assumed name registrations required under applicable law. You may not use the Marks in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument or other legal obligation or in any manner that is likely to confuse or result in liability to us for any indebtedness or obligation of yours.
- 18.4. Use of Know-how.** We will disclose the Know-how to you in the initial training program, the Manual, and in other guidance furnished to you during the Term. You agree that you will not acquire any interest in the Know-how other than the right to utilize it in strict accordance with the terms of this Agreement in the development and operation of your Business. You acknowledge that the Know-how is proprietary and is disclosed to you solely for use in the development and operation of your Business during the Term.
- 18.5. Improvements.** If you conceive of or develop any improvements or additions to the marketing, method of operation or the services or products offered by an It's Boba Time business (collectively, "Improvements"), you agree to promptly and fully disclose the Improvements to us without disclosing the Improvements to others. You must obtain our approval prior to using any such Improvements. Any Improvement that we approve may be used by us and any third parties that we authorize to operate an It's Boba Time store, without any obligation to pay you royalties or other fees. You must assign to us or our designee, without charge, all rights to any such Improvement, including the right to grant sublicenses. In return, we will authorize you to use any Improvements that we or other franchisees develop that we authorize for general use in connection with the operation of an It's Boba Time business.
- 18.6. Notification of Infringements and Claims.** You must immediately notify us of any: (a) apparent infringement of any of the Intellectual Property; (b) challenge to your use of any of the Intellectual Property; or (c) claim by any person of any rights in any of the Intellectual Property. You may not communicate with any person other than us and our counsel in connection with any such

infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate. We have the right to exclusively control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such infringement, challenge or claim. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interest in any such litigation, Patent and Trademark Office proceeding or other proceeding, or to otherwise protect and maintain our interest in the Intellectual Property.

19. INDEMNITY. You agree to indemnify the Indemnified Parties and hold them harmless for, from and against any and all Losses and Expenses incurred by any of them as a result of or in connection with any of the following:

- (i) the marketing, use or operation of your Business or your performance and/or breach of any of your obligations under this Agreement;
- (ii) any Claim relating to taxes or penalties assessed by any governmental entity against us that are directly related to your failure to pay or perform functions required of you under this Agreement;
- (iii) any labor, employment or similar type of Claim pertaining to your employees, including claims alleging that we are a joint employer of your employees;
- (iv) any actions, investigations, rulings or proceedings conducted by any state or federal agency relating to your employees, including, without limitation, the United States Department of Labor, the Equal Employment Opportunity Commission and the National Labor Relations Board; and
- (v) any labor, employment or similar type of Claim pertaining to our relationship with you or your Owners, including claims alleging that we are an employer of you and/or any of your Owners.

You and your Owners agree to give us notice of any action, suit, proceeding, claim, demand, inquiry or investigation described above. The Indemnified Parties shall have the right, in their sole discretion to: (a) retain counsel of their own choosing to represent them with respect to any Claim; and (b) control the response thereto and the defense thereof, including the right to enter into an agreement to settle such Claim. You may participate in such defense at your own expense. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such Claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such Claim, including court costs and reasonable attorneys' fees, within 10 days of the date of each invoice delivered by such Indemnified Party to you enumerating such costs, expenses and attorneys' fees.

20. TRANSFERS

20.1. By Us. This Agreement and the franchise is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment. We may also delegate some or all of our obligations under this Agreement to one or more persons without assigning the Agreement.

20.2. By You. You understand that the rights and duties created by this Agreement are personal to you and the Owners and that we have granted the franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your Owners. Because this Agreement is a personal services contract, neither you nor any Owner may engage in any Transfer other than a Permitted Transfer without our prior written approval. Any Transfer (other than a Permitted Transfer) without our approval shall be void and constitute a breach of this Agreement. If you intend to offer your Business for sale, you must notify us in writing prior to listing your Business for sale or otherwise soliciting prospective buyers. We will not unreasonably withhold our approval of any proposed Transfer, provided that the following conditions are all satisfied:

- (i) the proposed transferee is, in our opinion, an individual of good moral character, who has

sufficient business experience, aptitude and financial resources to own and operate an It's Boba Time business and otherwise meets all of our then applicable standards for franchisees;

- (ii) you and your Owners are in full compliance with the terms of this Agreement and all other agreements with us or our affiliate;
- (iii) all of the owners of the transferee have successfully completed, or made arrangements to attend, the initial training program (and the transferee has paid us the \$2,000 training fee which covers up to two (2) attendees);
- (iv) your landlord consents to your assignment of the lease to the transferee, or the transferee is diligently pursuing an approved substitute location within the Site Selection Area;
- (v) the transferee and its owners, to the extent necessary, have obtained all licenses and permits required by applicable law in order to own and operate the Business;
- (vi) you shall have provided the transferee (and if requested certain of transferee's management personnel) with a minimum of 14 days of onsite training at your Store (minimum of eight hours per day) at no charge in compliance with the Manual (training must be provided by the Managing Owner and/or a high level manager and must cover all material aspects of operating the Store);
- (vii) the transferee and its owners sign our then-current form of franchise agreement (unless we, in our sole discretion, instruct you to assign this Agreement to the transferee), except that: (a) the Term and renewal term(s) shall be the Term and renewal term(s) remaining under this Agreement; and (b) the transferee need not pay a separate initial franchise fee;
- (viii) you remodel your Store and upgrade your furniture, fixtures and equipment to comply with our then-current standards and specifications or you obtain a commitment from the transferee to do so within the period of time that we prescribe;
- (ix) you or the transferee pay us a \$10,000 transfer fee to defray expenses that we incur in connection with the Transfer;
- (x) you and your Owners sign a General Release for all claims arising before or contemporaneously with the Transfer;
- (xi) you enter into an agreement with us to subordinate the transferee's obligations to you to the transferee's financial obligations owed to us pursuant to the franchise agreement;
- (xii) we do not elect to exercise our right of first refusal described in Section 20.5; and
- (xiii) you or the transferring Owner, as applicable, and the transferee have satisfied any other conditions we reasonably require as a condition to our approval of the Transfer.

Our consent to a Transfer shall not constitute a waiver of any claims we may have against the transferor, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the franchise by the transferee.

20.3. Permitted Transfers. You may engage in a Permitted Transfer without our prior approval, but you must give us at least 10 days prior written notice. You and the Owners (and the transferee) agree to sign all documents that we reasonably request to effectuate and document the Permitted Transfer.

20.4. Death or Disability of an Owner. Upon the death or permanent disability of an Owner, the Owner's ownership interest in you or the franchise, as applicable, must be assigned to another Owner or to a third party approved by us within one (1) year. Any assignment to a third party will be subject to all of the terms and conditions of Section 20.2 unless the assignment qualifies as a Permitted Transfer. For purposes of this Section, an Owner is deemed to have a "permanent disability" only if the person has a medical or mental problem that prevents the person from substantially complying with his or

her obligations under this Agreement or otherwise operating the Business in the manner required by this Agreement and the Manual for a continuous period of at least three (3) months.

- 20.5. Our Right of First Refusal.** If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, must obtain a bona fide, signed written offer from the fully disclosed purchaser and submit an exact copy of the offer to us. We will have 30 days after receipt of the offer to decide whether we will purchase the interest in your Business or the ownership interest in you for the same price and upon the same terms contained in the offer (however, we may substitute cash for any form of payment proposed in the offer). If we notify you that we intend to purchase the interest within the 30-day period, you or the Owner, as applicable, must sell the interest to us. We will have at least an additional 30 days to prepare for closing. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you as the seller of the assets or the Owner as the seller of the ownership interest or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to and on the terms of the offer, subject to the requirements of Section 20.2 (including our approval of the transferee). However, if the sale to the purchaser is not completed within 120 days after delivery of the offer to us, or there is a material change in the terms of the sale, we will again have the right of first refusal specified in this Section. Our right of first refusal in this Section shall not apply to any Permitted Transfer.

21. TERMINATION

- 21.1. By You.** You may terminate this Agreement if we materially breach this Agreement and fail to cure the breach within 90 days after you send us a written notice specifying the nature of the breach. If you terminate this Agreement, you must still comply with your post-termination obligations described in Section 22 and all other obligations that survive the expiration or termination of this Agreement.
- 21.2. Termination By Us Without Cure Period.** We may, in our sole discretion, terminate this Agreement upon five (5) days' written notice, without opportunity to cure, for any of the following reasons, all of which constitute material events of default under this Agreement:
- (i) if the Managing Owner fails to satisfactorily complete the initial training program in the manner required by Section 5.1;
 - (ii) if you fail to obtain our approval of your site within the time period required by Sections 7.1;
 - (iii) if you fail to open your Store within the time period required by Section 7.4;
 - (iv) if you become insolvent by reason of your inability to pay your debts as they become due or you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law, or are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);
 - (v) if your Business, or a substantial portion of the assets associated with your Business, are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor; or a final judgment against you remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed); or a levy of execution has been made upon the license granted by this Agreement or upon any property used in your Business, and it is not discharged within five (5) days of the levy;
 - (vi) if you abandon or fail to operate your Store for three (3) consecutive business days, unless the failure is due to an event of force majeure or another reason that we approve;
 - (vii) if a regulatory authority suspends or revokes a license or permit held by you or an Owner that is required to operate the Store, even if you or the Owner still maintain appeal rights;

- (viii) if you or an Owner (a) is convicted of or pleads no contest to a felony, a crime involving moral turpitude or any other material crime or (b) is subject to any material administrative disciplinary action or (c) fails to comply with any material federal, state or local law or regulation applicable to your Business;
- (ix) if you or an Owner commits an act that can reasonably be expected to adversely affect the reputation of the System or the goodwill associated with the Marks;
- (x) if you manage or operate your Store in a manner that presents a health or safety hazard to your customers, employees or the public;
- (xi) if you or an Owner make any material misrepresentation to us, whether occurring before or after being granted the franchise;
- (xii) if you fail to pay any amount owed to us or an affiliate of ours within ten (10) days after receipt of a demand for payment;
- (xiii) if you underreport any amount owed to us by at least two percent (2%), after having already committed a similar breach that had been cured in accordance with Section 21.3;
- (xiv) if you make an unauthorized Transfer;
- (xv) if you make an unauthorized use of the Intellectual Property;
- (xvi) if you breach any of the brand protection covenants described in Section 15;
- (xvii) if any Owner, or the spouse of any Owner, breaches a Franchise Owner Agreement;
- (xviii) if the lease for your premises is terminated due to your default; or
- (xix) if we terminate any other agreement between you and us or if any affiliate of ours terminates any agreement between you and the affiliate because of your default (other than an area development agreement).

21.3. Additional Conditions of Termination. In addition to our termination rights in Section 21.2, we may, in our sole discretion, terminate this Agreement upon 30 days' written notice if you or an Owner fail to comply with any other provision of this Agreement (including any mandatory provision in the Manual) or any other agreement with us, unless such default is cured, as determined by us in our sole discretion, within such 30-day notice period. If we deliver a notice of default to you pursuant to this Section 21.3, we may suspend performance of any of our obligations under this Agreement until you fully cure the breach.

21.4. Mutual Agreement to Terminate. If you and we mutually agree in writing to terminate this Agreement, you and we will be deemed to have waived any required notice period.

22. POST-TERM OBLIGATIONS.

22.1. Obligations of You and the Owners. After the termination, expiration or Transfer of this Agreement, you and the Owners agree to:

- (i) immediately cease to use the Intellectual Property;
- (ii) pay us all amounts that you owe us;
- (iii) comply with all covenants described in Section 15 that apply after the expiration, termination or Transfer of this Agreement or the disposal of an ownership interest by an Owner;
- (iv) return all copies of the Manual, or any portions thereof, as well as all signs, sign faces, brochures, advertising and promotional materials, forms, and any other materials bearing or containing any of the Marks, Copyrights or other identification relating to an It's Boba Time store, unless we allow you to transfer such items to an approved transferee;

- (v) take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to your use of any of the Marks;
- (vi) make such modifications and alterations to the Store premises that are necessary or that we require to prevent any association between us or the System and any business subsequently operated by you or any third party at the premises; provided, however, that this subsection shall not apply if your franchise is transferred to an approved transferee or if we exercise our right to purchase your entire Business;
- (vii) notify all telephone companies, listing agencies and domain name registration companies (collectively, the “Agencies”) of the termination or expiration of your right to use: (a) the telephone numbers and/or domain names, if applicable, related to the operation of your Business; and (b) any regular, classified or other telephone directory listings associated with the Marks (you hereby authorize the Agencies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct the Agencies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so); and
- (viii) provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Agreement.

22.2. Right to Purchase Facility and Assets.

- (a) Generally. Upon the termination or expiration of this Agreement, we shall have the right, but not the obligation, to purchase your Store and/or its assets at fair market value as ascertained by an independent business appraiser. If we elect to exercise this option, the date of determination of the fair market value shall be the effective date of the termination or expiration of the Agreement (the “Appraisal Date”). We will notify you of the specific items that we wish to purchase (the “Acquired Assets”). We may also require that you assign your lease to us at no additional charge.
- (b) Selecting Qualified Appraisers. You and we each shall appoint an appraiser with experience appraising businesses comparable to your Business in the United States (a “Qualified Appraiser”). This appointment of the appraisers shall be made within 30 days after the Appraisal Date by giving written notice to the other party of the name and address of the Qualified Appraiser. If either of us fails to appoint a Qualified Appraiser within the 30-day period, the appraisal shall be made by the sole Qualified Appraiser appointed within that period. If each of us shall have appointed a Qualified Appraiser within the 30-day period, then within 30 days after that the two (2) Qualified Appraisers shall appoint a third (3rd) Qualified Appraiser. If the two (2) Qualified Appraisers fail to agree on the appointment of a third (3rd) Qualified Appraiser within the 30-day period, then a third (3rd) Qualified Appraiser shall be appointed by the American Arbitration Association (acting through its office located closest to our corporate headquarters) as promptly as possible after that, upon application by either us or you. Nothing in this provision shall prohibit us and you from jointly approving a single appraiser, nor shall it obligate us or you to do so.
- (c) Information for Appraisal. You must furnish to the Qualified Appraisers a copy of your current financial statements, as well as your financial statements for the prior three (3) years (or the period of time that you have operated your Business, if less than three (3) years), together with the work papers and other financial information or other documents or information that the Qualified Appraisers may request. The Qualified Appraisers shall take into account the other information and factors that they deem relevant, but the Qualified Appraisers shall be instructed that there shall be no consideration of goodwill in the determination of fair market value.
- (d) Appraisal Process. Within 60 days after the appointment of the third Qualified Appraiser, the three (3) Qualified Appraisers shall appraise the Appraised Assets at fair market value without

taking into account any value for goodwill (the “Appraised Value”). If the three (3) Qualified Appraisers agree on a single value, then they shall issue a joint report and the Appraised Value shall be the value determined by the agreement of the three (3) Qualified Appraisers. If two (2) of the three (3) Qualified Appraisers agree on a single value, these two (2) Qualified Appraisers shall issue a joint report, and the dissenting Qualified Appraiser may (but need not) issue a separate report, and the value determined by agreement of the two (2) Qualified Appraisers who shall agree shall be the Appraised Value. If none of the Qualified Appraisers are able to agree on a single value, each Qualified Appraiser shall issue a report setting forth the value determined by him or her, and the average of the two values that are closest to each other shall be the Appraised Value. Before the issuance of a report by any Qualified Appraiser, each Qualified Appraiser shall advise the others of the value that will appear in his or her report to ensure that the determination of value made by any Qualified Appraiser is made with knowledge of the values determined by the other Qualified Appraisers. If there shall be only a single Qualified Appraiser (because you or we failed to appoint a Qualified Appraiser within the time provided), then the Appraised Value shall be the value determined by the single Qualified Appraiser.

- (e) Cost of Appraisal. You and we shall equally bear the cost of the appraisal.
- (f) Closing. Once the Appraised Value has been determined, we will have at least 60 days to prepare for the closing. We will be entitled to receive from you all customary representations and warranties given by you as the seller of the Acquired Assets and you must transfer good and clean title to the Acquired Assets, subject to any exceptions agreed to by us. We may deduct from the Appraised Value all amounts owed to us and our affiliates under this Agreement, any promissory note, and any other agreement between you and us or between you and our affiliates.

23. DISPUTE RESOLUTION. Except as otherwise provided below, the parties agree to submit all claims, disputes and disagreements, including any matter pertaining to the interpretation of this Agreement or issues relating to the offer and sale of the franchise or the relationship between the parties (a “Dispute”) to mediation before a mutually-agreeable mediator prior to arbitration. If the Dispute is not resolved by mediation within 60 days after either party makes a demand for mediation, the parties will submit the dispute to mandatory and binding arbitration conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association (the “AAA Rules”). The party filing the arbitration must initially bear the cost of any arbitration fees or costs. The arbitrators will not have authority to award exemplary or punitive damages. Notwithstanding the foregoing, any Dispute involving claims alleging a breach of Section 15 and/or Section 18 (referred to as “Excluded Claims”) will not be subject to mediation or arbitration unless otherwise agreed to by both parties. Either party may immediately file a lawsuit in accordance with this Section with respect to any Excluded Claim. Notwithstanding this Section’s incorporation of the AAA Rules, the parties hereby express their clear and unequivocal intent that a court, rather than an arbitrator, shall have exclusive jurisdiction to decide the threshold issue of whether a Dispute involves an alleged Excluded Claim (i.e., whether there are any claims alleging a breach of Section 15 and/or Section 18). All mediation, arbitration and litigation shall take place in the county in which we maintain our principal place of business at the time the Dispute arises (currently, Los Angeles County, California) and the parties irrevocably waive any objection to such venue. If we or you must enforce this Agreement in a judicial or arbitration proceeding, the substantially prevailing party will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees. In addition, if you breach any term of this Agreement or any other agreement with us or an affiliate of ours, you agree to reimburse us for all reasonable legal fees and other expenses we incur relating to such breach, regardless of whether the breach is cured prior to the commencement of any dispute resolution proceedings. UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE (OTHER THAN FOR PAYMENT OF MONIES OWED OR A VIOLATION OF SECTION 15 OR SECTION 18) MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR ARBITRATION (OR IF PERMITTED, LITIGATION) WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER

WAIVED AND BARRED. WE AND YOU IRREVOCABLY WAIVE: (I) TRIAL BY JURY; AND (II) THE RIGHT TO ARBITRATE OR LITIGATE ON A CLASS ACTION BASIS, IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES.

24. YOUR REPRESENTATIONS. YOU HEREBY REPRESENT THAT:

- (i) YOU HAVE NOT RECEIVED ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT, EXCEPT FOR ANY INFORMATION DISCLOSED IN THE FRANCHISE DISCLOSURE DOCUMENT;
- (ii) YOU HAVE NO KNOWLEDGE OF ANY REPRESENTATIONS BY US OR ANY OF OUR OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES OR REPRESENTATIVES ABOUT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS AGREEMENT OR THE FRANCHISE DISCLOSURE DOCUMENT;
- (iii) YOU RECEIVED (1) AN EXACT COPY OF THIS AGREEMENT AND ITS ATTACHMENTS AT LEAST FIVE (5) BUSINESS DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT IS EXECUTED; AND (2) OUR FRANCHISE DISCLOSURE DOCUMENT AT THE EARLIER OF (A) TEN (10) BUSINESS DAYS BEFORE YOU SIGNED A BINDING AGREEMENT OR PAID ANY MONEY TO US OR OUR AFFILIATES OR (B) AT SUCH EARLIER TIME IN THE SALES PROCESS THAT YOU REQUESTED A COPY;
- (iv) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES;
- (v) YOU ARE AWARE OF THE FACT THAT WE MAY HAVE NEGOTIATED TERMS OR OFFERED CONCESSIONS TO OTHER FRANCHISEES AND WE HAVE NO OBLIGATION TO OFFER YOU THE SAME OR SIMILAR NEGOTIATED TERMS OR CONCESSIONS; AND
- (vi) YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT AND RECOGNIZE THAT IT INVOLVES BUSINESS RISKS, MAKING THE SUCCESS OF THE VENTURE LARGELY DEPENDENT UPON YOUR OWN BUSINESS ABILITIES, EFFORTS AND JUDGMENTS, AND THE SERVICES OF YOU AND THOSE YOU EMPLOY.

25. GENERAL PROVISIONS

25.1. Governing Law. Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Agreement and the franchise relationship shall be governed by the laws of the State of California (without reference to its principles of conflicts of law), but any law of the State of California that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section. Notwithstanding the foregoing, the laws and public policies of the state in which the Store is located shall govern enforcement of the non-competition covenants imposed under this Agreement.

25.2. Relationship of the Parties. You understand and agree that nothing in this Agreement creates a fiduciary relationship between you and us or is intended to make either party a general or special agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. During the Term, you must conspicuously identify yourself at your base of operations, and in all dealings with third parties, as a franchisee of ours and the independent owner of your Business. You agree to place such other notices of independent ownership on such forms, stationery, advertising, business cards and other materials as we may require from time to time. Neither we nor

you are permitted to make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other, or represent that our relationship is other than franchisor and franchisee. In addition, neither we nor you will be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized by this Agreement.

- 25.3. Severability and Substitution.** Each section, subsection, term and provision of this Agreement, and any portion thereof, shall be considered severable. If any applicable and binding law imposes mandatory, non-waivable terms or conditions that conflict with a provision of this Agreement, the terms or conditions required by such law shall govern to the extent of the inconsistency and supersede the conflicting provision of this Agreement. If a court concludes that any promise or covenant in this Agreement is unreasonable and unenforceable: (a) the court may modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable; or (b) we may unilaterally modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable.
- 25.4. Waivers.** We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other. Any waiver granted by us shall be without prejudice to any other rights we may have. We and you shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including the right to demand exact compliance with every term, condition and covenant in this Agreement or to declare any breach of this Agreement to be a default and to terminate the franchise before the expiration of its term) by virtue of: (a) any custom or practice of the parties at variance with the terms of this Agreement; (b) any failure, refusal or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement, including any mandatory specification, standard, or operating procedure; (c) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, relating to other franchisees; or (d) the acceptance by us of any payments due from you after breach of this Agreement.
- 25.5. Approvals.** Whenever this Agreement requires our approval, you must make a timely written request for approval, and the approval must be in writing in order to bind us. Except as otherwise expressly provided in this Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request. If we deny approval and you seek legal redress for the denial, the only relief to which you may be entitled is to acquire our approval. You are not entitled to any other relief or damages for our denial of approval.
- 25.6. Force Majeure.** Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if our or your failure to perform our or your obligations results from any event of force majeure. Any delay resulting from an event of force majeure will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable under the circumstances. Notwithstanding the foregoing, “force majeure” will not: (a) relieve you of any payment obligations under this Agreement; or (b) excuse, or apply with respect to, any breaches resulting from an epidemic or pandemic of a contagious illness or disease or resulting from any economic or financial changes caused by such epidemic or pandemic.
- 25.7. Binding Effect.** This Agreement is binding upon the parties to this Agreement and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement; provided, however, that the additional insureds listed in Section 16.1 and the Indemnified Parties are intended third-party beneficiaries under this Agreement with respect to Section 16.1 and Section 19, respectively.
- 25.8. Integration.** THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT, EXCEPT AS PERMITTED BY SECTION 12.2 AND SECTION 25.3, BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. In addition, our issuance of the Site Approval Notice attached hereto as ATTACHMENT "B" shall be

deemed to amend this Agreement to identify the approved site and Territory for your Store, regardless of whether you countersign and/or return the Site Approval Notice. Any email correspondence or other form of informal electronic communication shall not be deemed to modify this Agreement unless such communication is signed by both parties and specifically states that it is intended to modify this Agreement. The attachment(s) are part of this Agreement, which, together with any Amendments or Addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Agreement. As referenced above, all mandatory provisions of the Manual are part of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. This provision is intended to define the nature and extent of the parties' mutual contractual intent, there being no mutual intent to enter into contract relations, whether by agreement or by implication, other than as set forth above. The parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Agreement, would affect the economic terms of this bargain. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document.

- 25.9. Covenant of Good Faith.** If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (a) this Agreement (and the relationship of the parties that is inherent in this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may affect favorably or adversely your interests; (b) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (c) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (d) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.
- 25.10. Rights of Parties are Cumulative.** The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by law.
- 25.11. Survival.** All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement (or the Transfer of an ownership interest in the franchise) shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire, including, without limitation, Section 14, Section 15, Section 17, Section 19, Section 22, Section 23 and Section 25.
- 25.12. Construction.** The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term "you" as used in this Agreement is applicable to one or more persons or an Entity, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.
- 25.13. Time of Essence.** Time is of the essence in this Agreement and every term thereof.
- 25.14. Counterparts.** This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

25.15. Notice. All notices given under this Agreement must be in writing, delivered by hand, email (to the last email address provided by the recipient) or first class mail, to the following addresses (which may be changed upon 10 business days prior written notice):

YOU: As set forth in Part A of ATTACHMENT "A"
US: Boba Time, Inc.
701 S. Vermont Ave.
Los Angeles, California 90005

Notice shall be considered given at the time delivered by hand, or one (1) business day after sending by email or comparable electronic system, or three (3) business days after placed in the mail, postage prepaid, by certified mail with a return receipt requested.

The parties to this Agreement have executed this Agreement effective as of the Effective Date first above written.

FRANCHISOR:

Boba Time, Inc., a California corporation

By: _____
Name: _____
Its: _____

YOU (If you are an entity):

_____,
a(n) _____
By: _____
Name: _____
Its: _____

YOU (If you are not an entity):

Name: _____

Name: _____

Name: _____

Name: _____

ATTACHMENT "A"
TO FRANCHISE AGREEMENT
DEAL TERMS

A. Franchisee Details.

Name of Franchisee: [_____]

Is the franchisee one or more natural persons signing in their individual capacity? **Yes:** _____ **No:** _____

Type of Entity and State of Formation* (if applicable): [_____]

** If the franchisee is a business entity, each natural person holding a direct or indirect ownership interest in the business entity, and spouse of each such person, must sign the Franchise Owner Agreement concurrently with the execution of this Agreement.*

The following table includes the full name of each natural person holding a direct or indirect ownership interest in the franchise (or the franchisee business entity if applicable) along with a description of their ownership interest.

Owner's Name	% Ownership Interest	Direct or Indirect (if indirect, describe nature of interest)

Notice Address: [_____]

B. Site Selection Area.

The Site Selection Area referenced in the Franchise Agreement shall consist of the following geographic area:
[_____]

** The Site Selection Area is not your territory and there are no protections associated with this area.*

C. Approved Site.

We hereby approve the site listed below for the operation of your Store.

Approved Address: [_____]

** If the site for your Store has not been approved by us at the time the Franchise Agreement is signed, then we will send you a Site Approval Notice in accordance with Section 7.1 listing the address of your approved site.*

D. Territory.

The Territory referenced in the Franchise Agreement shall consist of the following (franchisor to place check by appropriate box at least seven (7) days prior to execution of this Agreement):

_____ Your Store is located within a Captive Venue and your Territory is limited to the premises of your Store.

_____ Your Store is located within an urban area and your Territory consists of the geographic area within a ¼ mile radius from your Store.

_____ Your Store is located neither within a Captive Venue nor an urban area and your Territory consists of the geographic area within a one (1) mile radius from your Store.

** If the site for your Store has not been approved by us at the time this Agreement is signed, then we will send you a Site Approval Notice in accordance with Section 3 that will identify the geographic area that comprises your Territory. The Territory will be determined in accordance with Section 3.*

ATTACHMENT "B"
TO FRANCHISE AGREEMENT
FORM OF SITE APPROVAL NOTICE

[See Attached]

SITE APPROVAL NOTICE

Boba Time, Inc. (“we” or “us”) is issuing this Site Approval Notice (this “Notice”) to _____ (“you”), effective _____, 202____, in connection with the It’s Boba Time Franchise Agreement (the “Franchise Agreement”) that we executed with you on _____, 202____. The purpose of this Notice is to confirm our approval of the site you have proposed for your Store and our designation of the boundaries of your “Territory”.

Approved Address:

Pursuant to Section 7.1 of the Franchise Agreement, we hereby approve the site listed below for the operation of your Store:

Territory:

Pursuant to Section 3 of the Franchise Agreement, we hereby designate the following geographic area as your “Territory” under the Franchise Agreement (franchisor to place check by appropriate box):

- _____ Your Store is located within a Captive Venue and your Territory is limited to the premises of your Store.
- _____ Your Store is located within an urban area and your Territory consists of the geographic area within a ¼ mile radius from your Store.
- _____ Your Store is located neither within a Captive Venue nor an urban area and your Territory consists of the geographic area within a one (1) mile radius from your Store.

* * *

By signing below, you and we agree that: (a) the address identified in this Notice shall be deemed your approved site for your Store established and operated pursuant to the Franchise Agreement; and (b) the geographic area described in this Notice under “Territory” shall be deemed your Territory under the Franchise Agreement. You acknowledge and agree that our acceptance of the site you have proposed is in no way a representation by us that your site will be successful. Rather, our acceptance of the site you propose merely indicates that the site meets our minimum standards and requirements.

We request that you sign below and send us an executed copy of this Notice to acknowledge your receipt. However, your failure or refusal to sign below will not invalidate or otherwise affect our designation of your approved site or Territory. Our designation of your approved site and Territory, as set forth in this Notice, shall be binding upon you effective as of the effective date listed in the first paragraph in this Notice, as the approved site for your Store and Territory under the Franchise Agreement.

Franchisor

Boba Time, Inc.

By: _____

Name: _____

Its: _____

Date: _____

Franchisee

By: _____

Name: _____

Its: _____

Date: _____

ATTACHMENT "C"
TO FRANCHISE AGREEMENT
LEASE ADDENDUM

[See Attached]

Lease Addendum

This Agreement dated this ____ day of _____, 202__ among Boba Time, Inc., a California corporation, with principal offices at 701 S. Vermont Ave., Los Angeles, California 90005 (the "Franchisor"), _____, a(n) _____, with principal offices located at _____ (the "Landlord"), and _____, a(n) _____, with principal offices located at _____ (the "Tenant/Franchisee").

Background

- A. On _____, 202__, the Tenant/Franchisee and the Franchisor entered an It's Boba Time, Franchise Agreement (the "Franchise Agreement"). Under the Franchise Agreement, the Franchisor granted the Tenant/Franchisee the right, and the Tenant/Franchisee undertook the duty, to operate an It's Boba Time franchised business (the "Franchised Business") at the Premises (defined below).
- B. Simultaneously with entering this Agreement, the Landlord and the Tenant/Franchisee are entering a lease agreement (the "Lease"). Under the Lease, the Tenant/Franchisee leases the premises described in Exhibit "A" (the "Premises").
- C. To protect the Franchisor's rights and interests under the Franchise Agreement, the Landlord grants certain rights to the Franchisor under the Lease as set forth below.

Agreement

- 1. Notices. At the same time such notices are sent to the Tenant/Franchisee, the Landlord must provide the Franchisor with copies of all written notices of default that it sends to the Tenant/Franchisee. The Landlord agrees to send such copies by first-class mail, postage prepaid, to the Franchisor at its address set forth above or such other address as the Franchisor may notify the Landlord in writing.
- 2. Right to Cure. If the Tenant/Franchisee defaults under the Lease, the Franchisor has the right (but not the duty) to cure such default within 15 days following the expiration of any applicable cure period. Furthermore, in such event, the Franchisor may immediately commence occupancy of the Premises as the tenant under the Lease without obtaining the Landlord's or Franchisee's consent. The Franchisor may thereafter assign the Lease to another It's Boba Time franchisee or to an entity owned and/or controlled by the Franchisor. If it does, the Franchisor must first obtain the Landlord's written approval of the assignee. The Landlord, however, must neither unreasonably withhold nor delay its approval thereof. The Landlord will acknowledge any such assignment in writing. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.
- 3. Right to Assign. At any time (including, without limitation, upon the expiration or sooner termination of the Franchise Agreement) without the Landlord's prior consent, the Tenant/Franchisee may assign the Lease to the Franchisor. In such event, the Franchisor may thereafter assign the Lease to another It's Boba Time franchisee or to an entity owned and/or controlled by the Franchisor. If it does, the Franchisor must first obtain the Landlord's written approval of the assignee. The Landlord, however, must neither unreasonably withhold nor delay its approval thereof. The Landlord will acknowledge any such assignment in writing. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.
- 4. Right of First Refusal. The Landlord agrees that upon the expiration or termination of the Lease, the Franchisor shall have the first right of refusal to lease the Premises as the new tenant.
- 5. Expiration or Termination of Franchise Agreement. The Landlord agrees that the expiration or termination of the Franchise Agreement shall constitute a default under the Lease, giving the Franchisor the right, but not the obligation, to cure such default by succeeding to Tenant/Franchisee's interests under the Lease in

accordance with Section 2 above.

6. Acknowledgement of Rights. The Landlord acknowledges the Franchisor's rights under the Franchise Agreement to enter the Premises to: (a) make any modifications or alterations necessary in the Franchisor's sole discretion to protect its franchise system and its trademarks without being guilty of trespass or any other tort or crime; and (b) remove any trade fixtures, interior or exterior signs and other items bearing the Franchisor's trademarks or service marks upon the expiration or termination of the Franchise Agreement.
7. Modification of Lease. Without the Franchisor's prior written consent, the Landlord and the Tenant/Franchisee may not amend, modify, supplement, terminate, renew or extend the Lease.
8. Miscellaneous.
 - (a) In the event of any inconsistency between the terms of this Agreement and the terms of the Lease, the terms of this Agreement control.
 - (b) All of the terms of this Agreement, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective personal and legal representatives, heirs, successors and permitted assigns.
 - (c) The provisions of this Agreement may be amended, supplemented, waived or changed only by a written document signed by all the parties to this Agreement and making specific reference to this Agreement.
 - (d) This Agreement may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument.

In witness whereof, this Agreement has been executed the date and year first above written.

FRANCHISOR:

Boba Time, Inc., a California corporation

By: _____

Name: _____

Its: _____

LANDLORD:

_____, (a)n _____

By: _____

Name: _____

Its: _____

TENANT/FRANCHISEE:

_____, (a)n _____

By: _____

Name: _____

Its: _____

EXHIBIT “A” TO LEASE ADDENDUM

DESCRIPTION OF PREMISES

ATTACHMENT "D"
TO FRANCHISE AGREEMENT
FRANCHISE OWNER AGREEMENT

[See Attached]

FRANCHISE OWNER AGREEMENT

This Franchise Owner Agreement (this “Agreement”) is entered into by: (a) each of the undersigned owners of Franchisee (defined below); and (b) the spouse of each such owner, in favor of Boba Time, Inc., a California corporation, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement. Each signatory to this Agreement is referred to as “you”.

1. **Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means any business that derives at least 50% of its revenues from the sale of pre-made and/or made-to-order boba, milk tea, smoothies, slushies, and/or other beverages that are the same as or substantially similar to those offered at It’s Boba Time stores.

“*Copyrights*” means all works and materials for which we or our affiliate has secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of an It’s Boba Time store, whether now in existence or created in the future.

“*Franchise Agreement*” means the It’s Boba Time Franchise Agreement executed by Franchisee with an effective date of _____, 202__.

“*Franchisee*” means _____.

“*Improvements*” means any additions, modifications or improvements to (a) the goods or services offered at an It’s Boba Time store, (b) the method of operation of an It’s Boba Time store or (c) any marketing or promotional ideas relating to an It’s Boba Time store, whether developed by you, Franchisee or any other person.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, System and Improvements. “*Intellectual Property*” also includes all customer data collected by Franchisee or by us.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of an It’s Boba Time store, including, but not limited to, recipes, training materials, merchandise and vendor lists, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System and the Manual.

“*Manual*” means our confidential brand standards manual for the operation of an It’s Boba Time store.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of an It’s Boba Time store, including “Boba Time,” “It’s Boba Time” and related logos, and any other trademarks, service marks or trade names that we designate for use in an It’s Boba Time store. The term “Marks” also includes any distinctive trade dress used to identify an It’s Boba Time store, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (a) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business); or (b) diverting or attempting to divert any business from us (or one of our affiliates or franchisees).

“*Restricted Period*” means the two (2) year period after the earliest to occur of the following: (a) the termination or expiration of the Franchise Agreement; (b) the date on which Franchisee assigns the Franchise Agreement to another person with respect to whom neither you nor your spouse holds any direct or indirect ownership interest; or (c) the date on which you cease to be an owner of Franchisee or your spouse ceases to be an owner of Franchisee, as applicable; provided however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the “Restricted Period”

means the one (1) year period after the earliest to occur of the following: (a) the termination or expiration of the Franchise Agreement; (b) the date on which Franchisee assigns the Franchise Agreement to another person with respect to whom neither you nor your spouse holds any direct or indirect ownership interest; or (c) the date on which you cease to be an owner of Franchisee or your spouse ceases to be an owner of Franchisee, as applicable.

“Restricted Territory” means the geographic area within: (a) a 25 mile radius from the Store (and including the Store itself); and (b) a 25 mile radius from all other It’s Boba Time stores that are operating or under construction as of the date of this Agreement and remain in operation or under construction during all or any part of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the *“Restricted Territory”* means the geographic area within a five (5) mile radius from the Store (and including the Store itself).

“Site Approval Notice” is defined in Sections 3.

“Store” means the It’s Boba Time store operated by Franchisee pursuant to the Franchise Agreement.

“System” means our distinct system for the operation of an It’s Boba Time store, the distinctive characteristics of which include proprietary recipes and other trade secrets, specially formulated ingredients, business formats, methods, procedures, designs, layouts, standards and specifications and operating system.

2. **Background.** In your capacity as an owner of Franchisee, or the spouse of an owner of Franchisee, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In addition, you understand that certain terms of the Franchise Agreement apply to “owners” and not just Franchisee. You agree to comply with the terms of this Agreement In order to: (a) avoid damaging our System by engaging in unfair competition; and (b) bind yourself to the terms of the Franchise Agreement applicable to owners.

3. **Brand Protection Covenants.**

(a) Intellectual Property. You agree:

- (i) you will not use the Intellectual Property in any business or capacity other than the Store operated by Franchisee;
- (ii) you will maintain the confidentiality of the Know-how at all times;
- (iii) you will not make unauthorized copies of documents containing any Know-how;
- (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how;
- (v) you will stop using the Know-how immediately if you are no longer an owner of Franchisee or your spouse is an owner of Franchisee, as applicable; and
- (vi) you further agree that you will not use the Intellectual Property for any purpose other than the development and operation of the Store pursuant to the terms of the Franchise Agreement and Manual.

You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership of any Improvement to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize, and sublicense the same.

- (b) Unfair Competition During Relationship. You agree not to unfairly compete with us at any time while you are an owner of Franchisee or while your spouse is an owner of Franchisee, as applicable, by engaging in any Prohibited Activities.

- (c) Unfair Competition After Relationship. You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the prohibited activity (any such extension of time will not be construed as a waiver of your breach or otherwise impair any of our rights or remedies relating to your breach).
- (d) Immediate Family Members. You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.
- (e) Covenants Reasonable. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.** Although you and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic area, we may at any time unilaterally modify the terms of the system protection covenants in Section 3 of this Agreement, upon written notice to you, by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under Section 3 of this Agreement to ensure that the terms and covenants are enforceable under applicable law
- (f) Breach. You agree that failure to comply with the covenants in this Section 3 will cause substantial and irreparable damage to us and/or other It's Boba Time franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of these covenants will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Section are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

4. **Transfer Restrictions.** If you are an owner of Franchisee, you acknowledge that we must approve all persons who hold a direct or indirect ownership interest in Franchisee. Accordingly, you agree that you will not, directly or indirectly or by operation of law, sell, assign, mortgage, pledge or in any manner transfer any direct or indirect ownership interest in Franchisee except in accordance with the terms and conditions set forth in Section 20.2 of the Franchise Agreement.

5. **Financial Security.** In order to secure Franchisee's financial obligations under the Franchise Agreement and all ancillary agreements executed by Franchisee in connection with the Franchise Agreement, including, but not limited to, any agreement for the purchase of goods or services from us or an affiliate of ours and any promissory note related to payments owed to us (collectively, the "Secured Agreements"),

you, jointly and severally, personally and unconditionally: (a) guarantee to us and our successor and assigns, that Franchisee shall punctually fulfil all of its payment and other financial obligations under the Secured Agreement; and (b) agree to be personally bound by, and personally liable for, each and every monetary provision in the Secured Agreements. You waive: (1) acceptance and notice of acceptance by us of the foregoing undertakings; (2) notice of demand for payment of any indebtedness guaranteed; (3) protest and notice of default to any party with respect to the indebtedness guaranteed; (4) any right you may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness hereby guaranteed. You agree that: (1) your direct and immediate liability under this guaranty shall be joint and several with Franchisee and all other signatories to this Agreement; (2) you will render any payment required under the Secured Agreements upon demand if Franchisee fails or refuses punctually to do so; (3) your liability shall not be contingent or conditioned upon pursuit by us of any remedies against Franchisee or any other person; and (4) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that we may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guarantee, which shall be continuing and irrevocable during the term of each of the Secured Agreements and following the termination, expiration or transfer of each of the Secured Agreements to the extent any financial obligations under any such Secured Agreements survive such termination, expiration or transfer. This guaranty will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of one or more of the Secured Agreements by a trustee of Franchisee. Neither your obligation to make payment in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.

6. **Dispute Resolution.** Any dispute between the parties relating to this Agreement shall be brought in accordance with the dispute resolution procedures set forth in the Franchise Agreement. Notwithstanding the foregoing, if any of the dispute resolution procedures set forth in the Franchise Agreement conflict with any of the terms of this Agreement, the terms of this Agreement shall prevail. **You acknowledge and agree that a breach of this Agreement by you shall constitute a material event of default under the Franchise Agreement, permitting us to terminate the Franchise Agreement in accordance with the terms thereof.**
7. **Miscellaneous.**
 - (a) If either party hires an attorney or files suit against the other party relating to or alleging a breach of this Agreement, the losing party agrees to pay the prevailing party's reasonable attorneys' fees and costs incurred in connection with such breach.
 - (b) This Agreement will be governed by, construed and enforced under the laws of California (except enforcement of the non-competition covenants will be governed by the laws and public policies applicable in the state in which you reside) and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.
 - (c) Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.
 - (d) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.
 - (e) You agree that we may deliver to you any notice or other communication contemplated by this

Agreement in the same manner and to the same address listed in the notice provisions of the Franchise Agreement and any such delivery shall be deemed effective for purposes of this Agreement. You may change the address to which notices must be sent by sending us a written notice requesting such change, which notice shall be delivered in the manner and to the address listed in the Franchise Agreement.

In witness whereof, each of the undersigned has executed this Agreement as of the date or dates set forth below.

OWNER / SPOUSE

By: _____

Name: _____

Date: _____

OWNER / SPOUSE

By: _____

Name: _____

Date: _____

OWNER / SPOUSE

By: _____

Name: _____

Date: _____

OWNER / SPOUSE

By: _____

Name: _____

Date: _____

ATTACHMENT "E"
TO FRANCHISE AGREEMENT
ACH AUTHORIZATION FORM

[See Attached]

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee Email Address

Bank Account Information:

Bank Name		
Bank Mailing Address (street, city, state, zip)		
Bank Account No.	☐ Checking ☐ Savings (check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)	Bank Phone No.	

Authorization:

Franchisee hereby authorizes Boba Time, Inc. ("Franchisor") to initiate debit entries to Franchisee's account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee's account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____ Date: _____

Name: _____

Its: _____

Federal Tax ID Number: _____

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

ATTACHMENT "F"
TO FRANCHISE AGREEMENT
CONFIDENTIALITY AGREEMENT

[See Attached]

CONFIDENTIALITY AGREEMENT

This Agreement (this “Agreement”) is entered into by the undersigned (“you”) in favor of Boba Time, Inc., a California corporation, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

“*Copyrights*” means all works and materials for which we or our affiliate has secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of an It’s Boba Time store, whether now in existence or created in the future.

“*Franchisee*” means the It’s Boba Time franchisee for whom you are an officer, director, employee or independent contractor.

“*Improvements*” means any additions, modifications or improvements to (a) the goods or services offered at an It’s Boba Time store, (b) the method of operation of an It’s Boba Time store or (c) any marketing or promotional ideals relating to an It’s Boba Time store, whether developed by you, Franchisee or any other person.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, System and Improvements. “*Intellectual Property*” also includes all customer data collected by Franchisee or by us.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of an It’s Boba Time store, including, but not limited to, recipes, training materials, merchandise and vendor lists, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System and the Manual.

“*Manual*” means our confidential brand standards manual for the operation of an It’s Boba Time store.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of an It’s Boba Time store, including “Boba Time,” “It’s Boba Time” and related logos, and any other trademarks, service marks or trade names that we designate for use in an It’s Boba Time store. The term “Marks” also includes any distinctive trade dress used to identify an It’s Boba Time store, whether now in existence or hereafter created.

“*System*” means our distinct system for the operation of an It’s Boba Time store, the distinctive characteristics of which include proprietary recipes and other trade secrets, specially formulated ingredients, business formats, methods, procedures, designs, layouts, standards and specifications and operating system.

2. Background. You are an officer, director, employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3. Know-How and Intellectual Property. You agree:

- (i) you will not use the Intellectual Property in any business or capacity other than the It’s Boba Time store operated by Franchisee;
- (ii) you will maintain the confidentiality of the Know-how at all times;
- (iii) you will not make unauthorized copies of documents containing any Know-how;
- (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how;

- (v) you will stop using the Know-how immediately if you are no longer an officer, director, employee or independent contractor of Franchisee; and
 - (vi) you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.
4. **Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.
5. **Covenants Reasonable.** You acknowledge and agree that: (a) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (b) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**
6. **Breach.** You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other It's Boba Time franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.
7. **Miscellaneous.**
- (a) If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.
 - (b) This Agreement will be governed by, construed and enforced under the laws of California and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.
 - (c) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

This Confidentiality Agreement is executed as of the date set forth below.

By: _____

Name: _____

Date: _____

ATTACHMENT "G"
TO FRANCHISE AGREEMENT

DEFINITIONS

"Account" is defined in Section 14.5.

"Acquisition" means either (a) a competitive or non-competitive company, franchise system, network or chain directly or indirectly acquiring us, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise or (b) us directly or indirectly acquiring another competitive or non-competitive company, franchise system, network or chain, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise.

"Acquired Assets" is defined in Section 22.2.

"Agencies" is defined in Section (vii).

"Agreement" is defined in the Introductory Paragraph.

"Alternative Channels of Distribution" means all channels of distribution other than retail sales made to customers while present at an It's Boba Time store, including, but not limited to:

- (i) sales through direct marketing, such as over the Internet or through catalogs or telemarketing;
- (ii) sales through retail stores that do not operate under the Marks, such as grocery stores, convenience stores or department stores;
- (iii) sales made at wholesale;
- (iv) on-site sales to customers, such as sales to employee groups at a business site or sales to customers in their homes;
- (v) sales through catering or other delivery services; and
- (vi) sales through kiosks or mobile trailers.

"Appraisal Date" is defined in Section 22.2.

"Appraised Value" is defined in Section 22.2.

"Business" is defined in Section 2.

"Captive Venues" means an It's Boba Time store that is located within, or is a part of, another establishment or facility that consumers may visit for a purpose other than visiting an It's Boba Time store. Examples include It's Boba Time stores that are located within hotels, college campuses or universities, airports, train stations, stadiums or sporting arenas, bus stations, shopping malls, or within other similar types of establishments. Captive Venues are excluded from your territorial protections.

"Claim" or *"Claims"* means any and all claims, actions, demands, assessments, litigation, or other form of regulatory or adjudicatory procedures, claims, demands, assessments, investigations, or formal or informal inquiries.

"Competitive Business" means any business that derives at least 50% of its revenues from the sale of pre-made and/or made-to-order boba, milk tea, smoothies, slushies, and/or other beverages that are the same as or substantially similar to those offered at It's Boba Time stores.

"Confidentiality Agreement" means our form of Confidentiality Agreement, the most current form of which is attached to this Agreement as ATTACHMENT "F".

"Copyrights" means all works and materials for which we or our affiliate has secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or

operation of an It's Boba Time store, whether now in existence or created in the future.

"Dispute" is defined in Section 23.

"Effective Date" is defined in the Introductory Paragraph.

"Entity" means a corporation, partnership, limited liability company or other form of association.

"General Release" means our current form of general release of all claims against us and our affiliates and subsidiaries, and our and their respective members, officers, directors, agents and employees, in both their corporate and individual capacities.

"Gross Sales" means all gross sums collected by you from all goods and services sold in connection with your Business (including from on-premises dining, take-out, delivery and catering), together with any other revenue or monies derived in connection with your Store, including the proceeds of any business interruption insurance. *"Gross Sales"* also includes the full value of meals furnished to your employees as in incident to their employment. However, the value of any such discounts may be credited against Gross Sales for purposes of determining the amount of Gross Sales upon which the royalty fee and brand fund contribution is due. If you utilize a third-party delivery service to deliver orders to consumers, *"Gross Sales"* includes the entire sale price paid by the consumer, regardless of any fee deduction made by the delivery service provider prior to remittance of the net proceeds to you. In other words, any service fee deducted by the third-party delivery service provider from the proceeds paid by the consumer must be included in Gross Sales, even if not collected by you. *"Gross Sales"* does not include:

- (a) revenues that you collect from a customer and later refund to that customer;
- (b) tips and gratuities paid to and retained by your employees;
- (c) any sales or use taxes that you pay to a government agency; or
- (d) proceeds from the isolated sale of trade fixtures in the ordinary course of business, or receipts from vending machines located at your Store (but Gross Sales includes your share of any such revenues).

From time to time, we may establish policies governing the manner in which the proceeds from the sale of gift cards are treated for purposes of calculating Gross Sales.

"Improvements" is defined in Section 18.5.

"Indemnified Party" or *"Indemnified Parties"* means us and each of our past, present and future owners, members, officers, directors, employees and agents, as well as our parent companies, subsidiaries and affiliates, and each of their past, present and future owners, members, officers, directors, employees and agents.

"Intellectual Property" means, collectively or individually, our Marks, Copyrights, Know-how, System and Improvements. *"Intellectual Property"* also includes all customer data collected by you or us.

"Interim Manager" is defined in Section 8.4.

"Interim Term" is defined in Section 4.3.

"Know-how" means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of an It's Boba Time store, including, but not limited to, recipes, training materials, merchandise and vendor lists, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System and the Manual.

"Losses and Expenses" means all compensatory, exemplary, and punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against Claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs, damages, liabilities and expenses associated with any of the foregoing losses and expenses or incurred by an Indemnified Party as a result of a Claim.

"Managing Owner" means the Owner that you designate and we approve who is primarily responsible for the operation, management and supervision of the Business.

"Manual" is defined in Section 6.1.

“Marks” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of an It’s Boba Time store, including “Boba Time,” “It’s Boba Time” and related logos, and any other trademarks, service marks or trade names that we designate for use in an It’s Boba Time store. The term “Marks” also includes any distinctive trade dress used to identify an It’s Boba Time store, whether now in existence or hereafter created.

“Owner” or *“Owners”* means any individual who owns a direct or indirect ownership interest in the franchise or the Entity that is the franchisee under this Agreement. “Owner” includes both passive and active owners.

“PCI-DSS” means the payment card industry data security standard, which is a set of security requirements established by the following major credit card brands from time to time: American Express, Discover Financial Services, JCB International, MasterCard Worldwide, and Visa Inc., which standards are set forth at <https://www.pcisecuritystandards.org> as of the Effective Date.

“Permitted Transfer” means: (a) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer, other than a Transfer by an Owner who is the Managing Owner that results in the Managing Owner holding less than a 20% ownership interest in the franchise or the Entity that is the franchisee under this Agreement, as applicable; and/or (b) a Transfer to a newly established Entity for which the Owners collectively own and control 100% of the ownership interests and voting power.

“Post-Term Restricted Period” means, with respect to you, a period of two (2) years after the termination, expiration or Transfer of this Agreement; provided, however, that if a court of competent jurisdiction determines that the two-year Post-Term Restricted Period is too long to be enforceable, then the “Post-Term Restricted Period” means, with respect to you, a period of one (1) year after the termination, expiration or Transfer of this Agreement. “Post-Term Restricted Period” means, with respect to an Owner, a period of two (2) years after the earlier to occur of (a) the termination, expiration or Transfer of this Agreement or (b) the Owner’s Transfer of his or her entire ownership interest in the franchise or the Entity that is the franchisee, as applicable; provided, however, that if a court of competent jurisdiction determines that the two-year Post-Term Restricted Period is too long to be enforceable, then the “Post-Term Restricted Period” means, with respect to an Owner, a period of one (1) year after the earlier to occur of (a) the termination, expiration or Transfer of this Agreement or (b) the Owner’s Transfer of his or her entire ownership interest in the franchise or the Entity that is the franchisee, as applicable.

“Prohibited Activities” is defined in Section 15.3.

“Qualified Appraiser” is defined in Section 22.2.

“Restricted Territory” means the geographic area within: (a) a 25 mile radius from your Store (and including your Store itself); and (b) a 25 mile radius from all other It’s Boba Time stores that are operating or under construction as of the Effective Date and remain in operation or under construction during all or any part of the Post-Term Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the “Restricted Territory” means the geographic area within a 5 mile radius from your Store (and including your Store itself).

“Site Approval Notice” is defined in Sections 3.

“Site Selection Area” is defined in Sections 7.1.

“Store” is defined in Section 2.

“Successor Agreement” is defined in Section 4.1.

“System” means our distinct system for the operation of an It’s Boba Time store, the distinctive characteristics of which include proprietary recipes and other trade secrets, specially formulated ingredients, business formats, methods, procedures, designs, layouts, standards and specifications and operating system.

“Technology Systems” is defined in Section 12.7.

“Term” is defined in Section 4.1.

“Territory” is defined in Section 3.

“Transfer” means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree),

assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of this Agreement, the franchise (or any interest therein), the Business (or any portion thereof) or an ownership interest in an Entity that is the franchisee, including by merger or consolidation, by issuance of additional securities representing an ownership interest in the Entity that is the franchisee, or by operation of law, will or a trust upon the death of an Owner (including the laws of intestate succession).

“We” or “us” is defined in the Introductory Paragraph.

“You” is defined in the Introductory Paragraph.

EXHIBIT "D"
TO DISCLOSURE DOCUMENT
AREA DEVELOPMENT AGREEMENT

[See Attached]



AREA DEVELOPMENT AGREEMENT

AREA DEVELOPER: _____
DATE: _____

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ATTACHMENTS

ATTACHMENT "A"

Deal Terms

AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (this “Agreement”) is entered into as of _____, 202__ (the “Effective Date”) between Boba Time, Inc., a California corporation (“we” or “us”) and _____, a(n) _____ (“you”).

- 1. DEFINITIONS.** Capitalized terms used in this Agreement shall have the meanings given to them below. Any capitalized term used in this Agreement that is not defined below shall have the meaning given to such term in the Initial Franchise Agreement (as defined below).

“*Acquisition*” has the meaning given to such term in the Initial Franchise Agreement.

“*Alternative Channels of Distribution*” has the meaning given to such term in the Initial Franchise Agreement.

“*Captive Venue*” has the meaning given to such term in the Initial Franchise Agreement.

“*Development Schedule*” means the schedule described in Section 4.1 and Part D of ATTACHMENT "A" for the development of the stores within the Development Territory.

“*Development Territory*” means the geographic area described in Part C of ATTACHMENT "A".

“*Discounted Initial Franchise Fee*” means the discounted initial franchise fee that you must pay for each store to be developed under this Agreement (other than your first store), which discounted initial franchise fee is set forth in Part B of ATTACHMENT "A".

“*Franchise Agreement*” means an It’s Boba Time Franchise Agreement executed by us and you (or an affiliate of yours) for the establishment and operation of an It’s Boba Time store pursuant to this Agreement.

“*Initial Franchise Agreement*” means the Franchise Agreement executed by you concurrently with the execution of this Agreement for the first franchise to be established pursuant to this Agreement.

“*Managing Owner*” has the meaning given to such term in the Initial Franchise Agreement.

“*Owner*” or “*Owners*” means any individual who directly signs this Agreement or who owns a direct or indirect ownership interest in the area development rights or the entity that is the area developer under this Agreement. “Owner” includes both passive and active owners.

“*Permitted Transfer*” means: (a) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer, other than a Transfer by an Owner who is the Managing Owner that results in the Managing Owner holding less than a 20% ownership interest in the area developer franchise or the Entity that is the area developer franchisee under this Agreement, as applicable; and/or (b) a Transfer to a newly established Entity for which the Owners collectively own and control 100% of the ownership interests and voting power.

“*Term*” the period of time commencing with the Effective Date of this Agreement and expiring upon the date by which you are required to open the last store under the Development Schedule.

“*Transfer*” means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree), assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of this Agreement, the area development rights (or any interest therein), the business conducted by you pursuant to this Agreement, or an ownership interest in an entity that is the area developer under this Agreement, including by merger or consolidation, by issuance of additional securities representing an ownership interest in the entity that is the area developer, or by operation of law, will or a trust upon the death of an Owner of the area developer entity (including the laws of intestate succession).

- 2. GRANT OF DEVELOPMENT RIGHTS.** Subject to the terms and conditions of this Agreement, we hereby grant you the right and obligation to develop each of the stores referred to in the Development

Schedule. Each store that you develop pursuant to this Agreement must be located within the Development Territory and at a specific site that we approve in accordance with the terms of the applicable Franchise Agreement. This Agreement does not grant you any rights or licenses to use any of our Intellectual Property.

3. **TERRITORIAL PROTECTIONS AND LIMITATIONS.** Your Development Territory will be protected, meaning that for the duration of the Term, we will not operate, or grant a license to any third party to operate, an It's Boba Time store that is physically located within the Development Territory other than: (a) any It's Boba Time store that is operating, under development, or for which a franchise agreement has been executed, in each case as of the Effective Date, and that is located, or is to be located within, the Development Territory; and (b) any It's Boba Time store that is otherwise permitted by this Section in connection with Captive Venues or an Acquisition. We reserve the right to: (a) operate, or grant franchises or licenses to third parties to operate, It's Boba Time stores in Captive Venues that are located in your Development Territory; and (b) engage in Acquisitions, even if as a result of an Acquisition one or more competitive businesses of the acquired or acquiring company begin using our Intellectual Property (including our Marks) and are located within your Development Territory. We also reserve the right to sell, or grant franchises or licenses to third parties to sell, competitive or identical goods or services (including under the Marks) through Alternative Channels of Distribution, irrespective of whether the sales take place in your Development Territory.

4. **DEVELOPMENT OBLIGATIONS**

- 4.1. **Development Schedule.** You agree to open each store in strict compliance with the time periods set forth in the Development Schedule. You must develop, open and operate each store in compliance with all of the terms of the applicable Franchise Agreement. We may, in our sole discretion, extend the time periods listed in the Development Schedule, but only if you can demonstrate to our reasonable satisfaction that you have used your best efforts to comply with your development obligations and the need for additional time is due to unforeseeable delays and not due to your neglect, misconduct or financial inability. You must open all of the stores referred to in the Development Schedule.

- 4.2. **Site Selection.** You must select a specific location within the Development Territory for each store in accordance with our then-current guidelines for opening a new location as contained in the Manual and the applicable Franchise Agreement. Each site that you select is subject to our prior approval as specified in the applicable Franchise Agreement.

- 4.3. **Franchise Agreements.** You must sign a separate Franchise Agreement for each Store. You must sign the Initial Franchise Agreement for your first Store at the time you sign this Agreement. We will not review or approve a proposed site until you sign the applicable Franchise Agreement for the proposed location. You must sign a Franchise Agreement for each Store no later than 90 days prior to the required opening date for such Store under the Development Schedule. Each Franchise Agreement shall be our then-current form of It's Boba Time Franchise Agreement (modified to reflect the Discounted Initial Franchise Fee), the terms and conditions of which may vary materially and substantially from the terms and conditions of the Initial Franchise Agreement. At the time you sign the Franchise Agreement for each new store, you must pay us the balance of the Discounted Initial Franchise Fee for that franchise (i.e., \$15,000). You will have no right to construct or operate any store until you and we have executed the applicable Franchise Agreement and all ancillary agreements for that store.

- 4.4. **Additional Locations.** You have no right to develop any store other than the stores listed in the Development Schedule unless we, in our sole discretion, permit you to enter into a new area development agreement, which will be upon such terms and conditions that we specify, following your development of all stores listed in the Development Schedule under this Agreement.

5. **DEVELOPMENT FEE.** At the time you sign this Agreement, you must pay us the full initial franchise fee for your first store in the amount set forth in Part B of ATTACHMENT "A". In addition, at the time

you sign this Agreement, you must pay us a development fee in the amount set forth in Part B of ATTACHMENT "A", which amount is calculated as 50% of the aggregate Discounted Initial Franchise Fees that you must pay us for all stores under your Development Schedule (other than your first store). The development fee is fully earned and nonrefundable upon execution of this Agreement.

6. **AREA DEVELOPER AS ENTITY.** If you are an entity, you represent that Part A of ATTACHMENT "A" includes a complete and accurate list of all of your Owners. Upon our request, you must provide us with a resolution of the entity authorizing the execution of this Agreement, a copy of the entity's organizational documents and a current Certificate of Good Standing (or the functional equivalent thereof). You represent that the entity is duly formed and validly existing under the laws of the state of its formation or incorporation. You may form a separate entity to enter into each Franchise Agreement provided that: (a) the individuals holding the ownership interests (and their percentage interests) in each such entity must be the same individuals holding ownership interests (with the same percentage interests) in the entity that is the Area Developer under this Agreement; and (b) each such entity guarantees the performance of all other entities formed under the authority of this Section 6.

7. TRANSFERS

- 7.1. **By Us.** This Agreement is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment.

- 7.2. **By You.** You understand that the rights and duties created by this Agreement are personal to you and your Owners and that we have granted the area development rights in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your Owners. Therefore, neither you nor any Owner may engage in any Transfer other than a Permitted Transfer without our prior written approval. Any Transfer (other than a Permitted Transfer) without our approval shall be void and constitute a breach of this Agreement. We will not unreasonably withhold our approval of any proposed Transfer, provided that the following conditions are all satisfied:

- (i) the proposed transferee is, in our opinion, an individual of good moral character, who has sufficient business experience, aptitude and financial resources to develop, own and operate all of the remaining stores that are to be develop under this Agreement and otherwise meets all of our then applicable standards for area developer franchisees;
- (ii) you and your Owners are in full compliance with the terms of this Agreement, all Franchise Agreements and all other agreements with us or our affiliate;
- (iii) all of the Owners of the transferee have successfully completed, or made arrangements to attend, the initial training program (and the transferee has paid the \$2,000 initial training fee which covers up to two (2) attendees);
- (iv) the transferee and its owners sign our then current form of area development agreement (unless we, in our sole discretion, instruct you to assign this Agreement to the transferee), except that: (a) the Term and renewal term(s) shall be the Term remaining under this Agreement; (b) the transferee need not pay a separate development fee; and (c) the Development Schedule and Development Territory shall be the same Development Schedule and Development Territory specified in this Agreement (modified to reflect the development obligations satisfied prior to the transfer);
- (v) you or the transferee pay us a \$10,000 transfer fee;
- (vi) you assign all of your Franchise Agreements to the transferee in accordance with all of the transfer terms and conditions applicable under each such Franchise Agreement (including payment of any transfer fee imposed under each such Franchise Agreement);

- (vii) you and your Owners sign a General Release for all claims arising before or contemporaneously with the Transfer;
- (viii) we do not elect to exercise our right of first refusal described in Section 7.5; and
- (ix) you or the transferring Owner, as applicable, and the transferee have satisfied any other conditions we reasonably require as a condition to our approval of the Transfer.

You may not transfer less than your entire remaining area development rights under this Agreement (i.e., you may not retain the right to develop any store). You also may not transfer your area development rights to multiple transferees. Our consent to a Transfer shall not constitute a waiver of any claims we may have against the transferor, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the franchise by the transferee.

- 7.3. **Permitted Transfers.** You may engage in a Permitted Transfer without our prior approval, but you must give us at least ten (10) days prior written notice. You and the Owners (and the transferee) agree to sign all documents that we reasonably request to effectuate and document the Permitted Transfer.
- 7.4. **Death or Disability of an Owner.** Upon the death or permanent disability of an Owner, the Owner's ownership interest in you or the area development rights, as applicable, must be assigned to another Owner or to a third party approved by us within one (1) year. Any assignment to a third party will be subject to all of the terms and conditions of Section 7.2 unless the assignment qualifies as a Permitted Transfer. For purposes of this Section, an Owner is deemed to have a "permanent disability" only if the person has a medical or mental problem that prevents the person from substantially complying with his or her obligations under this Agreement for a continuous period of at least three (3) months.
- 7.5. **Our Right of First Refusal.** If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, must obtain a bona fide, signed written offer from the fully disclosed purchaser and submit an exact copy of the offer to us. We will have 30 days after receipt of the offer to decide whether we will purchase your remaining area development rights and any It's Boba Time stores to be assigned, or the ownership interest in you, as applicable, for the same price and upon the same terms contained in the offer (however, we may substitute cash for any form of payment proposed in the offer). If we notify you that we intend to purchase the interest within the 30-day period, you or the Owner, as applicable, must sell the interest to us. We will have at least an additional 30 days to prepare for closing. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you as the seller of the assets or the Owner as the seller of the ownership interest or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to and on the terms of the offer, subject to the requirements of Section 7.2 (including our approval of the transferee). However, if the sale to the purchaser is not completed within 120 days after delivery of the offer to us, or there is a material change in the terms of the sale, we will again have the right of first refusal specified in this Section. Our right of first refusal in this Section shall not apply to any Permitted Transfer.

8. TERMINATION OF DEVELOPMENT RIGHTS

- 8.1. **Reasonableness.** You represent that you: (a) have conducted your own independent investigation and analysis of the prospects for the establishment of the stores within the Development Territory; (b) approve the Development Schedule as being reasonable and viable; and (c) recognize that your failure to achieve the results required by the Development Schedule will constitute a material breach of this Agreement.
- 8.2. **Termination of Development Rights.** If you fail to comply with any term of this Agreement, we may terminate this Agreement, effective 30 days after giving you written notice of the default, unless you have fully cured the default within such 30-day period. Any such termination will end all of your

rights and future obligations under this Agreement, including without limitation, your interests in the Development Territory and right to open additional It's Boba Time stores. In the event of a termination, you will not be entitled to any refund of the development fee, except that you will not be obligated to pay the remaining balance of the Discounted Initial Franchise Fees for any It's Boba Time store with respect to which, as of the effective date of termination of this Agreement, you had not executed a Franchise Agreement.

8.3. Cross Default. Our termination of any Franchise Agreement due to your default shall constitute a default under this Agreement permitting us to terminate this Agreement immediately upon notice to you.

9. DISPUTE RESOLUTION. Any dispute between the parties relating to this Agreement shall be resolved pursuant to the dispute resolution provisions set forth in the Initial Franchise Agreement executed concurrently with this Agreement. All such dispute resolution provisions are incorporated herein by reference as if full set forth in this Agreement.

10. YOUR REPRESENTATIONS. YOU HEREBY REPRESENT THAT:

- (i) YOU HAVE NOT RECEIVED ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT, EXCEPT FOR ANY INFORMATION DISCLOSED IN THE FRANCHISE DISCLOSURE DOCUMENT;
- (ii) YOU HAVE NO KNOWLEDGE OF ANY REPRESENTATIONS BY US OR ANY OF OUR OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES OR REPRESENTATIVES ABOUT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS AGREEMENT OR THE FRANCHISE DISCLOSURE DOCUMENT;
- (iii) YOU RECEIVED (1) AN EXACT COPY OF THIS AGREEMENT AND ITS ATTACHMENTS AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT IS EXECUTED; AND (2) OUR FRANCHISE DISCLOSURE DOCUMENT AT THE EARLIER OF (A) 14 CALENDAR DAYS BEFORE YOU SIGNED A BINDING AGREEMENT OR PAID ANY MONEY TO US OR OUR AFFILIATES OR (B) AT SUCH EARLIER TIME IN THE SALES PROCESS THAT YOU REQUESTED A COPY;
- (iv) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES AND AREA DEVELOPERS OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES AND AREA DEVELOPERS MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES; AND
- (v) YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT AND RECOGNIZE THAT IT INVOLVES BUSINESS RISKS, MAKING THE SUCCESS OF THE VENTURE LARGELY DEPENDENT UPON YOUR OWN BUSINESS ABILITIES, EFFORTS AND JUDGMENTS, AND THE SERVICES OF YOU AND THOSE YOU EMPLOY.

11. GENERAL PROVISIONS

11.1. Governing Law. This Agreement and the franchise relationship shall be governed by the laws of the State of California (without reference to its principles of conflicts of law), but any law of the State of California that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

11.2. Severability. Each section, subsection, term and provision of this Agreement, and any portion thereof, shall be considered severable.

- 11.3. **Waivers.** We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other.
- 11.4. **Force Majeure.** Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if our or your failure to perform our or your obligations results from any event of force majeure. Any delay resulting from an event of force majeure will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable under the circumstances. Notwithstanding the foregoing, “force majeure” will not: (a) relieve you of any payment obligations under this Agreement; or (b) excuse, or apply with respect to, any breaches resulting from an epidemic or pandemic of a contagious illness or disease or resulting from any economic or financial changes caused by such epidemic or pandemic.
- 11.5. **Binding Effect.** This Agreement is binding upon the parties to this Agreement and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.
- 11.6. **Integration.** THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. Any email correspondence or other form of informal electronic communication shall not be deemed to modify this Agreement unless such communication is signed by both parties and specifically states that it is intended to modify this Agreement. The attachment(s) are part of this Agreement, which, together with any Amendments or Addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. This provision is intended to define the nature and extent of the parties’ mutual contractual intent, there being no mutual intent to enter into contract relations, whether by agreement or by implication, other than as set forth above. The parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Agreement, would affect the economic terms of this bargain. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document.
- 11.7. **Covenant of Good Faith.** If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (a) this Agreement (and the relationship of the parties that is inherent in this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may affect favorably or adversely your interests; (b) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (c) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (d) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.
- 11.8. **Rights of Parties are Cumulative.** The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by law.
- 11.9. **Survival.** All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement (or the Transfer of an ownership interest in the franchise) shall continue

in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire.

11.10. Construction. The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Agreement is applicable to one or more persons or an Entity, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.

11.11. Time of Essence. Time is of the essence in this Agreement and every term thereof.

11.12. Counterparts. This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

11.13. Notice. All notices and statements to be given under this Agreement are to be provided in accordance with the Notice Provision of the Initial Franchise Agreement signed concurrently with this Agreement.

The parties to this Agreement have executed this Agreement effective as of the Effective Date first above written.

FRANCHISOR:

Boba Time, Inc., a California corporation

By: _____
Name: _____
Its: _____

YOU (If you are an entity):

_____,
a(n) _____
By: _____
Name: _____
Its: _____

YOU (If you are not an entity):

Name: _____

Name: _____

Name: _____

Name: _____

ATTACHMENT "A"
TO AREA DEVELOPMENT AGREEMENT
DEAL TERMS

A. Area Developer Details.

Name of franchisee: [_____]

Is the franchisee one or more natural persons signing in their individual capacity? **Yes:** _____ **No:** _____

Type of Entity and State of Formation* (if applicable): [_____]

** If the franchisee is a business entity, each natural person holding a direct or indirect ownership interest in the business entity, and spouse of each such person, must sign a Franchise Owner Agreement concurrently with the execution of this Agreement.*

The following table includes the full name of each natural person holding a direct or indirect ownership interest in the area developer franchise (or the franchisee business entity if applicable) along with a description of their ownership interest.

Owner's Name	% Ownership Interest	Direct or Indirect (if indirect, describe nature of interest)

Notice Address: [_____]

B. Fees.

- The Discounted Initial Franchise Fee shall be \$30,000.
- The initial franchise fee for the first It's Boba Time store to be developed pursuant to this agreement shall be \$40,000.
- The development fee shall be \$_____.

C. Development Territory.

The Development Territory shall include the following geographic area:

If the boundaries that define the Development Territory change during the term, the boundaries of your Development Territory will remain unaffected and will continue to be defined by the boundaries that were in effect as of the Effective Date.

D. Development Schedule.

You agree to comply with the following minimum development obligations as specified in Section 4 of the Agreement:

DEVELOPMENT PERIOD ENDING	NUMBER OF STORES OPENED DURING DEVELOPMENT PERIOD	CUMULATIVE NUMBER OF STORES OPENED AND IN OPERATION
1 year after Effective Date		
2 years after Effective Date		
3 years after Effective Date		
4 years after Effective Date		
5 years after Effective Date		
6 years after Effective Date		
7 years after Effective Date		
8 years after Effective Date		
9 years after Effective Date		
10 years after Effective Date		
Total Number of Stores to be Developed: [_____]		

EXHIBIT "E"
TO DISCLOSURE DOCUMENT
TABLE OF CONTENTS OF BRAND STANDARDS MANUAL

[See Attached]



Operations Manual

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NOTE: Boba Time, Inc., at its own discretion, may change, delete, suspend, or discontinue any policies contained herein in parts of or its entirety, at any time without prior notice. In the event of a policy change, updated and revised version of the Operations Manual will be readily available to franchisees. Any such action shall apply to existing as well as to future franchisees.

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EXHIBIT "F"

TO DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

Part A (Current Franchisees)

The following table lists our franchisees that were open as of December 31, 2021.

FRANCHISEES OPEN AS OF DECEMBER 31, 2021				
State	City	Address	Phone	Owner Name(s)
California	Artesia	17901 Pioneer Blvd., Ste. I Artesia, CA 90701	562-860-1919	Emma Suh
California*	Bakersfield	10500 Stockdale Hwy, Ste. 200 Bakersfield, CA 93311	661-556-4003	Ameliana Jo Berg
California*	Bakersfield	2701 Ming Ave., Unit 465 Bakersfield, CA 93304	661-381-6514	Ameliana Jo Berg
California	Bell	6515 Atlantic Ave., Ste. A Bell, California 90201	323-749-0502	Thomas Chung
California	Buena Park	5260-A Beach Blvd. Buena Park, CA 90621	714-522-2622	Don Lee
California*	Burbank	2412 W. Victory Blvd. Burbank, CA 91506	747-333-0013	Joanna Guerrero
California	Canoga Park	6660 Topanga Canyon Blvd., Ste. 1012 Canoga Park, CA 91303	818-887-7670	Morteza Vadipour
California	Chino Hills	3410 Grand Ave., Ste. G Chino Hills, CA 91709	909-464-2622	Don Chonghan Kim & Debbie Kim
California	Commerce	5452 Whittier Blvd. Commerce, CA 90022	213-377-2622	Judy Son & Denis In
California*	Eagle Rock	2255 Colorado Blvd. Los Angeles, CA 91303	323-474-6101	Joanna Guerrero
California	Fullerton	131 E. Commonwealth Ave. Fullerton, CA 92832	657-217-5309	Andrea Yoo
California	Gardena	15482 S. Western Ave., Unit 109 Gardena, CA 90249	310-538-2622	Jeffrey Yi
California	Glendale	100 W. Broadway Glendale, CA 91210	818-539-8839	Morteza Vadipour
California*	Glendale	136 S. Brand Blvd. Glendale, CA 91204	818-945-5755	Joanna Guerrero
California*	Glendale	1525 N. Verdugo Rd. Glendale, CA 91208	747-215-6157	Joanna Guerrero
California	Irvine	3905 Irvine Blvd. Irvine, CA 92602	714-352-6592	Eric Ji
California	Lancaster	1102 W. Ave. K Lancaster, CA 93534	661-522-3080	Ariel Jor'l Hutalla
California	La Palma	5454 La Palma Avenue La Palma, CA 90623	562-725-2622	Simon Yi & Jina Kwon
California	Los Angeles	3450 W. 6th St., Ste. 111 Los Angeles, CA 90020	818-288-6604	Cecilia Park

FRANCHISEES OPEN AS OF DECEMBER 31, 2021				
State	City	Address	Phone	Owner Name(s)
California	Los Angeles	704 N. Vermont Ave. Los Angeles, CA 90029	323-662-2622	David Sim
California	Los Angeles	1001 S. Alvarado St. Los Angeles, CA 90006	213-277-1104	Jay Cho
California	Los Angeles	6660 Sunset Blvd. Los Angeles, CA 90028	323-464-2622	Hyojong Kim & Kyumin Kim
California	Los Angeles	3617 S. Vermont Ave. Los Angeles, CA 90007	323-737-3008	Young Jae Lee & Jing Zhang
California	Los Angeles	10946 Weyburn Ave. Los Angeles, CA 90024	424-369-5227	Young Jae Lee & Jing Zhang
California	Los Angeles	5549 Sunset Blvd. Los Angeles, CA 90028	323-798-4780	Esther Park
California	Los Angeles	125 N. Western Ave., Ste. 103 Los Angeles, CA 90004	323-466-2622	Patinya Klangsombat & Mayures Faisomrit
California*	Los Angeles	2908 W. Los Feliz Blvd. Los Angeles, CA 90039	213-278-0051	Joanna Guerrero
California*	Los Angeles	508 W. 7 th St. Los Angeles, CA 90014	213-278-0051	Joanna Guerrero
California	Monterey Park	2252 S. Atlantic Blvd. Monterey Park, CA 91754	323-853-2622	Judy Son & Denis In
California	North Hollywood	6160 Laurel Canyon Blvd., Ste. 175 North Hollywood, CA 91606	818-658-2622	Don Han
California	Northridge	19600 Plummer St., Ste. 600 Northridge, CA 91324	818-818-5151	Helen Chae
California	Oxnard	2756 Seaglass Way Oxnard, CA 93036	805-983-2622	Sean Rhim
California	Palmdale	540 Rancho Vista Boulevard Palmdale, CA 93551	661-409-2622	Ariel Jor'l Hutalla
California	Panorama City	14417 Roscoe Blvd., Unit P Panorama City, CA 91402	818-830-2622	David Sim
California	Pico Rivera	8935 Washington Blvd. Pico Rivera, CA 90660	562-463-6464	Isaac Lee
California	Rancho Cucamonga	8443 Haven Avenue, Unit 145 Rancho Cucamonga, CA 91730	909-481-2735	Daniel Oh
California	Riverside	10082 Magnolia Ave. Riverside, CA 92503	951-977-8272	Erick Phan
California	Rolling Hills Estates	27 Peninsula Center Rolling Hills Estates, CA 90274	424-408-2622	Yong Joon Park
California	Rowland Heights	1744 Nogales Street Rowland Heights, CA 91748	626-263-2622	Hyeun Woo Pag
California	San Bernadino	1775 W. Northpark Blvd., Unit B-3 San Bernardino, CA 92407	909-726-1017	Daniel Oh
California	San Fernando	200 San Fernando Mission Blvd., Ste. 120 San Fernando, CA 91340	747-500-9070	Feliks Buchinskiy
California	Santa Clarita	23426 Lyons Ave. Santa Clarita, CA 91321	661-284-2622	Katie Kim
California	Santa Clarita	18729 Via Princessa Canyon Country, CA 91387	661-250-2622	Katie Kim

FRANCHISEES OPEN AS OF DECEMBER 31, 2021				
State	City	Address	Phone	Owner Name(s)
California	Simi Valley	2679 Tapo Canyon Rd. Simi Valley, CA 93063	805-624-7944	Helen Chae
California	Valencia	24201 W. Valencia Blvd., Unit 1210 Valencia, CA 91355	661-777-2722	Katie Kim
California	Winnetka	19755 Vanowen St. Winnetka, CA 91306	747-287-2622	Jin S. Kang

* These franchisees are also area developers that have committed to open multiple franchised businesses under the terms of an area development agreement.

The following table lists our franchisees with signed franchise agreements that were not open as of December 31, 2021.

FRANCHISEES NOT OPEN AS OF DECEMBER 31, 2020				
State	City	Address	Phone	Owner Name(s)
Arizona	Tempe	TBD	309-660-2374	Eric Berg and Ameliana J. Berg
California*	Alhambra	9 E. Main St. Alhambra, CA 91801	818-550-1133	Joanna Guerrero
California*	Bakersfield	TBD	309-660-2374	Eric Berg and Ameliana J. Berg
California*	Burbank	234 N. San Fernando Blvd. Burbank, CA 91502	818-550-1133	Joanna Guerrero
California	Camarillo	740 E. Ventura Blvd., #506 Camarillo, CA 93010	213-248-0085	Sean Rim
California	Corona	TBD	626-825-6685	Harpreet Chopra
California	Downey	TBD	818-919-0314	Synjin Hipolito
California	Duarte	1110 E. Huntington Dr. Duarte, CA 91010	213-219-3322	Youn Sim & Diane Sim
California	Fresno	3520 N. Blackstone Ave., Ste. 104 Fresno, CA 93726	661-340-2585	Andy Khajvand
California	Huntington Park	7064 Santa Fe Ave. Huntington Park, CA 90255	310-598-0529	Jae Young Lee & Jing Zhang
California	Los Angeles	8250 W. 3 rd St. Los Angeles, CA 90048	818-309-9990	Manoukian, Marianna & Stepanyan, Artak
California	Los Angeles	TBD	323-353-7611	Jae Young Lee & Jing Zhang
California	National City	1860 Sweetwater Rd., Ste. A1 National City, CA 91950	323-379-7044	Ariel Jor'l Hutalla & Rafael Hutalla
California	North Hollywood	4821 Lankershim Blvd. North Hollywood, CA 91601	818-967-7223	Zhora Zulkhanyan & Hayk Kirakosyan
California	Redondo Beach	TBD	310-800-5577	Yong Joon Park
California	South Gate	5802 Firestone Blvd. South Gate, CA 90280	714-391-1807	Trung Tran & Hanh Nguyen
California	TBD	TBD	310-941-0937	Andrew Suh
California	TBD	TBD	714-450-0523	Alex Barrios
California	TBD	TBD	818-857-7071	Anna M. Luza
California	TBD	TBD	213-322-8469	Jae Won Kim, Florescia Choi, & Hyun Kook Choi

FRANCHISEES NOT OPEN AS OF DECEMBER 31, 2020				
State	City	Address	Phone	Owner Name(s)
California	TBD	TBD	818-933-1044	Susie Kim
California	Temecula	40820 Winchester Rd., #2460 Temecula, CA 92591	714-726-6763	Paul Juhn & Jasmine Yoon
California	Thousand Oaks	TBD	213-248-0085	Sean Rim
California	Victorville	TBD	323-379-7044	Ariel Jor'l Hutalla
California	West Covina	713 N. Azusa Ave. West Covina, CA 91791	213-359-6561	Sang Yoon & Taehee Shin
California	West Covina	1300 W. Francisquito Ave. West Covina, CA 91790	213-458-2721	Judy Son & Denis In
California	West Hills	22904 Vanowen St. West Hills, CA 91307	213-999-1106	Jin S. Kang & Jun Kim
California	Whittier	TBD	323-828-8398	Bong Jin Jung & Seri Yoo
Nevada	Las Vegas	TBD	818-550-1133	Joanna Guerrero

* These franchisees are also area developers that have committed to open multiple franchised businesses under the terms of an area development agreement.

Part B (Former Franchisees Who Left System During Prior Fiscal Year)

State	City	Current Business Phone or Last Known Home Phone	Owner Name(s)
California	Bell	323-749-0502	James Kim
California	Costa Mesa & Rowland Heights	949-506-2622	Sae Eun Kim
California	Fullerton	657-217-5309	Byung Ha Chang
California	Hayward & San Francisco	408-834-2124	Sra Baltej
California	Los Angeles	213-884-2644	Seung Wook Kim & John Kim
California	Los Angeles	608-844-4555	Sutinee Thongsuk

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

EXHIBIT "G"
TO DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

[See Attached]

EXHIBIT "G"
TO DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

[See Attached]

Boba Time, Inc.

Financial Statements and
Independent Auditors' Report
December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Boba Time, Inc.
Los Angeles, California

Opinion

We have audited the accompanying financial statements of Boba Time, Inc. which comprise the balance sheet as of December 31, 2021, and the related statements of income, changes in shareholder's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boba Time, Inc. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Boba Time, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to prove 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 Boba Time, Inc.'s ability to continue as a going concern within one year after the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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



JNK Accountancy Group, LLP
Garden Grove, California
March 7, 2022

Boba Time, Inc.
Balance Sheet
December 31, 2021

Assets

Current assets

Cash and cash equivalents	\$	1,788,695
Accounts receivable		179,718
Receivable from related parties		611,626
Debt securities available-for-sale		667,933
Equity investments with readily determinable fair value		952,918
Prepaid		17,379
Total current assets		<u>4,218,269</u>

Noncurrent assets

Property and equipment, net		1,181,548
Intangible assets, net		377,368
Other assets		33,263
Total noncurrent assets		<u>1,592,179</u>

Total assets	\$	<u><u>5,810,448</u></u>
--------------	----	-------------------------

Liabilities and shareholder's equity

Current liabilities

Accrued expenses and others	\$	226,495
Deferred franchise fee income		841,750
Legal settlement payable		1,320,288
Retirement plan payable		421,223
Loans payable		319,808
Total current liabilities		<u>3,129,564</u>

Noncurrent liabilities

Loans payable (net of current portion)		1,701,254
Total liabilities		<u>4,830,818</u>

Shareholder's equity

Common stock; 10,000,000 shares authorized and 100,000 shares issued and outstanding		100,000
Accumulated other comprehensive income		7,773
Retained earnings		871,857
Total shareholder's equity		<u>979,630</u>
Total liabilities and shareholder's equity	\$	<u><u>5,810,448</u></u>

See independent auditors' report and notes to the financial statements

Boba Time, Inc.
Statement of Income
For the Year Ended December 31, 2021

Revenue	\$ 10,020,568
Cost of goods sold	<u>1,414,301</u>
Gross profit	8,606,267
Selling, general and administrative expenses	<u>6,548,890</u>
Income from operations	2,057,377
Other income (expense), net	
Forgiveness of paycheck protection program	261,800
Sick and family leave credit	11,517
Custom print rebate	26,054
Loss on disposal of assets	(107,687)
Loss contingency - legal settlement	(1,320,288)
Realized gain on equity investments with RDFV	10,513
Dividend income	29,136
Interest expenses (net of interest income \$61)	<u>(81,038)</u>
Total other expenses, net	(1,169,993)
Income before income tax provision	887,384
Income tax provision	<u>9,524</u>
Net income	<u><u>\$ 877,860</u></u>

See independent auditors' report and notes to the financial statements

Boba Time, Inc.
Statement of Changes in Shareholder's Equity
For the Year Ended December 31, 2021

	Common Stock	Accumulated Other Comprehensive Income	Retained Earnings*	Total Shareholder's Equity
Balance at beginning of the year	\$ 100,000	\$ -	\$ 891,310	\$ 991,310
Unrealized gain		7,773		7,773
Distributions to shareholder			(897,313)	(897,313)
Net income			877,860	877,860
Balance at end of the year	<u>\$ 100,000</u>	<u>\$ 7,773</u>	<u>\$ 871,857</u>	<u>\$ 979,630</u>

See independent auditors' report and notes to the financial statements

Boba Time, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash flows from operating activities	
Net income	\$ 877,860
Adjustments to reconcile net income to cash provided by operating activities:	
Amortization	27,522
Depreciation	165,833
PPP loan forgiven	(261,800)
Loss on disposal of fixed assets	107,688
Unrealized gain on equity investment with RDFV	(12,708)
Changes in operating assets and liabilities:	
Accounts receivable	(153,676)
Receivable from related parties	(103,296)
Prepaid	597
Other assets	616
Accrued expenses and others	2,135
Deferred franchise fee income	461,583
Legal settlement payable	1,320,288
Retirement plan payable	420,931
Net cash provided by operating activities	<u>2,853,573</u>
Cash flows from investing activities	
Purchases of property and equipment	(130,899)
Acquisition of intangible assets	(8,316)
Proceeds from sale of equity investments with RDFV	180,611
Purchases of equity investments with RDFV	(1,051,750)
Purchases of debt securities available-for-sale	(457,163)
Net cash (used in) investing activities	<u>(1,467,517)</u>
Cash flows from financing activities	
Proceeds from bank loans	757,000
Repayments of bank loans	(959,135)
Distributions to shareholder	(897,313)
Net cash provided by financing activities	<u>(1,099,448)</u>
Net increase in cash and cash equivalents	286,608
Cash and cash equivalents at beginning of the year	1,502,087
Cash and cash equivalents at end of the year	<u><u>\$ 1,788,695</u></u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest	<u><u>\$ 81,099</u></u>
Cash paid during the year for income taxes	<u><u>\$ 26,700</u></u>

See independent auditors' report and notes to the financial statements

Boba Time, Inc.
Notes to Financial Statements
December 31, 2021

NOTE 1- Reporting Entity

Boba Time, Inc. (the “Company”) was organized in the State of California on September 15, 2011 and is owned by one individual.

The Company principally engages in the developing and franchising of “It’s Boba Time”, cafes that serve juice, freshly prepared fruit-based beverages, snacks, and other food items through carry-out, delivery, and on-premises dining services. As of December 31, 2021, there were 84 executed franchise agreements, 47 franchised locations, and six locations owned by the Company. As of December 31, 2021, all the operating locations are in California.

NOTE 2- Basis of Preparation

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (“U.S. GAAP”).

NOTE 3- Summary of Significant Accounting Policies

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and costs and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions, and all highly liquid investments with an original maturity of three months or less of the purchase date of such investments.

The Company maintains its cash and cash equivalents accounts with several financial institutions. Each account is insured by FDIC up to the federally insured limit of \$250,000. The amounts held in these accounts exceeded the limit at various time during the year. The Company has not experienced any losses in said accounts.

Accounts Receivable and Allowance for Doubtful Account

Accounts receivable consists primarily of amounts due to the Company from its franchisees for initial franchise fees, area development fees, royalty fees, marketing fees and other receivables generated by services rendered. The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in existing accounts receivable. As of December 31, 2021, no allowance for bad debt was considered necessary.

Boba Time, Inc.
Notes to Financial Statements
December 31, 2021

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the following expected useful lives from the date on which they become fully operational and after taking into account their estimated residual values. The estimated useful lives used for financial statements purposes are:

Software	3 years
Equipment	5 years
Furniture and fixtures	7 years
Leasehold improvement	15 years

Maintenance and repairs are charged to expense when incurred, while capital expenditures that enhance the value or materially extend the useful life of the related assets are capitalized and reflected as additions to property and equipment. When assets have been retired or sold, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the other income (expense) section of the statement of operations.

Goodwill and Intangible Assets

The Company elected to amortize goodwill and other intangible assets from the acquisition of business assets over 15 years and use a simpler one-step impairment test under ASU 2014-02, *"Intangible – Goodwill and Other."* The Company is required to test for impairment when a triggering event occurs which indicates the fair value of the entity or reporting unit may be below its carrying amount. Upon the occurrence of a triggering event, the simpler one-step impairment test will be performed. As of December 31, 2021, the Company determined that there was no triggering event that would otherwise require the impairment test.

Fair Value Measurements of Assets and Liabilities

The Company measures its financial and non-financial assets and liabilities, as well as makes related disclosures, in accordance with FASB ASC No. 820, Fair Value Measurements, which provides guidance with respect to valuation techniques to be utilized in the determination of fair value of assets and liabilities.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 – inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;

Boba Time, Inc.
Notes to Financial Statements
December 31, 2021

- Level 2 – inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded, or other external independent means;
- Level 3 – inputs are unobservable and reflect assumptions on the part of the reporting entity.

The following table sets forth information about the level within the fair value hierarchy at which the Company's financial instrument is measured, on a recurring basis, on December 31, 2021:

	Adjusted Cost	Unrealized Gain (Loss)	Fair Value	Short-term	Long-term
Level 1:					
Cash equivalents	\$ 1,788,694	\$ -	\$ 1,788,694	\$ 1,788,694	\$ -
Equity investment w/ RDFV	940,186	12,732	952,918	952,918	-
Debt securities AFS	660,160	7,773	667,933	667,933	-
Level 2:					
N/A					
Level 3:					
Receivable	791,344	-	791,344	791,344	-
Loans payable	(2,021,062)	-	(2,021,062)	(319,808)	(1,701,254)
Total	\$ 2,159,322	\$ 20,505	\$ 2,179,827	\$ 3,881,081	\$ (1,701,254)

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, security deposits, accounts payable and accrued expenses approximated their fair values due to their short-term nature.

Revenue Recognition

The Company recognizes revenue under FASB, ASC 606 "Revenue from Contracts with Customers.

The Company applies a five-step approach in determining the amount and timing of revenue to be recognized: (1) identifying the contract with a customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations in the contract and (5) recognizing revenue when the performance obligation is satisfied. Substantially all of the Company and its Subsidiaries' revenue is recognized at the time control of the products transfers to the customer.

Boba Time, Inc.
Notes to Financial Statements
December 31, 2021

The Company generates revenue by establishing franchises and collecting related franchise fees, such as initial franchise fees, royalties, marketing and other miscellaneous fees. The Company recognizes revenue once the underlying performance obligations have been satisfied.

Initial franchise fees received from a franchisee to establish a new franchise are recognized as deferred revenue on the Company's balance sheet. The initial franchise fees are amortized and recognized as revenue based on the franchise agreement term. Initial franchise fees are also non-refundable.

Continuing royalties, which are a percentage of net sales of franchisees, are recorded as revenue when the franchisees' sales occur.

Continuing marketing fees, which are a percentage of net sales of franchisees, had been recorded as revenue when the subsequent marketing activities and related expenses occurs. This resulted in no recognition of any marketing income and expense on the statement of income as the Company had been presenting marketing income and expenses on a net basis. Starting in 2021, the Company adopted, using the modified retrospective method, Subtopic 952-606, "Franchisor – Revenue from Contracts with Customers" which requires the Company to recognize marketing revenue when the marketing fund is under-spent during the year as compared to the marketing revenue received. Conversely, when the marketing fund is over-spent as compared to the marketing revenue received, the marketing expense will be recognized. The unused portion of the marketing fund carried as a liability as of December 31, 2020, of \$249,335 is treated as a recognized income in the prior year and recorded under the beginning retained earnings.

The impacts to the financial statements from adopting Subtopic 952-606 for the year ending December 31, 2021, are outlined below:

	As adopted	Under legacy GAAP	Impact
Statement of income			
Revenue:			
Marketing fund income	\$ 1,089,620	\$ 799,524	\$ 290,096
Expense:			
Brand and marketing development	799,524	799,524	-
Net income impact	\$ <u>290,096</u>	\$ <u>-</u>	\$ <u>290,096</u>
Shareholder's equity			
Common stock	\$ 100,000	\$ 100,000	\$ -
Accumulated other comprehensive income	7,773	7,773	-
Retained earnings, beginning	891,310	641,975	249,335
Distribution to shareholder	(897,313)	(897,313)	-
Net income	877,860	587,764	290,096
Total shareholder's equity	\$ <u>979,630</u>	\$ <u>440,199</u>	\$ <u>539,431</u>

Boba Time, Inc.
Notes to Financial Statements
December 31, 2021

Proceeds from the sale of gift cards are recorded as deferred revenue and recognized as revenue when the gift card is redeemed by the customers.

Other fees are recognized as revenue for the various performance obligations completed.

Impairment of Long-Lived Assets

Long-lived assets, other than goodwill and acquisition-related intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset may not be recoverable. For long-lived assets used in operations, impairment losses are only recorded if the asset's carrying amount is not recoverable through its undiscounted probability-weighted future cash flows. Measurement of the impairment losses is based on the difference between the carrying amount and estimated fair value. No impairment loss on long-lived assets was recognized during the year ended December 31, 2021.

Investments

The Company classifies its investments into two categories: debt securities as available for sale and equity investment with readily determinable fair value. The Company's investments are held by the national investment advisor firm and collateralized.

Investments classified as debt securities available for sale are carried in the financial statements at fair value. Realized gains or losses are included in earnings; unrealized holding gains and losses are reported in accumulated other comprehensive income (AOCI).

Investments classified as equity investments with readily available fair value are carried in the financial statements at fair value. Both realized and unrealized gains and losses are included in earnings for the current period.

Income Taxes

The Company, with the consent of its shareholder, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income.

The Company follows provisions of ASC 740-10, Income Taxes, which prescribes detailed guidance for financial statements recognition, de-recognition, measurement, and disclosure of uncertain tax positions recognized in any entity's financial statements. The Company recognizes interest and penalties related to unrecognized tax liabilities, if any, as component of income tax expenses.

Boba Time, Inc.
Notes to Financial Statements
December 31, 2021

Advertising

The Company expenses advertising costs as they are incurred. Advertising expenses for the year ended December 31, 2021, was \$10,358.

Recent Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, “Measurement of Credit Losses on Financial Instruments”, which modifies the measurement of expected credit losses of certain financial instruments in Topic 326. The updated standard adopts a current expected credit loss (CECL) model that requires financial institutions to immediately record the full amount of expected credit losses in their loan portfolios, instead of waiting until the losses qualify as “probable.” The FASB expects the shift to the CECL model to produce more timely and relevant information. The ASU is effective for nonpublic companies for fiscal years beginning after December 15, 2022. The Company is evaluating the potential effect of the guidance on its financial statements.

In January 2017, the FASB issued ASU 2017-04, “*Intangible – Goodwill and Other (Topic 350)*,” to simplify the accounting for goodwill impairment. The update removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Prior to ASU 2017-04, goodwill impairment testing requires two-step assessment. The first step requires an entity to compare each reporting unit’s carrying value, including goodwill, and its fair value. If the carrying value exceeds the fair value, then the entity must perform the second step, which is to compare the implied fair value of goodwill to its carrying value, and record an impairment charge for any excess of carrying value over implied fair value. An entity also has the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. This ASU does not eliminate the private company accounting alternative provided in ASU 2014-02 which allows private companies to elect to amortize goodwill and perform a simpler one-step impairment test. The Company has elected to adopt ASU 2014-02 beginning January 1, 2020, and, therefore, will not adopt this new ASU. Otherwise, the standard would have been effective in fiscal years beginning after December 15, 2020.

In February 2016, the FASB issued ASU 2016-02, “Leases” which, for operating leases, requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The ASU is effective for nonpublic companies for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is continuing to assess this amendment’s impact and intend to adopt ASU 2016-02 no later than the accounting period beginning on January 1, 2022.

Boba Time, Inc.
Notes to Financial Statements
December 31, 2021

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company's financial statements.

NOTE 4- Property, Equipment and Intangible, Net

Property and equipment, net consists of the following:

Furniture and fixtures	\$	503,795
Equipment		182,963
Vehicle		44,555
Leasehold improvement		1,015,228
Software		2,000
(less) accumulated depreciation		(566,993)
Total property and equipment, net	\$	<u>1,181,548</u>

Intangible assets, net consists of the following:

Trademark	\$	3,400
Loan fee		12,820
Good will		153,864
Covenant not to compete		240,000
(less) accumulated amortization		(32,716)
Total intangible, net	\$	<u>377,368</u>

Depreciation and amortization expenses for the year ended December 31, 2021 were \$ 165,833 and \$ 27,522, respectively.

NOTE 5- Lease and Commitment

The Company leases office space for their headquarters in Los Angeles California and also leases spaces for retail stores through 2027. Most of the leases are subject to 3% annual increases with various options to extend the leases.

The lease agreement for the headquarter location in Los Angeles is scheduled to be terminated on March 31, 2022 due to a condominium conversion plan of the current landlord. The Company signed a new lease agreement on January 28, 2022 for the other office space owned by the same landlord. The new lease is for 36 months starting on April 1, 2022.

Boba Time, Inc.
Notes to Financial Statements
December 31, 2021

Minimum lease payments for the next five years and thereafter are as follows:

Year ended December 31,	
2022	\$ 510,047
2023	533,606
2024	476,900
2025	365,148
2026 and thereafter	228,108
Total	<u>\$ 2,113,809</u>

Total rent expense for the year ended December 31, 2021, amounted to \$ 562,275.

NOTE 6- Accrued Expense and Others

Accrued expense and others consist of the following:

Credit card payable	\$ 8,558
Accrued expenses	80,659
Accrued wages and salaries	29,071
Payroll taxes payable	20,516
Gift card advance	85,127
Uniform payable	2,446
Sales tax payable	118
Total accrued expenses and others	<u>\$ 226,495</u>

NOTE 7- PPP Loan

On April 22, 2020, The Company received loan proceeds from the Small Business Administration (SBA) in the amount of \$261,800, pursuant to the Paycheck Protection Program ("PPP") established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The PPP loan and accrued interest were forgivable after twenty-four weeks, as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness would have been reduced if the borrower terminated employees or reduced salaries during twenty-four-week period. On May 14, 2021, the entire balance of PPP loan was forgiven by SBA and recognized as income for the year ended December 31, 2021.

NOTE 8- Loans Payable

The Company had five loan agreements as of December 31, 2021. The Company entered into the first loan agreement with Bank of Hope on September 2019, for the amount of \$850,000. The First

Boba Time, Inc.
Notes to Financial Statements
December 31, 2021

Loan matures in September of 2026 and carries a variable interest rate starting at 0.75% margin over Wall Street Journal (WSJ) Prime rate, which was 3.25% per annum as of December 31, 2021. The First Loan's outstanding principal balance as of December 31, 2021 was \$633,343.

The Company entered into the second loan agreement with Bank of Hope on October 2020, for the amount of \$530,000. This loan matures in October of 2027 and carries a variable interest rate starting at 0.75% margin over WSJ Prime rate, which was 3.25% per annum as of December 31, 2021. This loan's outstanding principal balance as of December 31, 2021 was \$451,680.

The Company entered into the third loan agreement with Bank of Hope on October 2021, for the amount of \$757,000. This loan matures in October of 2028 and carries a variable interest rate starting at 0.75% margin over WSJ Prime rate, which was 3.25% per annum as of December 31, 2021. This loan's outstanding principal balance as of December 31, 2021 was \$740,865.

On May 22, 2020, the Company entered into a SBA (7a) loan agreement in the amount of \$150,000 under Economic Injury Disaster Loan (EIDL) program, the fourth loan. The loan bears interest at a fixed 3.75% per annum for 30-year term. Monthly installment payments of \$731 will begin after 24 months from the date of the promissory note. The outstanding principal balance as of December 31, 2021 was \$149,269.

On October 3, 2019, the Company entered into the fifth loan agreement with Wells Fargo to purchase the vehicle. This loan matures on October 18, 2024 and bears a variable interest rate of 3.74% per annum. The outstanding principal balance as of December 31, 2021 was \$17,855.

Loans payable maturities during the next five years and thereafter are as follows:

Year ended December 31,		
2022	\$	291,758
2023		304,902
2024		316,211
2025		323,399
2026		301,769
Thereafter		454,973
Total	\$	<u>1,993,012</u>

Boba Time, Inc.
Notes to Financial Statements
December 31, 2021

NOTE 9- Line of Credit

The Company has obtained a bank credit facility which permits for borrowing of up to \$1,000,000 from Bank of Hope. Borrowings under the line of credit bear interest at a variable rate based on WSJ Prime rate. The interest rate on the line of credit was at 0.75% margin over WSJ Prime rate. This credit facility expires in September 2022 and renews annually. The Company classifies the borrowing as a current liability. Total borrowing against the line was \$28,050 as of December 31, 2021.

NOTE 10- Receivable from Related Parties

The Company occasionally lends funds to its related parties. During the year ended December 31, 2021, the Company lent a fund of \$465,000 to its related party, B2B Time, Inc. ("B2B"), and received repayments in the amount of \$370,000. As of December 31, 2021, the total outstanding receivable from B2B was \$490,000. The Company has another receivable from its other related party, J&U Corporation, in the amount of \$113,330 as of December 31, 2021.

NOTE 11- Revenue

The Company primarily generates revenue through two channels: 1) by establishing franchisees and collecting related franchise incomes, such as royalties, administrative income, and initial franchise fee, and 2) by selling foods and beverages through its own retail establishments. Other fees are recognized as revenue for various general and administrative services provided to its franchisees.

Revenue by category consists of the following for the year ended December 31, 2021:

Royalty	\$	2,627,281
Administrative income		323,986
Initial franchise fee		50,917
Store sales		5,574,925
Marketing income		1,089,620
Others		353,839
Total revenue	\$	<u>10,020,568</u>

NOTE 12- Retirement Plan

The Company sponsors a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. The plan provides tax-deferred salary contribution for eligible employees. The eligible employees may defer up to 100% of their compensation on a pre-tax basis up to the maximum threshold for elective deferral each year. Federal law limits the amount that may be deferred under the plan per year up to \$19,500 (\$26,000 for an employee who is at age 50 or over)

Boba Time, Inc.
Notes to Financial Statements
December 31, 2021

for the year 2021. This benefit is only available for the employees at headquarter. The Company may make a voluntary matching contribution to the employees at its own discretion. The Company's matching contributions are vested over a six-year period. The company's total matching contributions to the plan was approximately \$45,512 for the year ended December 31, 2021.

The Company also has a defined benefit combo plan that includes cash balance plan and profit-sharing plan. The Company's total contribution into the defined benefit plan amounted to \$421,223 for the year ended December 31, 2021.

NOTE 13- Contingencies

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

The Company has been defending a lawsuit filed by a franchisee alleging a certain breach of contract. On November 29, 2021, the Superior Court of California, County of Los Angeles announced its decision that the plaintiff is entitled to judgement in his favor in the sum of \$1,320,288, plus interest from the date of judgement as well as costs and fees, which are to be claimed by separate motion within the statutory time limit. The Company plans on filing a notice of appeal. Although the outcome of the appeal cannot be reasonably estimated at this time, the contingency loss and payable of \$1,320,288 were recorded on the financial statements according to the legal judgement.

NOTE 14- Related Party Transactions

The Company follows FASB ASC NO. 850-10 for the identification of related parties and disclosure of related party transactions.

As part of the normal course of business, the Company purchases restaurant supplies and ingredients from its related parties, B2B Time, Inc and J & U Corporation. As of December 31, 2021, and for the year then ended, the Company's related party transactions are summarized as follows:

Purchase from B2B Time, Inc.	\$	95,380
Loan receivable from B2B Times, Inc.	\$	490,000
Purchase from J & U Corporation	\$	480
Loan receivable from J & U Corporation	\$	113,330

Boba Time, Inc.
Notes to Financial Statements
December 31, 2021

NOTE 15- Income Taxes

The Company has elected to be taxed as a S-Corporation under the provision of the Internal Revenue Code (and comparable California statutes) and to have its net taxable income or loss (except for certain capital gain transactions) reported by its shareholder. Had the Company not made such an election, the provisions for income taxes would have increased by approximately \$416,000 for the year ended December 31, 2021.

Under ASC 740-10, to recognize a tax benefit resulting from a tax position, an entity must determine whether it is more-likely-than-not that such position will be sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position. The Company performed an evaluation of its uncertain tax positions as of December 31, 2021, and determined that due to reporting of the Company's net taxable income or loss, except for certain capital gain transactions, by its shareholder (S-Corporation status), there are no material matters, at the entity level, that would require recognition or de-recognition in the financial statements for the year ended December 31, 2021.

NOTE 16- Subsequent Events

In accordance with ASC Topic 855-10, the Company has evaluated its operations subsequent to December 31, 2021 to the date the financial statements were issued. The Company does not have any material subsequent events to disclose in these financial statements.

INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors
Boba Time, Inc.
Los Angeles, California

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



JNK Accountancy Group, LLP
Garden Grove, California
March 7, 2022

Boba Time, Inc.
Schedule of Selling, General and Administrative Expenses
For the Year Ended December 31, 2021

Selling, general and administrative expenses	
Advertising	\$ 10,358
Auto	56,726
Amortization expenses	27,522
Bank charge	5,920
Brand and marketing development	799,524
Commission	290,998
Depreciation	165,833
Dues and subscriptions	2,103
Employee benefit	190
Insurance	121,092
Legal and professional	350,700
Licenses and permits	8,360
Meals and entertainment	45,135
Office expenses	42,585
Other taxes	8,142
Payroll taxes	269,103
POS system fee	20,913
Research and development	3,934
Rent	562,275
Repairs and maintenance	53,854
Retirement plan	466,734
Salaries and wages	3,061,608
Supplies	2,116
Telephone	19,756
Travel	32,866
Utilities	120,543
Total selling, general and administrative expenses	<u>\$ 6,548,890</u>

See independent auditors' report on the supplementary information

Boba Time, Inc
Financial Statements and
Independent Auditors' Report
December 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Boba Time, Inc.
Los Angeles, California

Opinion

We have audited the accompanying financial statements of Boba Time, Inc. which comprise the balance sheet as of December 31, 2020, and the related statements of income, changes in shareholder's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boba Time, Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Boba Time, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to prove 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 Boba Time, Inc.'s ability to continue as a going concern within one year after the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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



JNK Accountancy Group, LLP
Garden Grove, California
April 16, 2021

Boba Time, Inc.
Balance Sheet
December 31, 2020

Assets

Current assets

Cash and cash equivalents	\$	1,502,087
Debt securities available-for-sale		202,997
Equity investments with readily determinable fair value		69,071
Receivable from related party		508,330
Accounts receivable		26,042
Prepaid		17,976
Total current assets		<u>2,326,503</u>

Noncurrent assets

Property and equipment, net		1,324,170
Intangible asset, net		393,174
Other assets		37,279
Total noncurrent assets		<u>1,754,623</u>

Total assets	\$	<u><u>4,081,126</u></u>
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Liabilities and shareholder's equity

Current liabilities

Accrued expenses and others	\$	453,264
Payroll liabilities		79,776
Payroll tax payable		70,600
Loans payable		982,018
Sales tax payable		1,179
Total current liabilities		<u>1,586,837</u>

Noncurrent liabilities

Marketing and advertising trust fund		249,335
Loans payable (net of current portion)		1,091,179
SBA loan - EIDL		150,000
SBA loan - PPP		261,800
Total noncurrent liabilities		<u>1,752,314</u>
Total liabilities		<u>3,339,151</u>

Shareholder's equity

Common stock; 10,000,000 shares authorized and 100,000 shares issued and outstanding		100,000
Retained earnings		641,975
Total shareholder's equity		<u>741,975</u>

Total liabilities and shareholder's equity	\$	<u><u>4,081,126</u></u>
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See independent auditor's report and notes to the financial statements

Boba Time, Inc.
Statement of Changes in Shareholder's Equity
For the Year Ended December 31, 2020

	Common Stock	Retained Earnings	Total Shareholder's Equity
Balance at beginning of the year	\$ 100,000	\$ 797,192	\$ 897,192
Distributions to shareholder	-	(206,515)	(206,515)
Net income	-	51,298	51,298
Balance at end of the year	<u>\$ 100,000</u>	<u>\$ 641,975</u>	<u>\$ 741,975</u>

See independent auditor's report and notes to the financial statements

Boba Time, Inc.
Statement of Income
For the Year Ended December 31, 2020

Revenue	\$ 3,848,528
Cost of goods sold	<u>466,720</u>
Gross profit	3,381,808
Selling, general and administrative expenses	<u>3,281,057</u>
Income from operations	100,751
Other income (expense), net	
Unrealized gain on equity investments with RDFV	36
Economic injury disaster loan (EIDL) grant	10,000
Sick and family leave credit	4,967
Interest expenses (net of interest income \$647)	<u>(62,829)</u>
Total other expenses, net	(47,826)
Income before income tax provision	52,925
Income tax provision	<u>1,627</u>
Net income	<u><u>\$ 51,298</u></u>

See independent auditor's report and notes to the financial statements

Boba Time, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2020

Cash flows from operating activities	
Net income	\$ 51,298
Adjustments to reconcile net income to cash provided by operating activities:	
Amortization	5,194
Depreciation	153,411
Unrealized gain on equity investment with RDFV	(36)
Changes in operating assets and liabilities:	
Accounts receivable	8,727
Receivable from related parties	190,000
Prepaid	(17,976)
Other assets	(8,316)
Accrued expenses and others	384,534
Marketing and advertising trust fund	106,025
Payroll liabilities	79,776
Payroll tax payable	70,600
Sales tax payable	1,179
Net cash provided by operating activities	<u>1,024,416</u>
Cash flows from investing activities	
Purchases of property and equipment	(549,801)
Acquisition of intangible assets	(398,368)
Purchases of equity investments with RDFV	(69,035)
Purchases of debt securities available-for-sale	(202,997)
Net cash (used in) investing activities	<u>(1,220,201)</u>
Cash flows from financing activities	
Proceeds from SBA loan - PPP	261,800
Proceeds from SBA loan - EIDL	150,000
Proceeds from bank loans	1,629,661
Repayments of bank loans	(624,038)
Distributions to shareholder	(206,515)
Net cash provided by financing activities	<u>1,210,908</u>
Net increase in cash and cash equivalents	1,015,123
Cash and cash equivalents at beginning of the year	486,964
Cash and cash equivalents at end of the year	<u>\$ 1,502,087</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest	\$ 63,476
Cash paid during the year for income taxes	<u>\$ -</u>

See independent auditor's report and notes to the financial statements

Boba Time, Inc.
Notes to Financial Statements
December 31, 2020

NOTE 1- Reporting Entity

Boba Time, Inc. (the “Company”) was organized in the State of California on September 15, 2011 and is owned by one individual.

The Company principally engages in the developing and franchising of “It’s Boba Time”, cafes that serve juice, freshly prepared fruit-based beverages, snacks, and other food items through carry-out, delivery, and on-premises dining services. As of December 31, 2020, there were 69 executed franchise agreements, 45 franchised locations, and six locations owned by the Company. As of December 31, 2020, all the operating locations are in California.

NOTE 2- Basis of Preparation

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (“U.S. GAAP”).

NOTE 3- Summary of Significant Accounting Policies

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and costs and expenses during the reporting period. Actual results could differ from those estimates.

Risks and uncertainties

The COVID-19 outbreak in the United States has caused business disruption through mandated closure of restaurants for dine-in service. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the restrictions. The Company is directly affected by the financial condition of all of its café operations. The Company, therefore, expects COVID-19 to have a negative impact when making significant accounting estimates; however, the related financial impact and duration cannot be reasonably estimated at this time.

Boba Time, Inc.
Notes to Financial Statements
December 31, 2020

Cash and Cash Equivalents

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions, and all highly liquid investments with an original maturity of three months or less of the purchase date of such investments.

Accounts Receivable and Allowance for Doubtful Account

Accounts receivable consists primarily of amounts due to the Company from its franchisees for initial franchise fees, area development fees, royalty fees, marketing fees and other receivables generated by services rendered. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing accounts receivable. As of December 31, 2020, no allowance for bad debt was considered necessary.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the following expected useful lives from the date on which they become fully operational and after taking into account their estimated residual values. The estimated useful lives used for financial statements purposes are:

Software	3 years
Equipment	5 years
Furniture and fixtures	7 years
Leasehold improvement	15 years

Maintenance and repairs are charged to expense when incurred, while capital expenditures that enhance the value or materially extend the useful life of the related assets are capitalized and reflected as additions to property and equipment. When assets have been retired or sold, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the other income (expense) section of the statement of operations.

Goodwill and Intangible Assets

The Company elected to amortize goodwill and other intangible assets from the acquisition of business assets over 15 years and use a simpler one-step impairment test under ASU 2014-02, "*Intangible – Goodwill and Other*." The Company is required to test for impairment when a triggering event occurs which indicates the fair value of the entity or reporting unit may be below its carrying amount. Upon the occurrence of a triggering event, the simpler one-step impairment

Boba Time, Inc.
Notes to Financial Statements
December 31, 2020

test will be performed. As of December 31, 2020, the Company determined that there was no triggering event that would otherwise require the impairment test.

Fair Value Measurements of Assets and Liabilities

The Company measures its financial and non-financial assets and liabilities, as well as makes related disclosures, in accordance with FASB ASC No. 820, Fair Value Measurements, which provides guidance with respect to valuation techniques to be utilized in the determination of fair value of assets and liabilities.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 – inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 – inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded, or other external independent means;
- Level 3 – inputs are unobservable and reflect assumptions on the part of the reporting entity.

The following table sets forth information about the level within the fair value hierarchy at which the Company's financial instrument is measured, on a recurring basis, on December 31, 2020:

	Adjusted Cost	Unrealized Gain (Loss)	Fair Value	Short-term Investment	Long-term Investment
Level 1:					
Equity investment w/ RDFV	\$ 69,035	\$ 36	\$ 69,071	\$ 69,071	\$ -
Debt securities AFS	202,997	-	220,997	220,997	-
Level 2:					
N/A	-	-	-	-	-
Level 3:					
N/A	-	-	-	-	-
Total	\$ 272,032	\$ 36	\$ 272,068	\$ 272,608	\$ -

Boba Time, Inc.
Notes to Financial Statements
December 31, 2020

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, security deposits, accounts payable and accrued expenses approximated their fair values due to their short-term nature.

Revenue Recognition

The Company recognizes revenue under FASB, ASC 606 "Revenue from Contracts with Customers.

The Company applies a five-step approach in determining the amount and timing of revenue to be recognized: (1) identifying the contract with a customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations in the contract and (5) recognizing revenue when the performance obligation is satisfied. Substantially all of the Company and its Subsidiaries' revenue is recognized at the time control of the products transfers to the customer.

The Company generates revenue by establishing franchises and collecting related franchise fees, such as initial franchise fees, royalties, marketing and other miscellaneous fees. The Company recognizes revenue once the underlying performance obligations have been satisfied.

Initial franchise fees received from a franchisee to establish a new franchise are recognized as deferred revenue on the Company's balance sheet. The initial franchise fees are amortized and recognized as revenue based on the franchise agreement term. Initial franchise fees are also non-refundable.

Continuing royalties and marketing fees, which are a percentage of net sales of franchisees, are recorded as revenue when the subsequent sales occur and those allocated royalties and marketing fees have been satisfied.

Proceeds from the sale of gift cards are recorded as deferred revenue and recognized as revenue when the gift card is redeemed by the customers.

Other fees are recognized as revenue for the various performance obligations completed.

Impairment of Long-Lived Assets

Long-lived assets, other than goodwill and acquisition-related intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset may not be recoverable. For long-lived assets used in

Boba Time, Inc.
Notes to Financial Statements
December 31, 2020

operations, impairment losses are only recorded if the asset's carrying amount is not recoverable through its undiscounted probability-weighted future cash flows. Measurement of the impairment losses is based on the difference between the carrying amount and estimated fair value. No impairment loss on long-lived assets was recognized during the year ended December 31, 2020.

Investments

The Company classifies its investments into two categories: debt securities as available for sale and equity investment with readily determinable fair value. Investments classified as debt securities available for sale are carried in the financial statements at fair value. Realized gains or losses are included in earnings; unrealized holding gains and losses are reported in accumulated other comprehensive income (AOCI).

Investments classified as equity investments with readily available fair value are carried in the financial statements at fair value. Both realized and unrealized gains or losses are included in earnings for the current period.

Income Taxes

The Company, with the consent of its shareholder, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income.

The Company follows provisions of ASC 740-10, Income Taxes, which prescribes detailed guidance for financial statements recognition, de-recognition, measurement, and disclosure of uncertain tax positions recognized in any entity's financial statements. The Company recognizes interest and penalties related to unrecognized tax liabilities, if any, as component of income tax expenses.

Advertising

The Company expenses advertising costs as they are incurred. Advertising expenses for the year ended December 31, 2020, was \$30,932.

Recent Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments", which modifies the measurement of expected credit losses of certain financial instruments in Topic 326. The updated standard adopts a current expected credit loss (CECL)

Boba Time, Inc.
Notes to Financial Statements
December 31, 2020

model that requires financial institutions to immediately record the full amount of expected credit losses in their loan portfolios, instead of waiting until the losses qualify as “probable.” The FASB expects the shift to the CECL model to produce more timely and relevant information. The ASU is effective for nonpublic companies for fiscal years beginning after December 15, 2022. The Company is evaluating the potential effect of the guidance on its financial statements.

In January 2017, the FASB issued ASU 2017-04, “*Intangible – Goodwill and Other (Topic 350)*,” to simplify the accounting for goodwill impairment. The update removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Prior to ASU 2017-04, goodwill impairment testing requires two-step assessment. The first step requires an entity to compare each reporting unit’s carrying value, including goodwill, and its fair value. If the carrying value exceeds the fair value, then the entity must perform the second step, which is to compare the implied fair value of goodwill to its carrying value, and record an impairment charge for any excess of carrying value over implied fair value. An entity also has the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. This ASU does not eliminate the private company accounting alternative provided in ASU 2014-02 which allows private companies to elect to amortize goodwill and perform a simpler one-step impairment test. The Company has elected to adopt ASU 2014-02 beginning January 1, 2020, and, therefore, will not adopt this new ASU. Otherwise, the standard would have been effective in fiscal years beginning after December 15, 2020.

In August 2018, the FASB issued ASU 2018-13, “*Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirement for Fair Value Measurement*.” This guidance removes certain disclosure requirements related to the fair value hierarchy, modifies existing disclosure requirements related to measurement uncertainty and adds new disclosure requirements. The new disclosure requirements including disclosing the change in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. Certain disclosures required by this guidance must be applied on a retrospective basis and others on a prospective basis. The Company adopted this standard on January 1, 2020. The impact on the Company’s financial statements upon the adoption was not material.

In January 2016, the FASB issued ASU 2016-01, “*Financial Instruments – Overall (Topic 825) – Recognition and Measurement of Financial Assets and Financial Liabilities*.” Most prominent among the changes in the standard is the requirement for changes in the fair value of equity investments, with certain exceptions, to be recognized through net income rather than other comprehensive income. The Company adopted the standard effective January 1, 2020. Adoption of the standard was applied using a modified retrospective approach through a cumulative-effect adjustment from AOCI to retained earnings as of the effective date, and the Company elected to

Boba Time, Inc.
Notes to Financial Statements
December 31, 2020

measure equity investments without readily determinable fair values at cost with adjustments for observable changes in price or impairments. The cumulative-effect adjustment included any previously held unrealized gains and losses held in AOCI related to its equity investments carried at fair value as well as the impact of recording the fair value of certain equity investments carried at cost. The impact on the Company's financial statements upon the adoption was not material.

In February 2016, the FASB issued ASU 2016-02, "Leases" which, for operating leases, requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The ASU is effective for nonpublic companies for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is continuing to assess this amendment's impact and intend to adopt ASU 2016-02 no later than the accounting period beginning on January 1, 2022.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company's financial statements.

NOTE 4- Property, Equipment and Intangible, Net

Property and equipment, net consists of the following:

Furniture and fixtures	\$	506,058
Equipment		313,452
Leasehold improvement		908,223
Software		27,000
(less) accumulated depreciation		(430,563)
Total property and equipment, net	\$	<u>1,324,170</u>

Loan fee	\$	4,504
Good will		153,864
Covenant not to compete		240,000
(less) accumulated amortization		(5,194)
Total intangible, net	\$	<u>393,174</u>

Depreciation and amortization expenses for the year ended December 31, 2020 were \$153,411 and \$5,194, respectively.

Boba Time, Inc.
Notes to Financial Statements
December 31, 2020

NOTE 5- Lease and Commitment

The Company leases office space for their headquarters in Los Angeles California and also leases spaces for retail stores through 2027. Most of the leases are subject to 3% annual increases with various options to extend the leases. Total rent expense for the year ended December 31, 2020 amounted to \$309,009.

Minimum lease payments for the next five years and afterwards are as follows:

Year ended December 31,	
2021	\$ 454,862
2022	422,470
2023	435,227
2024	355,011
2025	323,412
Thereafter	226,882
Total	<u>\$ 2,217,863</u>

NOTE 6- Accrued Expense and Others

Accrued expense of \$453,264 consists of the following:

Credit card	\$ 23,685
Accrued expenses	23,417
Advanced franchise fee	380,167
Advanced gift card	23,952
Uniform payable	1,751
Pension payable	292
Total accrued expenses and others	<u>\$ 453,264</u>

NOTE 7- PPP Loan Payable

On April 22, 2020, The Company received loan proceeds from the Small Business Administration (SBA) in the amount of \$261,800, pursuant to the Paycheck Protection Program ("PPP") established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The loan may be forgiven, in whole or in part, if used for eligible expenditures such as payroll and other expenses described in the CARES Act. Once the loan is, in part or wholly, forgiven and legal release is received, The Company will reduce its liability by the amount forgiven and record a gain on extinguishment. The unforgiven portion of the loan bears interest at a rate of 1% and is payable

Boba Time, Inc.
Notes to Financial Statements
December 31, 2020

in monthly installments of principal and interest over 24 months beginning either the date that SBA remits the borrower's loan forgiveness or 10 months after the end of the borrower's loan forgiveness covered period if the borrower does not apply for loan forgiveness. The management expects a full forgiveness of PPP loan once a forgiveness application is submitted and, therefore, elects to classify the entire outstanding balance as a noncurrent liability as of December 31, 2020.

NOTE 8- PPP Loan Payable

On April 22, 2020, The Company received loan proceeds from the Small Business Administration (SBA) in the amount of \$261,800, pursuant to the Paycheck Protection Program ("PPP") established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The loan may be forgiven, in whole or in part, if used for eligible expenditures such as payroll and other expenses described in the CARES Act. Once the loan is, in part or wholly, forgiven and legal release is received, The Company will reduce its liability by the amount forgiven and record a gain on extinguishment. The unforgiven portion of the loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning either the date that SBA remits the borrower's loan forgiveness or 10 months after the end of the borrower's loan forgiveness covered period if the borrower does not apply for loan forgiveness. The management expects a full forgiveness of PPP loan once a forgiveness application is submitted and, therefore, elects to classify the entire outstanding balance as a noncurrent liability as of December 31, 2020.

NOTE 9- Loans Payable

The Company had four loan agreements as of December 31, 2020. The Company entered into the first loan agreement with a financial institution on September 2019, for the amount of \$850,000. The First Loan matures in September of 2026 and carries a variable interest rate starting at 0.75% margin over Wall Street Journal (WSJ) Prime rate, which was 3.25% per annum as of December 31, 2020. The First Loan's outstanding principal balance as of December 31, 2020 was \$745,369.

The Company entered into the second loan agreement with a financial institution on October 2020, for the amount of \$530,000. This loan matures in October of 2027 and carries a variable interest rate starting at 0.75% margin over WSJ Prime rate. This loan's outstanding principal balance as of December 31, 2020 was \$519,058.

On May 22, 2020, the Company entered into a SBA (7a) loan agreement in the amount of \$150,000 under Economic Injury Disaster Loan (EIDL) program. The loan bears interest at a fixed 3.75% per annum for 30-year term. Monthly installment payments of \$731 will begin after 24 months from the date of the promissory note. The outstanding principal balance as of December 31, 2020 was \$150,000.

Boba Time, Inc.
Notes to Financial Statements
December 31, 2020

Loans payable maturities, excluding PPP loan, during the next five years and thereafter are as follows:

Year ended December 31,	
2021	\$ 196,968
2022	206,584
2023	216,175
2024	223,856
2025	227,311
Thereafter	367,253
Total	<u>\$ 1,438,147</u>

NOTE 10- Line of Credit

The Company has obtained a bank credit facility which permits for borrowing of up to \$1,000,000 from Bank of Hope. Borrowings under the line of credit bear interest at a variable rate based on WSJ Prime rate. The interest rate on the line of credit was at 0.75% margin over WSJ Prime rate. This credit facility expires in September 2021. The Company classifies the borrowing as a current liability. Total borrowing against the line was \$785,050 as of December 31, 2020.

NOTE 11- Receivable from Related Parties

The Company occasionally lends funds to its related parties. During the year ended December 31, 2020, the Company provided a loan for \$200,000 to its related party, B2B Time, Inc, and received a repayment of the loans in the amount of \$250,000 from its other related party, J & U Corporation. As of December 31, 2020, the total outstanding loans receivable from the related parties was \$508,330.

NOTE 12- Revenue

The Company primarily generates revenue through two channels: 1) by establishing franchisees and collecting related franchise incomes, such as royalties, administrative income, and initial franchise fee, and 2) by selling foods and beverages through its own retail establishments. Other fees are recognized as revenue for various general and administrative services provided to its franchisees.

Boba Time, Inc.
Notes to Financial Statements
December 31, 2020

Revenue by category consists of the following for the year ended December 31, 2020:

Royalty	\$	1,676,545
Administrative income		315,931
Initial franchise fee		9,833
Store sales		1,796,219
Others		50,000
Total revenue	\$	<u>3,848,528</u>

NOTE 13- Retirement Plan

The Company sponsors a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. The plan provides tax-deferred salary contribution for eligible employees. The eligible employees may defer up to 100% of their compensation on a pre-tax basis up to the maximum threshold for elective deferral each year. Federal law limits the amount that may be deferred under the plan per year up to \$19,500 (\$26,000 for a employee who is at age 50 or over) for the year 2020. This benefit is only available for the employees at headquarter. The Company may make a voluntary matching contribution to the employees at its own discretion. The Company's matching contributions are vested over a six-year period. The company's total matching contributions to the plan was approximately \$43,000 for the year ended December 31, 2020.

NOTE 14- Contingencies

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

The Company is currently the defendant in a lawsuit filed by a franchisee alleging a certain breach of contract. The management and its counsel believe that the outcome would likely be immaterial even if they do not prevail in this lawsuit. As the litigation remains pending, it is premature to evaluate the likelihood of the outcome or estimate a range of potential loss at this time.

NOTE 15- Related Party Transactions

The Company follows FASB ASC NO. 850-10 for the identification of related parties and disclosure of related party transactions.

Boba Time, Inc.
Notes to Financial Statements
December 31, 2020

As part of the normal course of business, the Company purchases restaurant supplies and ingredients from its related parties, B2B Time, Inc and J & U Corporation.

As of December 31, 2020, and for the year then ended, the Company's related party transactions are summarized as follows:

Purchase from B2B Time, Inc.	\$	53,198
Loan receivable from B2B Times, Inc	\$	395,000
Purchase from J & U Corporation	\$	6,260
Loan receivable from J & U Corporation	\$	113,330

NOTE 16- Subsequent Events

In accordance with ASC Topic 855-10, the Company has evaluated its operations subsequent to December 31, 2020 to the date the financial statements were issued. The Company does not have any material subsequent events to disclose in these financial statements other than the following:

The Company executed four franchise agreements with a franchisee in Southern California on various days before the issuance of the report, and collected a total of \$130,000 of initial franchise fees.

INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors
Boba Time, Inc.
Los Angeles, California

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



JNK Accountancy Group, LLP
Garden Grove, California
April 16, 2021

Boba Time, Inc.
Schedule of Selling, General and Administrative Expenses
For the Year Ended December 31, 2020

Selling, general and administrative expenses	
Advertising	\$ 30,932
Auto	51,484
Amortization expenses	5,194
Bank charge	693
Commission	52,395
Depreciation	153,411
Dues and subscriptions	380
Employee benefit	42,713
Insurance	60,930
Legal and professional	52,588
Licenses and permits	11,969
Meals and entertainment	11,857
Office expenses	66,344
Other taxes	11,121
Payroll taxes	145,944
POS system fee	59,072
Research and development	7,197
Rent	309,009
Repairs and maintenance	26,888
Salaries and wages	1,944,017
Supplies	133,564
Telephone	20,357
Travel	16,078
Utilities	66,920
Total selling, general and administrative expenses	<u>\$ 3,281,057</u>

See independent auditors' report on supplementary information

BOBA TIME, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2019

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Montrose, CA 91021

www.kbl.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Boba Time, Inc.
Los Angeles, California

Report on Financial Statements

We have audited the accompanying financial statements of Boba Time, Inc., which comprise the balance sheet as of December 31, 2019, and the related statements of income and retained earnings and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness



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of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boba Time, Inc. as of December 31, 2019, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

KBL LLP

Montrose, California

April 8, 2020

BOBA TIME, INC.
BALANCE SHEET
DECEMBER 31, 2019

ASSETS

Current assets:		
Cash		\$ 486,964
Due from escrow on sale of retail store		34,769
Current portion of loans receivable to related party		<u>250,000</u>
Total current assets		771,733
Other assets:		
Net property and equipment	\$ 927,780	
Other assets	28,963	
Loans to related parties	<u>448,330</u>	
		<u>1,405,073</u>
Total assets		<u><u>\$ 2,176,806</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:		
Marketing and advertising trust fund	\$ 143,310	
Accrued expenses	68,730	
Bank credit facility	213,278	
Current maturities of long-term debt	<u>100,656</u>	
Total current liabilities		\$ 525,974
Long-term debt		753,640
Stockholder's equity:		
Common stock; 10,000,000 shares authorized		
100,000 shares issued and outstanding	100,000	
Retained earnings	<u>797,192</u>	
Total stockholder's equity		<u>897,192</u>
Total liabilities and stockholder's equity		<u><u>\$ 2,176,806</u></u>

See accompanying notes and independent auditors' report.

BOBA TIME, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 2019

Revenues:	
Retail store sales	\$ 1,175,810
Less: cost of sales	<u>(377,857)</u>
Net retail store sale revenues	797,953
Franchising and royalty fees	1,701,635
Administrative and other income	<u>316,255</u>
Net revenues	2,815,843
Operating expenses	<u>2,543,477</u>
Income from operations	<u>272,366</u>
Other income (expense):	
Interest income	19,931
Interest expense	<u>(109,942)</u>
Total other (expense)	<u>(90,011)</u>
Income before income taxes	182,355
Provision for income taxes	<u>3,000</u>
Net income	179,355
Retained earnings - beginning of year	766,879
Distributions to stockholder	<u>(149,042)</u>
Retained earnings - end of year	<u><u>\$ 797,192</u></u>

See accompanying notes and independent auditors' report.

BOBA TIME, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

Cash flows provided by operating activities:		
Net income	\$	179,355
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Bad debts - related party		90,000
Depreciation and amortization		81,264
Decrease in assets:		
Other assets		139,281
Increase (decrease) in liabilities:		
Marketing and advertising trust fund		1,335
Accrued expenses		<u>(30,005)</u>
Net cash provided by operating activities	\$	461,230
Cash flows provided by (used in) investing activities:		
Acquisitions of property and equipment		(61,716)
Due from escrow		188,440
Decrease in loans to related parties		<u>(104,824)</u>
Net cash provided by investing activities		21,900
Cash flows (used in) financing activities:		
Payments on long-term debt		(90,464)
Net change in bank line of credit		(86,722)
Distributions to stockholder		<u>(149,042)</u>
Net cash (used in) financing activities		<u>(326,228)</u>
Increase in cash		156,902
Cash-beginning of year		<u>330,062</u>
Cash-end of year	\$	<u><u>486,964</u></u>

See accompanying notes and independent auditors' report.

BOBA TIME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Business Activity

Boba Time, Inc. ("the Company") principally operates as a franchisor that sells the right to operate specialty juice and snack bars under the name "It's Boba Time." These franchisee juice and snack bars sell freshly prepared fruit-based beverages, snacks and other food items through carry-out, delivery and on-premises dining services. Franchisees are allowed to use related trademarks, logos and the like, subject to certain confidential information and trade secrets. Franchisees are also required to follow and adhere to certain standards, conditions, rules and procedures as set forth in franchise agreements. Franchisees have the right to specific locations that are contained within each franchise agreement at the time each franchise is granted. Typical terms of the franchise agreements are ten years, with an additional ten year renewal option. Franchisees are required to pay an ongoing royalty rate based on a percentage of gross sales.

Franchisees are also required to pay for advertising, based on a percentage of gross sales. The Company has sole discretion on how and when to spend funds collected for advertising. The funds may be used for research, maintaining, administering, directing advertising and promotional materials and programs, as well as providing a toll-free phone number for the general public. Advertising monies collected are recorded as a deferred liability on the accompanying balance until such time the funds are used.

As of December 31, 2019, there were forty franchised locations as well as two locations owned by the franchisor. Twelve new locations were franchised during 2019. All of the stores and headquarters are located in California.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Company sells franchises mainly in the southwestern portion of the United States of America within the snack and beverage industry. Consequently, the Company is subject to economic fluctuations within that industry as well as the overall general economy.

BOBA TIME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Plant, property and equipment are stated at cost. Depreciation is provided by the straight-line method over the useful lives of the related assets, which is three to fifteen years.

Income Taxes

The Company's stockholder has elected to be taxed as an S-corporation and therefore the corporation incurs no Federal tax liability. Accordingly, any income or losses are taxed directly to the individual stockholder and the Company incurs only a minimum state income tax liability.

Fair Value of Financial Instruments

The Company has financial instruments whereby the fair market value of such financial instruments could be different than that recorded on a historical basis on the accompanying balance sheet. The Company's financial instruments consist of cash, loans receivable, marketing and advertising trust funds and advances from stockholder.

Revenue recognition

The Company recognizes revenue from product sales or services rendered when the following four criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred and/or services have been rendered, (iii) the selling price is fixed or determinable, and (iv) collectability is reasonably assured.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which sets forth a single, comprehensive revenue recognition model for all contracts with customers to improve comparability. Subsequently, the FASB has issued several standards related to ASU No. 2014-09 (collectively, the "New Revenue Standard"). The New Revenue Standard supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. This New Revenue Standard permits the use of either the full retrospective or modified retrospective method (also referred to as the cumulative effect transition method) when adopted.

The New Revenue Standard's core principle is that a reporting entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying this new guidance to contracts within its scope, an entity will:

BOBA TIME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. identify the contract(s) with a customer;
2. identify the performance obligation in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

The Company will adopt the New Revenue Standard in 2020 using the modified retrospective method. Such method provides that the cumulative effect from prior periods upon applying the new guidance is recognized in the Company's balance sheets as of the date of adoption, including an adjustment to retained earnings. Prior periods will not be retrospectively adjusted. The Company expects the impact of the adoption of the New Revenue Standard to be immaterial to its results of operations, financial condition, and cash flows.

Long-lived Assets

The Company's long-lived assets and other assets (consisting of property and equipment) are reviewed for impairment in accordance with the guidance of the FASB Topic ASC 360, "Property, Plant, and Equipment", and FASB ASC Topic 205 "Presentation of Financial Statements". The Company tests for impairment losses on long-lived assets used in operations whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. Impairment evaluations involve management's estimates on asset useful lives and future cash flows. Actual useful lives and cash flows could be different from those estimated by management which could have a material effect on our reporting results and financial positions. Fair value is determined through various valuation techniques including discounted cash-flow models, quoted market values and third-party independent appraisals, as considered necessary. Through December 31, 2019 the Company had not experienced impairment losses on its long-lived assets. However, there can be no assurances that demand for the Company's products or services will continue, which could result in an impairment of long-lived assets in the future.

BOBA TIME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(continued)

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Equipment	\$ 219,147
Furniture and fixtures	458,607
Leasehold improvements	462,623
Autos	44,555
Website and systems	20,000
	<u>1,204,932</u>
Less: accumulated depreciation and amortization	<u>(277,152)</u>
	<u>\$ 927,780</u>

3. LOANS TO RELATED PARTIES

All of the loans have been made to three companies that are owned by the stockholder. The loans are unsecured without interest. As is not known when these loans will be repaid, they have been classified as non-current on the accompanying balance sheet.

During 2019, \$90,000 of a loan to a related party was forgiven by the Company.

4. BANK LINE OF CREDIT

The Company has obtained a bank credit facility which permits for borrowings of up to \$1,000,000, with interest payable monthly at prime plus .75% (5.5% as of December 31, 2019). This credit facility expires in September 2020.

Substantially all assets of the Company are collateral on all of this indebtedness.

BOBA TIME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(continued)

5. LONG-TERM DEBT

A summary of long-term debt is as follows:

Note payable to bank, secured by substantially all assets of the Company. Due in monthly installments of approximately \$12,200 including interest at .75% above the Wall Street Journal prime index rate (5.50% as of December 31, 2019) maturing in September 2026.	\$ 824,961
Note payable, secured by auto, due in monthly installments of approximately \$550 including interest at 3.74% per annum due through October 2024	<u>29,335</u>
Less current maturities	854,296
	<u>(100,656)</u>
Long-term debt	<u>\$ 753,640</u>

Maturities of long-term debt is as follows:

<u>Year ending</u> <u>December 31,</u>	
2020	\$ 100,656
2021	114,722
2022	120,830
2023	127,315
2024	134,036
Thereafter	<u>256,737</u>
	<u>\$ 854,296</u>

5. LEASE COMMITMENTS/RELATED PARTY TRANSACTIONS

The Company leases office space for their headquarters in Los Angeles California and also leases spaces for retail spaces through 2026. Some of the leases are subject to 3% annual increases, and also have various options to extend the leases. Included is a lease for a store that was sold during the year that the buyer assumed. However, the Company is still responsible for this lease and it is therefore included in the lease schedule below. Total rent expense for the year ended December 31, 2019 amounted to approximately \$243,000.

BOBA TIME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(continued)

5. LEASE COMMITMENTS/RELATED PARTY TRANSACTIONS (continued)

One of their retail spaces is leased to them by a partnership that is owned in part by the stockholder of the Company. Rent paid to this entity amounted to approximately \$59,000 for the year ended December 31, 2019.

Minimum lease payments under the leases are as follows:

Year ending December 31,	
2020	\$ 223,884
2021	179,964
2022	179,964
2023	179,964
2024	179,964
Thereafter	<u>254,056</u>
	\$ <u>1,197,796</u>

6. RETIREMENT PLAN

The Company sponsors a defined contribution retirement plan (the Plan) under section 401(k) of the Internal Revenue Code, covering substantially all employees who have one year of continuous service and are at least 21 years old. The Company may make a voluntary match of at its discretion. The Company's contributions are vested over a six-year period.

Total Company contributions to the plan were approximately \$45,000 for the year ended December 31, 2019.

7. CONTIGENCIES

The Company is currently the defendant in a lawsuit filed by a franchisee alleging a certain breach of contract. Management and its attorney are vigorously defending this claim. Management and its counsel believe that if they don't prevail that any claims against them would likely be immaterial.

The Company sold a store in late 2018. The store lease was assumed by the new buyer, however, the Company was not released from liability under the lease. In the event the new buyer fails to pay the lease, the Company would be responsible to make payment under that lease through 2023. As of December 31, 2019, the remaining total of payments was approximately \$300,000. To date, the buyer has made all the required lease payments.

BOBA TIME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(continued)

8. SUBSEQUENT EVENTS

During the first quarter of 2020, Coronavirus Disease (COVID-19) has begun causing major disruptions to the economy. The financial impacts to the Company will likely result in significantly reduced revenues for at least the first quarter of 2020, and possibly beyond. Management is monitoring the situation closely and expects to make needed changes to its operations should circumstances warrant in order to mitigate any negative long-term financial impacts on the Company.

The Company has evaluated subsequent events through April 8, 2020 which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2019, have been incorporated into these financial statements herein.

9. SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year ended December 31, 2019 for interest and income taxes amounted to \$109,943 and \$3,000, respectively.

EXHIBIT "H"
TO DISCLOSURE DOCUMENT
OTHER AGREEMENTS

EXHIBIT “H”-1

STATE ADDENDA

[See Attached]

STATE ADDENDA AND AGREEMENT RIDERS

ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS,

AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR

Boba Time, Inc.

BACKGROUND AND PURPOSE

The following modifications are made to the It's Boba Time Franchise Disclosure Document ("FDD" or "Disclosure Document") issued by Boba Time, Inc. ("we" or "us" or "franchisor") to franchisee ("you" or "franchisee") and may supersede, to the extent required by applicable state law, certain portions of the Franchise Agreement between you and us dated _____, 202__ (the "Franchise Agreement"). When the term "Supplemental Agreements" is used, it means any area development agreement, area representative agreement, master franchise agreement, or similar agreement entered into between us and you, if applicable.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement, Supplemental Agreements and other documents related to the sale of a franchise. This State-Specific Addendum ("State Addendum") will modify these agreements to comply with the applicable state's laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum (but only the State Addendum for the applicable State) will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements. If you sign this State Addendum, only the terms applicable to the state or states whose franchise laws apply to your transaction will govern. If you sign this State Addendum, but none of the state franchise laws listed above applies because their jurisdictional requirements have not been met, then this State Addendum will be void and inapplicable to you.

CALIFORNIA

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.

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the Disclosure Document.
2. Section 31125 of the California Corporations Code requires us to give you 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.
3. Neither the franchisor nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
4. The Franchise Agreement and Area Development Agreement require binding arbitration. The arbitration will occur in Los Angeles County, California with the costs initially being borne by the party filing the arbitration.
5. 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 or Supplemental Agreement restricting venue to a forum outside the State of California.
6. The Franchise Agreement and Area Development Agreement provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
7. The Franchise Agreement and Area Development Agreement contain a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
8. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Area Development Agreement may not be enforceable.
9. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Area Development Agreement contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.
10. You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).
11. The Franchise Agreement and Area Development Agreement contain provisions shortening the statute of limitations to bring claims and requiring you to waive your right to punitive or exemplary damages against the franchisor, limiting your recovery to actual damages for any claims related to your franchise. Under California Corporations Code section 31512, these provisions are not enforceable in California for any claims you may have under the California Franchise Investment Law.

12. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT <https://dfpi.ca.gov/>.
13. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[Signature Page Follows]

APPLICABLE ADDENDA

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Applicable Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreements (if applicable) and any other specified agreement(s) entered into by us and the undersigned franchisee. To the extent any terms of an applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreement (if applicable) and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- | | | |
|-------------------------------------|---------------------------------------|---------------------------------------|
| ☐ California | ☐ Michigan | ☐ South Dakota |
| ☐ Hawaii | ☐ Minnesota | ☐ Virginia |
| ☐ Illinois | ☐ New York | ☐ Washington |
| ☐ Indiana | ☐ North Dakota | ☐ Wisconsin |
| ☐ Maryland | ☐ Rhode Island | |

Dated: _____, 202____

FRANCHISOR:

Boba Time, Inc.

By: _____

Title: _____

FRANCHISEE:

By: _____

Title: _____

EXHIBIT “H”-2

FRANCHISEE DISCLOSURE QUESTIONNAIRE

[See Attached]

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know Boba Time, Inc. (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of an It’s Boba Time franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

- | | | | |
|-------|------|-----|---|
| Yes__ | No__ | 1. | Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it? |
| Yes__ | No__ | 2. | Have you received and personally reviewed the Franchise Disclosure Document we provided? |
| Yes__ | No__ | 3. | Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it? |
| Yes__ | No__ | 4. | Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement? |
| Yes__ | No__ | 5. | Did you receive the Franchise Disclosure Document at least 14 calendar days before signing any agreement relating to the franchise (other than an NDA) or paying any money? |
| Yes__ | No__ | 6. | Did you receive a complete execution copy of the Franchise Agreement at least seven (7) calendar days before you signed it? |
| Yes__ | No__ | 7. | Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor? |
| Yes__ | No__ | 8. | Have you discussed the benefits and risks of developing and operating an It’s Boba Time franchise with an existing It’s Boba Time franchisee? |
| Yes__ | No__ | 9. | Do you understand the risks of developing and operating an It’s Boba Time franchise? |
| Yes__ | No__ | 10. | Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs and other relevant factors? |
| Yes__ | No__ | 11. | Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be arbitrated in Los Angeles County, California, if not resolved informally or by mediation? |
| Yes__ | No__ | 12. | Do you understand that you must satisfactorily complete the initial training course before we will allow your franchised business to open or consent to a transfer? |
| Yes__ | No__ | 13. | Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating an It’s Boba Time franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document? |
| Yes__ | No__ | 14. | Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document? |
| Yes__ | No__ | 15. | Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue an It’s Boba Time franchise |

will generate, that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

- Yes__ No__ 16. Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning the franchise for the It's Boba Time business, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated _____

Dated _____

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated _____

Dated _____

EXPLANATION OF ANY NEGATIVE RESPONSES [REFER TO QUESTION NUMBER]:

EXHIBIT “H”-3

GENERAL RELEASE

[See Attached]

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (this “Agreement”) is made as of _____, 202__ (the “Effective Date”) by _____, a(n) _____ (“you”) and each individual holding a direct or indirect ownership interest in you (collectively “Owner”) in favor of Boba Time, Inc., a California corporation (“us,” and together with you and Owner, the “Parties”).

Background

- A. We signed a Franchise Agreement with you, dated _____, 202__ (the “Franchise Agreement”) pursuant to which we granted you the right to own and operate an It’s Boba Time store;
- B. You have notified us of your desire to transfer the Franchise Agreement and all rights related thereto, or an ownership interest in the franchisee entity, to a transferee, **[enter into a successor franchise agreement]** and we have consented to such transfer **[agreed to enter into a successor franchise agreement]**; and
- C. As a condition to our consent to the transfer **[your ability to enter into a successor franchise agreement]**, you and Owner have agreed to execute this Agreement upon the terms and conditions stated below.
- D. In consideration of our consent to the transfer **[our entering into a successor franchise agreement]**, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, you and Owner hereby agree as set forth below.

Agreement

- 1. Release. Owner, you, and each of your officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them (the “Franchisee Parties”), hereby release, acquit and forever discharge us, any and all of our past and present affiliates, parents, subsidiaries and related companies, divisions and partnerships, consultants, advisors and franchise sellers and its and their respective past and present officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and the spouses of such individuals (collectively, the “Franchisor Parties”), from any and all claims, liabilities, damages, expenses, actions or causes of action which any of the Franchisee Parties may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, directly or indirectly arising out of or relating to the execution and performance (or lack thereof) of the Franchise Agreement or the offer, sale or acceptance of the franchise related thereto (including, but not limited to any disclosures and representations made in connection therewith). The foregoing release shall not be construed to apply with respect to any obligations contained within this Agreement.
- 2. California Law. You and Owner hereby express your intention to release all existing claims, whether known or unknown, against the Franchisor Parties. Accordingly, you and Owner hereby waive Section 1542 of the California Civil Code, which provides the following:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

[Section 2 only applies for California franchisees; otherwise it is omitted]

- 3. Nondisparagement. Each of the Franchisee Parties expressly covenant and agree not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Franchisor Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Franchisor Parties, the business conducted by any of the Franchisor Parties or the reputation of any of the Franchisor Parties. For purposes of clarity, the obligations in this Section apply to all methods of communications, including the making of statements or representations through direct verbal or written communication as well as the making of statements or representations on the Internet, through social media sites or through any other

verbal, digital or electronic method of communication. The obligations in this Section also prohibit the Franchisee Parties from indirectly violating this Section by influencing or encouraging third parties to engage in activities that would constitute a violation of this Section if conducted directly by a Franchisee Party.

4. Representations and Warranties. You and Owner each represent and warrant that: (a) [Insert franchisee entity name] is duly authorized to execute this Agreement and perform its obligations hereunder; (b) neither you nor Owner has assigned, transferred or conveyed, either voluntarily or by operation of law, any of their rights or claims against any of the Franchisor Parties or any of the rights, claims or obligations being terminated or released hereunder; (c) you and Owner have not and shall not (a) institute or cause to be instituted against any of the Franchisor Parties any legal proceeding of any kind, including the filing of any claim or complaint with any state or federal court or regulatory agency, alleging any violation of common law, statute, regulation or public policy premised upon any legal theory or claim whatsoever relating to the matters released in this Agreement or (b) make any verbal, written or other communication that could reasonably be expected to damage or adversely impact any Franchisor Party's reputation or goodwill; and (d) the individuals identified as Owners on the signature pages hereto together hold 100% of the legal and beneficial ownership interests in [Insert franchisee entity name].
5. Miscellaneous.
 - (a) The Parties agree that each has read and fully understands this Agreement and that the opportunity has been afforded to each Party to discuss the terms and contents of said Agreement with legal counsel and/or that such a discussion with legal counsel has occurred.
 - (b) This Agreement shall be construed and governed by the laws of the State of California.
 - (c) In the event that it shall be necessary for any Party to institute legal action to enforce, or for the breach of, any of the terms and conditions or provisions of this Agreement, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.
 - (d) All of the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective current and future directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, successors, affiliates, and assigns.
 - (e) This Agreement contains the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersedes and is in lieu of all prior and contemporaneous agreements, understandings, inducements and conditions, expressed or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. This Agreement may not be modified except in a writing signed by each of the Parties.
 - (f) If one or more of the provisions of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.
 - (g) The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the transactions contemplated hereby.
 - (h) This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one document.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

FRANCHISEE:

By: _____

Name: _____

Its: _____

FRANCHISE OWNERS:

Name: _____

Name: _____

Name: _____

EXHIBIT "I"
TO DISCLOSURE DOCUMENT
STATE EFFECTIVE DATES

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.

EXHIBIT "J"
TO DISCLOSURE DOCUMENT

RECEIPTS

[See Attached]

RECEIPT

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

If Boba Time, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If Boba Time, Inc. does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are:

_____ Eunice Unmi Pak; 701 S. Vermont Ave., Los Angeles, California 90005; (213) 251-0001

_____ Taehoon Richard Jun; 701 S. Vermont Ave., Los Angeles, California 90005; (213) 251-0001

_____ Daniel S. Heo; 701 S. Vermont Ave., Los Angeles, California 90005; (213) 251-0001

Issuance Date: March 10, 2022

Boba Time, Inc.'s agent to receive service of process is listed in EXHIBIT "B" to this Disclosure Document.

I received a Franchise Disclosure Document that included the following Exhibits:

EXHIBIT "A"	State Agencies and Administrators
EXHIBIT "B"	Agent for Service of Process
EXHIBIT "C"	Franchise Agreement
EXHIBIT "D"	Area Development Agreement
EXHIBIT "E"	Table of Contents of the confidential Brand Standards Manual
EXHIBIT "F"	List of Franchisees
EXHIBIT "G"	Financial Statements of Boba Time, Inc.
EXHIBIT "H"	Other Agreements
EXHIBIT "H"-1	State Addenda
EXHIBIT "H"-2	Franchisee Disclosure Questionnaire
EXHIBIT "H"-3	General Release
EXHIBIT "I"	State Effective Dates
EXHIBIT "J"	Receipts

Print Name

Date

(Signature) Prospective Franchise Owner

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to Boba Time, Inc.)

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language.

Read this Disclosure Document and all agreements carefully. If Boba Time, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If Boba Time, Inc. does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

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