

FRANCHISE DISCLOSURE DOCUMENT

Yummy-town USA LLC
a Delaware limited liability company
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We offer single unit franchises awarding the right to operate a store under the Happy Lemon trademarks and business systems featuring tea beverages with fresh fruits, milk, salted cheese, boba and other specialty items, as well as other complementary menu items.

The total investment necessary to begin operation of a single Happy Lemon store is \$221,000 to \$483,000. This includes \$92,000 to \$110,000 that must be paid to us or our affiliate.

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive 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 Janice Charles, US Franchise and Business Development Director, Yummy-town USA LLC, 1801 Highland Avenue, Unit G, Duarte, California 91010, (909) 334-1038, janice_charles@yummy-town.com.

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

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

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

Issuance Date: March 9, 2026

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits and 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 D.
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 A 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 Happy Lemon business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Happy Lemon franchisee?	Item 20 or Exhibit D 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 E.

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

Special Risks to Consider About *This* Franchise

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

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

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EXHIBITS

- A. Financial Statements
- B. Franchise Agreement with Schedules:
 - Schedule A Franchise Owners, Designated Owner and Accepted Location
 - Schedule B Guaranty and Assumption of Obligations
 - Schedule C Current Form of Releasing Language
 - Schedule D ADA and Related Certifications
 - Schedule E Owner Non-Compete, Non-Disclosure and Confidentiality Agreement (Non-California Franchisees)
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- C. Table of Contents of Manual
- D. List of Current and Former Franchisees
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- H. State Effective Dates
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ITEM 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document (“Disclosure Document”), “Company,” “us,” “we” and “our” refer to Yummy-town USA LLC, the franchisor. We refer to a person who buys a franchise from us as “you.” If you are a corporation, limited liability company, partnership or other business entity, “you” also includes your owners.

The Franchisor and any Parents, Predecessors and Affiliates.

We are a Delaware limited liability company formed on August 30, 2017. Our principal place of business is at 1801 Highland Avenue, Unit G, Duarte, California 91010. We have no predecessors. We do not conduct business under any other name. We, through our subsidiaries and affiliates, have owned and operated Happy Lemon stores in the United States since 2017. As of the date of this Disclosure Document, we own and operate 3 company-owned Happy Lemon stores. We have offered Happy Lemon franchises in the United States since 2018. We do not conduct business in any other line of business, and we do not offer franchises in any other line of business.

Our subsidiary, Happy Lemon West, Inc. (“HL West”), is a California corporation formed on February 10, 2020. HL West’s principal place of business is at 1801 Highland Avenue, Unit G, Duarte, California 91010. As of December 31, 2025, HL West owns and operates 3 company-owned Happy Lemon stores. HL West is an approved supplier of certain services to you. HL West does not offer franchises in any line of business.

Our affiliate, Happy Lemon USA LLC (“HL USA”), is a Delaware limited liability company formed on May 20, 2024. HL USA’s principal place of business is at 1801 Highland Avenue, Unit G, Duarte, California 91010. As of December 31, 2025, HL USA owns and operates 6 company-owned Happy Lemon stores. HL USA does not offer franchises in any line of business.

Our parent company is Yummy-town Holding Corporation (“YTHC”), a Delaware corporation formed on March 1, 2022. YTHC’s principal place of business is at 1801 Highland Avenue, Unit G, Duarte, California 91010. YTHC does not offer franchises in any line of business.

The parent company of YTHC is RBT Holdings Limited (“RBT Holdings”), a company formed under the laws of Hong Kong on February 2, 2007. RBT Holdings’ principal place of business is at Unit F, 9/F, World Tech Centre, No. 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong. RBT Holdings does not offer franchises in any line of business. Since June of 2016, RBT Holdings has directly and indirectly owned and operated Happy Lemon stores, primarily in China, Hong Kong, Taiwan and the United States.

RBT Holdings is also the parent company of Happy Lemon HK Limited (“HL Hong Kong”), a company formed under the laws of Hong Kong on November 17, 2005. HL Hong Kong’s principal place of business is at Unit F, 9/F, World Tech Centre, No. 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong. HL Hong Kong licenses the Marks that we describe in Item 13 from RBT Enterprise (as defined below) and, since January of 2007, has, in turn, directly or indirectly licensed the Marks to other licensees/franchisees, namely in China, Hong Kong, Taiwan, South Korea, Japan, Philippines, United Kingdom, Canada and Australia.

RBT Holdings is also the parent company of Xian Zong Lin Food and Beverage Management (Shanghai) Co., Ltd. (“XZL”), a company formed under the laws of People’s Republic of China on May 31, 1999. XZL’s principal place of business is at Floor 17, No. 4711, Jiaotong Road, Putuo District, Shanghai, China 200331. XZL does not offer franchises in any line of business. XZL licenses

the Marks that we describe in Item 13 from RBT Enterprise (as defined below) and, in turn, sublicense the Marks to us to use and sublicense to franchisees in the United States.

RBT Holdings is wholly owned by Yummy Town (Cayman) Holdings Corporation (“Cayman Holdings”), a company formed under the laws of the Cayman Islands, on December 22, 2009. Cayman Holdings’ principal place of business is at 6F, No.77, Xinhua 1st Road, Neihu District, Taipei City 114, Taiwan (R.O.C.). Cayman Holdings is publicly traded on the Taipei Exchange (GreTai Securities Market) under ticker number 2726. Cayman Holdings, through its other subsidiaries, also owns, operates and licenses other food and beverage concepts, namely RBT (Real Brew Tea) and The Spiceland Curry Café, outside of the United States.

Cayman Holdings is also the parent company RBT Enterprise Ltd. (“RBT Enterprise”), a company formed under the laws of Hong Kong on January 21, 2007. RBT Enterprise’s principal place of business is at Unit F, 9/F, World Tech Centre, No. 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong. RBT Enterprise owns the Marks that we describe in Item 13.

Agent for Service of Process

Our agent for service of process is Janice Charles at 1801 Highland Avenue, Unit G, Duarte, California 91010. Our agent in California is the Commissioner of the California Department of Financial Protection and Innovation. Exhibit E identifies any agents we have in certain other states.

The Franchises We offer

A Happy Lemon franchisee operates a retail store that sells tea beverages with fresh fruits, milk, salted cheese, boba and other specialty items, as well as other complementary menu items (a “Happy Lemon Store”). The award of a franchise gives you the right to own and operate one Happy Lemon Store at an approved location. Under the Franchise Agreement, you must (a) identify your store using specific trademarks that we designate, (b) construct and build-out the premises to meet our design and appearance specifications, and (c) operate the Happy Lemon Store in accordance with our distinctive Happy Lemon franchise system (the “Happy Lemon System”).

General Market for Your Products and General Description of Competition

Happy Lemon Stores operate year-round and utilize a fast-casual/take-out service format to serve the general public. The business is seasonal in that sales tend to increase with warmer temperatures.

The retail beverage industry is highly competitive in matters concerning price, service, location, selection, product quality, promotional activities and guest services. It is often affected by changes in consumer tastes, economic conditions, demographics and traffic patterns. You will compete with numerous other restaurants and beverage shops offering a wide range of comparably priced beverage items in a wide variety of service formats. Your direct competitors will include coffee shops and teahouses; however, you will also compete with restaurants and other retail food establishments, including supermarkets and convenience stores. You should anticipate competing against national and regional franchise systems and other chains, as well as independently-owned beverage establishments located near your Happy Lemon Store.

Law and Regulations

Your Happy Lemon Store must comply with federal, state and local laws and regulations affecting the business, including state and local licensing laws, advertising, consumer protection statutes, zoning, land use and construction regulations, federal and state environmental laws and regulations, and various health, safety, sanitation and fire standards. Counties typically establish health and safety standards and regulations, which Happy Lemon Stores must meet, including health permit and food handling certifications. These requirements can vary widely among jurisdictions, can be

Happy Lemon

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very strict and may involve Public Health Department inspections. You should be careful to ensure that you have a full understanding of the laws and regulations that may apply to your Franchised Business and its location. You must also comply with employment laws, like the Fair Labor Standards Act, and state laws covering matters like minimum wages, overtime and working conditions. You must also assist us in complying with federal anti-terrorism laws and executive orders.

ITEM 2. BUSINESS EXPERIENCE

Andy Chiang, Chief Executive Officer

Mr. Chiang has been our Chief Executive Officer since February of 2024. Since October of 2011, Mr. Chiang has also served as the Chief Executive Officer for Shanghai Top-Forward Trading Co., located in Shanghai, China.

Yute Wood Chen, Chief Operating Officer

Mr. Chen has been our Chief Operating Officer since February of 2024. From October of 2020 to January of 2024, Mr. Chen served as our Director of Operations. From July of 2016 to September of 2020, Mr. Chen was the area manager for Happy Lemon California, Inc., located South El Monte, California.

Janice Charles, US Franchise and Business Development Director

Ms. Charles has been our US Franchise and Business Development Director since January of 2026. Since 2016, Ms. Charles has also served as the CEO of Your Franchise Advantage, located in Thornton, Colorado.

ITEM 3. LITIGATION

Governmental Actions

The Commissioner of Financial Protection and Innovation v. Yummy-town USA, LLC. In April of 2021, the Commissioner of the California Department of Financial Protection and Innovation (the "Commissioner") alleged that we failed to disclose certain former California franchisees of our affiliate, HL Hong Kong, in our applications for franchise registration in California. In April of 2021, we entered into a consent order with the Commissioner, pursuant to which: (a) we were ordered to desist and refrain from violations of California Corporations Code Section 31200, (b) we paid \$7,500 in administrative penalties, and (c) certain of our personnel were required to attend remedial/continuing education regarding California's Franchise Investment Law.

The Commissioner of Financial Protection and Innovation v. Happy Lemon HK, Limited. In April of 2021, the Commissioner of the California Department of Financial Protection and Innovation (the "Commissioner") alleged that HL Hong Kong offered and sold franchises in California before properly registering these franchises with the Commissioner. In April of 2021, HL Hong Kong entered into a consent order with the Commissioner, pursuant to which: (a) HL Hong Kong was ordered to desist and refrain from violations of California Corporations Code Sections 31110 and 31200, (b) HL Hong Kong paid \$13,000 in administrative penalties, and (c) certain of HL Hong Kong's personnel were required to attend remedial/continuing education regarding California's Franchise Investment Law.

No other litigation is required to be disclosed in this Item.

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 an Initial Franchise Fee of \$45,900 when you sign your Franchise Agreement for a Happy Lemon Store. Except as specified below, we are under no obligation to sell you any additional franchises. We determine the Initial Franchise Fee in a uniform manner. We may terminate the Franchise Agreement if: (a) within 180 days following the execution of the Franchise Agreement, you have not obtained our written approval to the particular premises for the Happy Lemon Store or (b) you have not successfully completed the Initial Training Program by the earlier of: (i) the grand opening of your Happy Lemon Store or (ii) 12 months following the effective date of your Franchise Agreement. If we terminate the Franchise Agreement for your failure to comply with the foregoing, we will refund all but \$15,000 of the Initial Franchise Fee. You must sign our form of general release (Franchise Agreement, Schedule C) as a condition to obtaining the refund. No refunds are available under any other circumstances.

Initial Franchise Fees for Multiple Franchise Agreements

Upon our mutual agreement, you may execute up to 3 Franchise Agreements for 3 different Happy Lemon Store locations at the same time. In this case, the Initial Franchise Fee for the first Franchise Agreement will be \$45,900; the Initial Franchise Fee for the second Franchise Agreement will be discounted to \$40,900; and the Initial Franchise Fee for the third Franchise Agreement will be discounted to \$35,900. The Initial Franchise Fee for all three Franchise Agreements must be paid to us in full upon execution of the agreements. However, the Development Services Fee and Grand Opening Fee for the second and third Franchise Agreements will be due and payable when the Accepted Location for the Happy Lemon Stores under the second and third Franchise Agreements, respectively, has been approved by us.

Notwithstanding anything to the contrary in this Disclosure Document or the Franchise Agreement, if you execute multiple Franchise Agreements at the same time, the following deadlines apply: (a) the deadline to obtain our written approval for the particular premises for the Happy Lemon Store under the second Franchise Agreement is 12 months from execution of the second Franchise Agreement and the opening deadline for the Happy Lemon Store under the second Franchise Agreement is 18 months from execution of the second Franchise Agreement; and (b) the deadline to obtain our written approval for the particular premises for the Happy Lemon Store under the third Franchise Agreement is 18 months from execution of the third Franchise Agreement and the opening deadline for the Happy Lemon Store under the third Franchise Agreement is 22 months from execution of the third Franchise Agreement.

Development Services Fee

You must pay us a Development Services Fee in the amount of \$12,500 when you sign your Franchise Agreement for a Happy Lemon Store. This is the fee to integrate your Happy Lemon Store to our proprietary management and logistics system and to oversee the development of your Happy Lemon Store. We determine the Development Services Fee in a uniform manner. However, we may choose to negotiate the amount or terms of payment of the Development Services Fee with individual franchisees in our sole discretion depending on any factor that we feel are relevant. The Development Service Fee is non-refundable under all circumstances.

Initial Training Fee

You must pay us an Initial Training Fee in the amount of \$8,000 when you sign your Franchise Agreement for a Happy Lemon Store. We determine the Initial Training Fee in a uniform manner. However, we may choose to waive the requirement for you to attend the Initial Training Program (and the Initial Training Fee) if you are an existing franchisee is good standing. If we terminate the Franchise Agreement for your failure to obtain obtained our written approval to the particular premises for the Happy Lemon Store within 180 days following the execution of the Franchise Agreement, we will refund the Initial Training Fee. You must sign our form of general release (Franchise Agreement, Schedule C) as a condition to obtaining the refund. No refunds are available under any other circumstances.

Grand Opening Fee

You must pay us a Grand Opening Fee in the amount of \$13,600 when you sign your Franchise Agreement for a Happy Lemon Store. With this fee, we will coordinate and manage your Happy Lemon Store's grand opening activities, such as local marketing activities and/or events. We determine the Grand Opening Fee in a uniform manner. However, we may choose to negotiate the amount or terms of payment of the Grand Opening Fee with individual franchisees in our sole discretion depending on any factor that we feel are relevant. We may terminate the Franchise Agreement if you have not obtained our written approval to the particular premises for the Happy Lemon Store or if you have not successfully completed the Initial Training Program by the applicable deadlines. If we terminate the Franchise Agreement for your failure to comply with the foregoing, we will refund the Grand Opening Fee. You must sign our form of general release (Franchise Agreement, Schedule C) as a condition to obtaining the refund. No refunds are available under any other circumstances.

Opening Inventory

You will need to purchase certain inventory items from us, our affiliates and/or our approved suppliers before opening your Happy Lemon Store, such as powders, mixes, raw ingredients, branded paper products and certain equipment and accessories (collectively, "Proprietary Products"). You need to stock these items at your Happy Lemon Store in quantities that you expect will meet reasonably anticipated consumer demand. We estimate the costs to purchase an adequate opening supply of these items to range from \$15,000 to \$30,000, of which \$12,000 to \$30,000 will be purchased from us and/or our affiliates. You will need to pay for the inventory items at the time of purchase, and we recommend you make these purchases 2 to 3 months before the opening of your Happy Lemon Store. You may only return the inventory items (and receive a refund) if they are defective.

ITEM 6. OTHER FEES

Name of Fee (Note 1)	Amount	Due Date	Remarks
Royalty Fees	6% of Gross Revenues from the previous royalty period (Note 2)	By the 7th day following the end of each royalty period	You must make these payments by pre-authorized electronic debit. (Note 3)

Name of Fee (Note 1)	Amount	Due Date	Remarks
Marketing Fund Fee	1% of Gross Revenues from the previous royalty period (Note 2)	By the 7th day following the end of each royalty period	You must make these payments by pre-authorized electronic debit. (Note 3)
Transfer Fee	\$15,000	On or before completion of the transfer	If you sell your business, you must pay us this fee before the sale is completed.
Renewal Fee	50% of the Initial Franchise Fee (i.e., \$22,950)	On franchise renewal	If your Franchise Agreement is renewed, you must pay us this fee.
Relocation Fee	\$5,000	At the time of request for relocation	You pay this fee if you seek our consent to relocate your Happy Lemon Store.
Insurance	Amount of premium and our expenses, plus 10% administration fee	On demand	If you don't get required insurance, we can get some or all the insurance for you. You pay the charges and our expenses, plus 10% administration fee.
Maintenance	Our actual costs and expenses, plus 10% administration fee	On demand	You must maintain the premises, furniture, fixtures, equipment, signs and décor. If you don't, after we notify you, we can do so, and you will reimburse us our actual expenses and costs, plus 10% administration fee. (Note 4)
Us Operating Your Restaurant Due to Your Breach, Death, Absence, or Incapacity	\$500 per day, plus expenses	On demand	We may operate your Franchised Business if you are in breach, absent, become incapacitated or die.

Name of Fee (Note 1)	Amount	Due Date	Remarks
Engaging in Restricted Competition	10% of revenue of the competing business(es)	By the 7th day following the end of each royalty period	If you or any of your owners, affiliates, or any officer, director, manager or affiliate or spouse or family of them violates the noncompetition restriction, then in addition to all other remedies available to us, you and the person involved pay us 10% of the revenue from the sale of products and services of the competing business.
Damages for Termination of Franchise Agreement Due to your Breach	The average monthly Royalty Fees payable to us for prior 12 months (if the Franchised Business operated less than 12 months, the average monthly Royalty Fees payable to us over period it operated), multiplied by the lesser of: (a) number of months remaining in the current term, or (b) 12.	On demand	If your Franchise Agreement is terminated by us due to your breach, you must pay us these amounts as liquidated damages.

Name of Fee (Note 1)	Amount	Due Date	Remarks
Post-term De-Identification	Our actual costs and expenses, plus 10% administration fee	On demand	After the termination or expiration of your Franchise Agreement, if you fail to fully de-identify your Franchised Business location and make other changes required to disassociate it from us and our system, we can enter the premises and do so, and you will reimburse us for our actual cost and expenses, plus 10% administration fee.
Enforcement Costs	Our actual costs and expenses	On demand	You pay us all damages, costs and expenses, including attorneys' fees, we incur to enforce the Franchise Agreement.
Supplier/Supply Approval	Reasonable cost of inspection, evaluation and test, estimated not to exceed \$1,000 for inspection and testing	Time of inspection and testing	Applies to new suppliers or supplies you wish to purchase that we have not previously approved.
Interim Royalty	Our then-current Royalty Fee, plus an additional 2% of Gross Revenues	By the 7th day following the end of each royalty period	We will charge this fee if your Franchise Agreement expires, you have not entered a successor agreement and you continue to operate your Happy Lemon Store with our permission.

Name of Fee (Note 1)	Amount	Due Date	Remarks
System Standards Violation Fee	Our actual costs and expenses	On demand	If you fail to adhere to our standards, you must reimburse us for any and all costs and expenses associated with counsel, inspection, support, assistance, enforcement rendered to and against you.
Customer Complaint Fee	\$50 per hour	On demand	Due if you do not resolve any customer complaints and the complaint is escalated to us for handling. This is an administrative charge only and does not include any discounts/payments payable to the customer, which are your responsibility.
Annual Meeting Attendance Charge	Up to 2 personnel from each Store may attend free of charge. Additional personnel will be charged an attendance fee.	On demand	You must also pay for all travel, lodging, and dining expenses for your personnel and guests.
Ad Customization Fee	\$75 per hour	On demand	You must pay this fee if we or our affiliates provide you customized copies of advertising materials showing information about your Happy Lemon Store.
Costs of Collection	Actual costs of collection	On demand	You are responsible for all reasonable costs of collection we incur in connection with any late payments, including legal costs and attorneys' fees.

Name of Fee (Note 1)	Amount	Due Date	Remarks
Interest	Lower of 1.5% per month or highest rate permitted by law (Note 5)	As incurred	You pay this if you do not pay amounts owed to us or any Franchisor Associates on time.
Indemnification	You indemnify us for any losses we incur in connection with your Happy Lemon Store and operations	On demand	(Note 6)
Tax Payments	Actual amount we paid on your behalf	On demand	You reimburse us for any gross receipts taxes, value added taxes, sales taxes, use taxes, personal property taxes or any other tax we pay on your behalf or incur because of payments you made to us or money you are paid. You also pay withholding tax if required under law.
Additional On-Site Training/Consultation Fees and Possible Expenses	\$400 per day per trainer	Before attendance	You are responsible for any costs associated with your and your employees' participation in additional training, including transportation, lodging, meals, incidentals and training fees. In addition, you must also pay the incidental costs of transportation, lodging, and other living expenses for our trainers.

Name of Fee (Note 1)	Amount	Due Date	Remarks
Inspection/Audit Costs	Amount of Gross Revenues understated or underpaid, plus cost of audit and default interest	On demand	You pay the amount of any understatement or underpayment shown by our inspection or audit and interest. If understatement or underpayment was 2% or more for any period, you also pay the inspection or audit cost.
Remodeling Fee	Amount of remodeling based on actual vendor costs.	On demand	You must remodel your location to the then-current brand standards once during your 10-year Franchise Agreement. You will not be required to remodel during the first 18 months or the last 18 months of the initial term of your Franchise Agreement.

**Notes to Chart on Other Fees
For a Happy Lemon Franchise**

Note 1: All fees are nonrefundable. Unless otherwise noted, all fees are payable to us by the method we select, including possibly electronic funds transfer. The fees are uniformly imposed and collected; however, there may be instances in which we have varied, or will vary, the economic and other terms on which we offer franchises to suit the circumstances of a particular transaction, to the extent lawful. We can and may choose to waive and/or credit, reduce or defer payment of any and all fees and charges of any kind in connection with a franchise on a case-by-case basis, as we consider appropriate and as permitted by law.

Note 2: "Gross Revenues" means all charges and/or revenues you earn or receive in the operation of the Franchised Business, less sales tax collected and paid when due to the appropriate taxing authority and actual customer refunds, adjustments and credits. The current royalty period is a calendar month, but we can change the time covered by a royalty period to a different period (e.g., weekly, etc.). If we modify the royalty period, any amounts which are paid and/or calculated in relation to a royalty period will be appropriately adjusted on a pro-rata basis, as will any related requirements.

Note 3: You must complete and execute any bank authorization or other form we require to authorize our selected payment method. You must maintain an account at a bank or other financial institution that has the capacity to perform electronic debits to its account and also maintain account balances sufficient to meet any electronic payments that we require.

Note 4: In addition to a Store Update, you must, at your own expense keep the condition and appearance of the interior and exterior of your Happy Lemon Store and your Happy Lemon Store assets clean, in good repair and consistent with our quality standards and Happy Lemon System (collectively, "Store Maintenance Activities") on any ongoing basis. You must replace all worn, obsolete or unrepairable assets with those meeting any then current System Standards.

Note 5: The highest interest rate allowed by law in California for late payments is 10% annually.

Note 6: You are obligated to indemnify and hold us and our Affiliates harmless from all fines, suits, proceedings, claims, demands, actions, losses, damages, costs, fees (including attorneys' fees and related legal costs and expenses), governmental/administrative actions or proceedings and any other liability of any kind or nature, however arising, growing out of or otherwise connected with and/or related to your breach of the Franchise Agreement, the ownership or operation of your Happy Lemon Store, or any act, error and/or omission by your and/or any of your affiliates, agents, officers, partners, members, shareholders, directors, employees or representatives.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Description	Low	High	Method of Payment	When Due	To Whom Paid
Initial Franchise Fee (Note 1)	\$45,900	\$45,900	Electronic Funds	On Signing Franchise Agreement	Us
Development Service Fee	\$12,500	\$12,500	Electronic Funds	On Signing Franchise Agreement	Us
Grand Opening Fee	\$13,600	\$13,600	As Arranged	On Signing Franchise Agreement	Us
Initial Training Fee	\$8,000	\$8,000	As Arranged	On Signing Franchise Agreement	Us
Initial Training Program Expenses (Note 2)	\$12,000	\$16,000	As Arranged	As Incurred	Varies
Rent & Deposit (Note 3)	\$4,000	\$10,000	As Arranged	As Incurred	Lessor

Description	Low	High	Method of Payment	When Due	To Whom Paid
Leasehold Improvements (Note 4)	\$70,000	\$250,000	As Arranged	As Incurred	Contractors, Vendors and Approved Suppliers
Opening Inventory and Supplies (Note 5)	\$15,000	\$30,000	As Arranged	As Incurred	Us and Other Approved Venders and Suppliers
Insurance (Note 6)	\$6,000	\$12,000	As Arranged	As Incurred	Insurance Carriers
Security & Utility Deposits, Licenses, Permits, Certificates and Other Prepaid Expenses (Note 7)	\$8,000	\$15,000	As Arranged	As Incurred	Local Utilities and Agencies; Local Health Department and Food Handler Certification Provider
Professional Services (Note 8)	\$2,000	\$4,000	As Arranged	As Incurred	Attorneys, Accountants, and Others
Computers, Point of Sale System and Related Software (Note 9)	\$4,000	\$6,000	As Arranged	As Incurred	Approved Suppliers
Additional Funds for 3 Months (Note 10)	\$20,000	\$60,000	As Arranged	As Incurred	Various Suppliers
TOTAL (Note 11)	\$221,000	\$483,000			

Notes to Chart

1. The Initial Franchise Fee is non-refundable. However, we may terminate the Franchise Agreement if: (a) within 180 days following the execution of the Franchise Agreement, you have not obtained our written approval to the particular premises for the Happy Lemon Store or (b) you have not successfully completed the Initial Training Program by the earlier of: (i) the grand opening of your Happy Lemon Store or (ii) 12 months following the effective date of your Franchise Agreement. If we terminate the Franchise Agreement for your failure to comply with the foregoing, we will refund all but \$15,000 of the Initial Franchise Fee. You must sign our form of general release (Franchise Agreement, Schedule C) as a condition to obtaining the refund. No refunds are available under any other circumstances.

2. You are responsible for the travel, lodging, meals and incidental expenses incurred by your personnel attending the Initial Training Program at our training facilities in the United States. The estimate is for 2 of your personnel attending the Initial Training Program.
3. The preferred Happy Lemon Store square footage is approximately 500 to 1,000 square feet in a mall or a strip shopping center.
4. This range estimates certain build-out expenses associated with a 500 to 1,000 square foot “Vanilla Box” space, which generally involves a space with a cement floor, unpainted, plain walls, basic plumbing and electrical outlets/lighting, restroom(s) as required by local law, ADA compliance, finished ceiling, heating/AC and ventilation. The range includes architect fees, permit costs, internal partition build-out costs, costs relating to the purchase and installation of the minimum number and types of equipment, fixtures, counters, menu board, tables/chairs, and cabinets required to build out your Happy Lemon Store according to our current standards and specifications. The total number of these items may vary depending on the square footage of your Happy Lemon Store as well as the format of your Happy Lemon Store (e.g., food court, kiosk and other non-traditional formats).
5. The estimated range provided includes product inventory purchases from HL West and us, as well as typical Happy Lemon Store supplies maintained on premises, such as small wares, cleaning supplies, and miscellaneous supplies. If you purchase more than the minimum number of items we require, then your costs will increase accordingly.
6. You must maintain in force at all times policies of insurance covering various risks as we require. You also must ensure your construction, fixtures and equipment-related contractors and general contractor, if applicable, maintain general liability insurance coverage meeting or exceeding any landlord requirements, but which cannot be less than \$1,000,000. Rates are established by carriers based on a variety of factors, including location and claims history. We recommend that you work with a broker in your area to obtain an estimate of the insurance costs you could incur in your local area. You must provide us with a copy of your insurance certificate, naming us as an additional insured before you open.
7. You must get all required licenses, permits and certificates to build out and operate your Happy Lemon Store. You and your staff are also required to obtain food handler certifications from a provider that we approve.
8. We encourage you to consult with independent professional advisors like a lawyer and a CPA concerning the operation of your Happy Lemon Store, permitting and regulatory requirements and business formation/taxation matters.
9. You must obtain a Point of Sale (POS) system hardware meeting our specifications from our designated supplier. The range assumes a single system. The range includes the hardware (including optional upgrades, some of which may become mandatory at our discretion) and the initial set-up fee for our proprietary software. We can require you to purchase, maintain and upgrade computer hardware, software and other technology tools as we choose throughout the term of the Franchise. Once your Happy Lemon Store opens, you must also pay a monthly POS system maintenance fee to the designated supplier. The current minimum monthly maintenance fee is \$350 per month.
10. “Additional Funds” is an estimate of the funds needed to cover business (not personal) expenses during the first 90 days of operation of the Franchise Business. You will need capital to support on-going costs of your business operations during such 90-day period, including supplies,

additional inventory, payroll, utilities, and other expenses. Our estimate of the “Additional Funds” for the first 90 days of operation is based on the operation of Happy Lemon Stores owned by us and our affiliate, HL West.

11. Neither we nor our affiliates offer any direct or indirect financing of your initial investment.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

You must operate your Happy Lemon Store according to these standards and use/sell our approved products and services, equipment, fixtures and materials, as we require (“Designated Goods”). The Designated Goods include, but are not limited to, packaging and serving materials (e.g., bags, cups, etc.), certain proprietary ingredients, mixes, seasonings, flavorings, and other raw materials, supplies, kitchen equipment, computer hardware and software, uniforms and signage. We give to you a list of approved suppliers and distributors authorized to supply some or all of the Designated Goods (“Approved Suppliers”). We can add, eliminate or change the Designated Goods and approved suppliers when we think appropriate. You cannot use, offer or sell any Designated Goods at your Happy Lemon Store that we have not approved.

We and our Affiliates have the right to receive rebates, incentive amounts, discounts and other economic benefits from any supplier to Happy Lemon Stores and to earn a profit on the sale of Designated Goods we sell to you and other Happy Lemon Stores. We and our Affiliates can be Approved Suppliers, exclusive or otherwise, of any Designated Goods that a Happy Lemon Store must use and/or purchase. None of the Approved Suppliers (including those Approved Suppliers who are our Affiliate(s)) will make payments to us from purchases by you and other franchisees. As of the date of this Disclosure Document, we and our Affiliate, HL West, are Approved Suppliers, each of whom will make a reasonable profit margin on the goods and services it provides to you. No franchisor officer owns an interest in any supplier.

In 2025, based on our audited financial statements, we had a total revenue of approximately \$7,144,000, of which approximately \$1,217,000 were from required purchases by franchisees in the United States. Revenue from required purchases by franchisees in the United States represents approximately 17.04% of our total revenue in 2025.

In 2025, based on HL West’s internally prepared financial statements, HL West had total worldwide revenue of approximately \$2,783,000, of which approximately \$955,000 were from required purchases by franchisees in the United States. Revenue from required purchases by franchisees in the United States represents approximately 34.32% of HL West’s total worldwide revenue in 2025.

Alternative Suppliers- Approval Process

If you want your Happy Lemon Store to offer/use any products or services not yet approved by us, or if you want to purchase from a supplier that is not yet an Approved Supplier and we are requiring that you use one, you must go through the following request process: (1) give us a written request, (2) include samples and other information we request to help us evaluate the proposed product, service or supplier (at your expense), and (3) wait a reasonable time for us to approve or disapprove, generally around 30 days. You must reimburse us for our costs to evaluate the proposed product, service or supplier. We can later re-evaluate any products, services or suppliers and revoke any previously approved products, services or suppliers. If we revoke any previously approved products, services or suppliers, we will give you a reasonable amount of time, but no less than 30 days, to cease offering/using the revoked products/services or purchasing from the revoked suppliers. We can also require that products/services sold in the

Happy Lemon Store conform to any specifications and quality standards we may establish for the protection and enhancement of the goodwill associated with our brand. We expect to inform franchisees in writing of any required specifications or quality standards, if adopted. We currently have no written criteria for evaluating suppliers. We and our Affiliates are not required to reveal recipes, specifications and/or formulas for Designated Goods to you, non-designated suppliers, or any other third parties.

We do not provide you with any material benefit, such as the grant of an additional franchise or a renewal franchise, based on your use of Designated Goods or your purchases from Approved Suppliers. However, failure to offer or use Designated Goods or purchase from Approved Suppliers is a default under the Franchise Agreement and, in general, any Franchisee in default would not be awarded a successor or additional franchise and might even be subject to termination. Additionally, we can condition your participation in any program or your receipt of any benefits, such as inclusion in Website listings and promotional programs, on your being in compliance with your Franchise Agreement.

Cooperatives and Negotiated Prices

There are currently no purchasing or distribution cooperatives. We may, but are not required to, negotiate prices on behalf of franchisees. There is no standard set of circumstances where we will negotiate prices on behalf of franchisees. Whether or not we undertake to negotiate prices on behalf of franchisees will be determined on a case-by-case basis. We have not negotiated any prices as of the issuance date of this Disclosure Document.

We estimate that your required purchases and leases will represent approximately 75% of all purchases and leases you make in the establishment of your Happy Lemon Store. We also estimate that the required purchases and leases you make on an ongoing basis will represent approximately 75% of all purchases and leases you make in operating the business on an ongoing basis.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

Obligation	Sections In Franchise Agreement	Items In Disclosure Document
a. Site selection and acquisition/lease	Section 3 and Schedule A of Franchise Agreement	Items 7, 11 and 12
b. Pre-opening purchases/ leases	Section 3 of Franchise Agreement	Items 7 and 8
c. Site development and other pre-opening requirements	Sections 3, 13 and 14.A of Franchise Agreement	Items 6, 7, 8, 11 and 12
d. Initial and ongoing training	Section 4 of Franchise Agreement	Items 6, 7 and 11

Obligation	Sections In Franchise Agreement	Items In Disclosure Document
e. Opening	Section 3.D of Franchise Agreement	Items 7 and 11
f. Fees	Sections 2.B, 4.A and B, 11, 17.A, 18.D., and 23 of Franchise Agreement	Items 5, 6, 7 and 17
g. Compliance with standards and policies/Operating Manual	Sections 2, 3, 4, 5, 7, 9, 10, 12, 13 and 14.A of Franchise Agreement	Items 8, 11 and 16
h. Trademarks and proprietary information	Sections 5, 6, 8 and 10.C of Franchise Agreement	Items 11, 13 and 14
i. Restrictions on products/services offered	Sections 3.D and 13.C of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Section 13.A of Franchise Agreement	Item 8
k. Territorial development and sales quotas	Section 1.B of Franchise Agreement	Item 12
l. Ongoing product/service purchases	Sections 12.C and 13.C-G of Franchise Agreement	Items 6, 8 and 16
m. Maintenance, appearance, and remodeling requirements	Section 13.B of Franchise Agreement	Item 15
n. Insurance	Section 3.D and 14.A of Franchise Agreement	Item 7
o. Advertising	Section 10 of Franchise Agreement	Items 6, 7 and 11
p. Indemnification	Section 14.B, 20.B and Schedule C of Franchise Agreement	Items 6, 13 and 14
q. Owner's participation/management/staffing	Sections 4.A, 7.B, 13.H of Franchise Agreement	Items 11 and 15
r. Records/reports	Sections 12.A. and B of Franchise Agreement	Items 6 and 11
s. Inspections/audits	Sections 3.C, 12.D and E of Franchise Agreement	Items 6 and 11
t. Transfer	Sections 11.A, 18.B-D, and 19 of Franchise Agreement	Items 6 and 17

Obligation	Sections In Franchise Agreement	Items In Disclosure Document
u. Renewal	Section 2.B of Franchise Agreement	Items 6 and 17
v. Post-termination obligations	Sections 15.C, 17 and 30.F and Schedules E and F of Franchise Agreement	Item 17
w. Non-competition covenants	Sections 15.B and C, 17.A and Schedules E and F of Franchise Agreement	Item 17
x. Dispute resolution	Section 30 of Franchise Agreement	Item 17
y. Other: guarantee of franchisee obligations	Section 32.B and Schedule B of Franchise Agreement	Item 15

ITEM 10. FINANCING

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

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

Except as listed below, Yummy-town USA LLC is not required to provide you with any assistance.

A. Pre-Opening Services. Before you open for business, we provide you with the following services:

1. Assist with identifying a suitable store location that will meet the Franchisor's requirements. (Franchise Agreement, Section 3.A).

2. Written acceptance of your proposed location, at our discretion. An accepted site will become your Accepted Location. (Franchise Agreement, Section 3.A). We generally do not own or lease to our franchisees the premises for their Happy Lemon Stores. It is your responsibility to find the location of your store;

3. An Initial Training Program for you (or your Designated Owner, if you are a Business Entity) and one other Supervisor or Management Personnel, as more fully described in the remainder of this Item 11. (Franchise Agreement, Section 4.A);

4. A list of Approved Suppliers and a list of any required Products or Services. (Franchise Agreement, Sections 13.C and 13.D) You will need to contact the Approved Suppliers directly to purchase any required Products or Services;

5. A list of Approved Suppliers and a list of any required equipment, signs, fixtures, opening inventory and supplies. (Franchise Agreement, Sections 13.C and 13.D). You will need to contact the Approved Suppliers directly to purchase any of these items. We do not assist with the delivery or installation of any of these items;

6. A generic interior layout, but you will need to obtain detailed architectural or construction drawings/design services for your particular location. (Franchise Agreement, Section 3.C);

7. Assist with reviewing the Store floor plan provided by the architect and suggesting necessary adjustments and changes. (Franchise Agreement, Section 3.C); and

8. Provide 3D rendering for Store design concept and assist and consent (or not) with any proposed deviations. (Franchise Agreement, Section 3.C).

9. We will provide up to 2 representatives to assist in opening the restaurant. The representative(s) will provide up to one week of additional training at the Store around the time of the start of operations. During this time the representative will assist in establishing and standardizing procedures and techniques for operating the Store and assist in training personnel; provided, however, we are not obligated to provide this if you are an existing franchisee. (Franchise Agreement, Sections 4.B and 11.D).

B. During the Operation of Your Business. During the operation of your business, we will provide you with the following:

1. Additional general guidance using any method and at times and in the manner and to the extent we consider appropriate. (Franchise Agreement, Section 4.D);

2. We will loan you a hard copy or access to an electronic version of our Manual. (Franchise Agreement, Section 7.A);

3. Consent (or not) to proposed advertising you submit for our review, if we require you to do so. (Franchise Agreement, Section 10.A);

4. Consent (or not) to proposed products/services/suppliers you submit for our acceptance. (Franchise Agreement, Section 13.E).

5. Assist with marketing services, at our discretion, which may include management of social media, provision of promotional posters, and maintain and update Store menu and TV media. (Franchise Agreement, Section 4.D);

6. Perform routine performance audits to ensure drinks and ingredients meet our quality standards. (Franchise Agreement, Section 4.D);

7. Provide additional training, if we deem necessary, on our proprietary management software program covering such topics as automated daily EOD/WIP report, inventory online order system, POS management, and reward points management. (Franchise Agreement, Sections 4.B and 4.D);

8. Provide inventory integrity management and logistic services. (Franchise Agreement, Section 4.D); and

9. Provide 3D rendering for Store design concept and assist and consent (or not) with any proposed deviations with respect to any updates and/or refreshes of your store. (Franchise Agreement, Section 4.D)

Training.

Before opening your Happy Lemon Store, your Designated Owner (as named on Schedule A of your Franchise Agreement) and at least one (1) additional Store Manager must attend and successfully complete the Initial Training Program, which is described below. You have 12 months after the effective date of your Franchise Agreement to be open for business, and you (and your Store Manager(s) and employees) must complete the Initial Training Program to our satisfaction before your Store can open for business.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Introduction to the System and the Happy Lemon Concept	2	2	At our training facility in the United States or online training (at our option)
Product Training • Product recipe • Product SOP • Food safety • Customer service and satisfaction	3	50	At our training facility in the United States, on-Site at your Store or online training (at our option)
Business Management Training • Order procedures • Reporting • Floor management • Preparation notices/cautions	5	40	At our training facility in the United States, on-Site at your Store
Pre-Grand Opening Training, including “Friends and Family Night” event	5	20	On-Site at your Store
Post Grand-Opening Training and Assistance	0	16	On-Site at your Store
TOTAL	15	128	

The instructional materials we use in the Initial Training Program include handouts, samples, videos and live demonstrations. The Initial Training Program is taught under the supervision of Wood Chen. Mr. Chen has 7 years of experience in the Happy Lemon System and 7 years of experience in the industry. All trainers/instructors have at least 3 years of experience in the Happy Lemon System. The

above schedule is our anticipated Initial Training Program but is subject to change. We will schedule a mutually convenient time for the Initial Training Program approximately 1.5-2 months prior to your anticipated opening date.

The total length of our Initial Training Program will be approximately 3 weeks conducted at our training facilities in the United States, on-site at your Store and/or online (at our discretion). For the portion of the Initial Training Program conducted on-site at our training facility in the United States, you will be responsible for hotels, flights, restaurants, transportation and other costs for your attendees.

If we determine you have not successfully completed the Initial Training Program by the earlier of: (i) the grand opening of your Happy Lemon Store or (ii) 12 months following the effective date of your Franchise Agreement, we can terminate your Franchise Agreement. If we terminate the Franchise Agreement for your failure to comply with the foregoing, we will refund all but \$15,000 of the Initial Franchise Fee. You must sign our form of general release (Franchise Agreement, Schedule C) as a condition to obtaining the refund.

We may, but do not have to, perform on-site consultation services following the Initial Training Program. If you request that we provide on-site consulting and we elect to do so, you must pay our then-current consultation fee, which is currently \$400 per day per consultant, as well as our expenses, including travel, lodging and meals. (Franchise Agreement, Section 4.B)

We may offer or require that you and your Store Managers attend remedial training and additional training programs offered on-line, at our training facilities or elsewhere so you remain up to date on Products, Services and brand standards. Any applicable fees will be published to you in the Manual or other written instruction. (Franchise Agreement, Section 4.B)

We do not provide any assistance with the hiring of your employees, and other than the Initial Training Program, we do not provide any assistance with the training of your employees.

Manual.

We will lend you a copy (which can either be a hard copy or an electronic copy) of the Manual, which can be made up of 1 or more separate manuals and other materials and will contain specifications, standards, and operating procedures/requirements we may establish for Happy Lemon Stores. We have the right to make changes to any Manual we might publish, and you have to comply with any mandatory requirements it contains. If there is ever a dispute regarding the Manual, our master copy will control. Any new or amended Manual will not supersede the Franchise Agreement. The table of contents for the current Manual is set forth in Exhibit C attached to this Disclosure Document.

Advertising and Marketing Fund.

We may, but are not required to, provide advertising templates for you to adapt and use in advertising your Happy Lemon Store. Store advertising must be conducted in a professional and ethical manner and conform to any policies we might establish. You must obtain our written permission before publishing any promotional material or information under our brand/trademarks, including social media. (Franchise Agreement, Section 10.A). We can establish the Happy Lemon website(s), and can require you to participate and provide pertinent information for content development. (Franchise Agreement, Section 10.D).

You must contribute a Marketing Fund Fee equal to 1% of your Gross Revenues to the Happy Lemon Marketing Fund. These payments will be made together with your Royalty Fee payments.

We or our designee will direct all advertising programs with sole and absolute discretion over the creative concepts, materials, geographic allocation, and media and their placement. We will administer the Marketing Fund. The fund is intended to help develop general public brand awareness and acceptance of the Happy Lemon trademarks for the benefit of the entire system. We do not guarantee that any portion of your contribution will be spent directly in your specific market, nor do we promise that the fund's expenditures will be equivalent or proportionate in any way to your contribution.

Monies in the Marketing Fund may be used for a wide range of purposes, among them to maintain, administer, direct, produce and prepare promotions and advertising, costs of conducting public relations, digital advertising, social media management, creative design, producing promotional brochures, and a reasonable allocation of internal administrative costs related to marketing. We have the right to deposit these fees into our general operating account and commingle them with our corporate funds, though we will maintain separate internal accounting records of the total fees collected and expenditures incurred.

The Marketing Fund won't be used primarily to solicit franchise sales or to defray our general operating expenses not related to marketing.

In lieu of a formal accounting system or audit, we will maintain internal records of the fund. An unaudited annual financial summary showing the total amount collected and a general breakdown of how the funds were spent will be prepared and made available to you upon your written request once per calendar year. We will not conduct an audit of the Marketing Fund by an independent Certified Public Accountant, and you waive any right to require a formal audit. Our internal calculations shall be final and binding.

We can spend, for the fund, in a fiscal year or other period more or less than the aggregate contributions to the fund in a time period. Any unspent Marketing Fund Fees at the end of a fiscal year will be carried forward for future use. If marketing expenditures exceed the amount collected, we may advance the necessary funds and be reimbursed from future contributions. We will not pay interest to the fund on any surplus funds held by us. If we lend money to the fund, we can charge interest at 1% above the rate we pay lenders, or another reasonable rate. We have the right, but are not obligated, to cause the fund to be incorporated or operated through a separate entity.

We can contribute to the fund or pay to franchisees or retain for our use or other purposes any rebates paid to us by suppliers on account of your purchases. For each Happy Lemon Store we own similar to your franchised store, we will contribute to the fund on the same basis as what is required of you.

We can terminate the fund at any time. If the fund is terminated, any unspent monies in the fund will be retained by us in our sole discretion, and we are under no obligation to return any remaining funds to you or other franchisees.

We can, but we are not obligated to, establish and maintain one or more websites promoting the trademarks and system. We have sole control over the website and social media. We can stop its operation at any time without notice. Unless you get our prior written consent, you are not allowed to establish or maintain a separate website, splash page, any kind of presence on the Internet or presence through any social media or social media site relating to the operation of the business. If

we grant you a right to operate a separate website and/or a splash page, maintain an internet presence or presence through any social media site, you must do so according to our standards and policies in the Manual or otherwise in writing from time to time. We can modify or supplement our policies regarding social media and internet use at any time in writing, whether as part of the Manual or otherwise.

You have to conduct a grand opening campaign starting 8 weeks prior to and ending 4 weeks after the opening of your Happy Lemon Store to the general public.

We recommend that you spend an additional 1% to 2% of your Gross Revenues per month on local advertising. You must comply with our rules, restrictions and guidelines for local advertising. We are not obligated to conduct any advertising; however, we can require that you participate in campaigns and promotions that we create.

At this time, we have no advertising council composed of franchisees that advises us on advertising policies. There are no local or regional advertising cooperatives in which you are required to participate.

We can request that you display informational material regarding our franchise opportunities in your Happy Lemon Store, at our own expense. (Franchise Agreement, Section 10.A)

Point of Sale System.

You must purchase and use required hardware and software programs meeting our specifications and compatibility requirements, all of which can change over time and may require additional investment. There are no limitations in the Franchise Agreement as to the frequency and/or the cost of your obligation to upgrade or update the required hardware or software. (Franchise Agreement, Section 12.C)

As of the date of this Disclosure Document, the only required hardware and software is the Point of Sale (POS) system. You must purchase at least one POS system hardware meeting our specifications. The system will store information concerning your sales, accounting and other operations. We estimate the cost of purchasing the POS system hardware to be approximately \$4,000 to \$6,000, depending on optional upgrades, some of which may become mandatory at our discretion. These costs can be adjusted by the designated supplier.

You must purchase and upgrade the POS system and subscribe to any loyalty rewards program, gift card service, mobile orders and other similar modules that we require on our written notice and/or as required by the software and hardware manufacturers to maintain or operate the system. You are required to arrange for maintenance and upgrades, which services are estimated to cost approximately \$350 per month, which can be adjusted by the designated supplier. You are responsible for ensuring that the collection, input, storage, and use of the franchised business data comply with any privacy laws and regulations applicable to your Franchised Business. We have the right under the Franchise Agreement to have independent access all of the information generated and stored in your POS systems. There are no limitations in the Franchise Agreement as to when we may access your POS systems or what information we may access when we do. (Franchise Agreement, Section 12.C)

Site Selection & Starting Operation.

You propose your own site for your Happy Lemon Store. Before you sign any lease for that site or occupy the premises, you must provide us with a Site Approval Form which must contain a description of the location along with any other information we request and allow us to accept or reject it. We generally consider a variety of factors when deciding whether to accept your proposed location, such as the following: general location/neighborhood, traffic patterns, parking, size, characteristics of existing building, accessibility, demographics, and applicable Public Health Department regulations. We are not required to approve or disapprove a proposed location within any particular time, but expect that we will notify franchisees approximately 15 days after they submit site information to us. If you and we are unable to agree on an Accepted Location within 180 days of the effective date of your Franchise Agreement and we have not granted a written time extension, we may terminate your Franchise Agreement and return any Initial Franchise Fee you paid us, less \$15,000 for our expenses, so long as you sign a mutual termination agreement and General Release. (Franchise Agreement, Section 3.A) We can require that a proposed lease for any Happy Lemon Store include terms for the protection of our intellectual property rights. (Franchise Agreement, Section 3.B)

If and when we accept the proposed site of your Happy Lemon Store, the site will be called your Accepted Location. You will have 12 months from the effective date of your Franchise Agreement to open for business from that location (unless we extend the time in writing), which is your "Opening Period Deadline." You cannot open your Happy Lemon Store for business until you have our written consent to do so. (Franchise Agreement, Section 3.D) Our consent is conditioned on: (i) receipt of all Initial Franchise Fees and any other amounts due; (ii) our determination that the store development requirements have been met, (iii) our receipt of proper certificates of insurance coverage; (iv) your and your staff's completion of pre-opening training requirements to our reasonable satisfaction; and (v) your delivery to us at least 15 days before opening of satisfactory evidence that the Designated Owner and any other staff required under law have obtained approved food handler certifications required for the operation of the Franchised Business.

We do not provide any assistance with conforming your Happy Lemon Store to local ordinances and building codes or obtaining any required permits, and/or constructing, remodeling, or decorating the Happy Lemon Store, and/or hiring and training employees.

Failure to open by the Opening Period Deadline is a breach of the Franchise Agreement and your Franchise Agreement can be terminated. (Franchise Agreement, Section 16.B)

Based on our experience, we estimate that the typical length of time between signing your Franchise Agreement and opening your Happy Lemon Store is approximately 150 to 300 days. Delays may occur due to factors such as permits, leasehold improvements, equipment availability and other circumstances.

ITEM 12. TERRITORY

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

We grant you a franchise to operate a Happy Lemon Store at a specific location to be identified on Schedule A of your Franchise Agreement. The Accepted Location is your Happy Lemon Store's actual street address. When a location is authorized, you will not be awarded any "protected" or "reserved" territorial or other rights.

As you will not be awarded any “protected” or “reserved” territory, there are no restrictions on us or our Affiliates from soliciting or accepting orders from consumers anywhere. We and our Affiliates reserve the right to use all other channels of distributions, such as Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales anywhere using the Marks, regardless of their proximity to or competition to your Happy Lemon Store. We and our Affiliates also reserve the right to use all other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales anywhere using any trademarks other than the Marks, regardless of their proximity to or competition with your Happy Lemon Store. We and our Affiliates have the right to use, and license others to use, all channels of distribution, such as the Internet and grocery outlets, for the sale of any and all kinds of goods and services using the Marks or Happy Lemon System or other trademarks. We do not have to compensate you for any sales we or our Affiliates may make anywhere.

Under our current policy, there are no restrictions on the location of customers you may solicit to patronize your Happy Lemon Store. Neither we, nor our Affiliates, nor our franchisees are restricted from soliciting customers anywhere.

You are not permitted to market or sell through the Internet, World Wide Web, and other electronic or other means of marketing and distribution of Products and Services, or any channel of distribution other than your Happy Lemon Store without our written consent.

You can operate only your Franchised Business at the Accepted Location. You have no rights under your Franchise Agreement to open/operate more than one Happy Lemon Store, or to acquire an additional Franchise Agreement for an additional location.

We can prescribe, modify or eliminate policies such as marketing restrictions or restrictions on products or services you can use or provide in your Franchised Business. If we permit any individual deviations from these policies, we won't be liable to you or required to grant you a similar deviation as long as we follow the law.

Any proposed change in your Accepted Location requires our written consent and will be subject to the same review, leasing and development requirements that apply to your initial Accepted Location.

ITEM 13. TRADEMARKS

Under the Franchise Agreement, we grant you the non-exclusive right to use the Marks in connection with the operation of your Happy Lemon Store. The Marks are owned by our Affiliate, RBT Enterprise.

The following Marks registered or applications have been filed on the principal registry of the United States Patent and Trademark Office (USPTO):

Trademark	Registration No. or Serial No.	Date of Registration or Application	Filed All Required Affidavits?
	Reg. No. 4592020	August 26, 2014 (Date of Registration)	Yes
happy lemon	Reg. No. 5448665	April 17, 2018 (Date of Registration)	Yes
HAPPYLEMON 	Reg. No. 6503053	October 6, 2020 (Date of Registration)	Yes

We and our Affiliates also claim common law trademark rights for all of the Marks. We intend to file all required affidavits and renewals for the Marks as they become due.

No decision of any court or government agency limits our right to use or license the use of our Marks. There are no currently effective material determinations of the USPTO, Trademark Trial and Appeal Board or any other government agency or court concerning our Marks, and we do not know of any superior prior rights or infringing uses that could materially affect your use of the Marks in this state. There is no pending material federal or state court litigation regarding our use or ownership rights in the Marks.

We have entered into a Sublicense Agreement with XZL dated May 31, 2018 (the “Sublicense Agreement”) which grants us the right to use and sublicense to our franchisees the right to use the Marks. The term of the Sublicense Agreement is indefinite; however, it can be terminated if a breach is uncured or if we become insolvent. RBT Enterprise, the owner of the Marks, can modify the Marks at any time and we have to comply with the changes. RBT Enterprise has an unrestricted right to use and authorize others to use the Marks in any channel of distribution. The Sublicense Agreement also provides that if it is terminated, XZL can, if it chooses, take an assignment of some or all of the then-existing Franchise Agreements. Franchise Agreements not assumed by XZL are terminated at the same time as our Sublicense Agreement is terminated. Except for the Sublicense Agreement, there are no agreements that significantly limit our right to use or license the use of the Marks.

We are not obligated to protect your use of the Marks or protect you against claims of infringement or unfair competition arising out of your use of the Marks.

If we discontinue, substitute, modify or add any Mark and require franchisees to do the same, you will comply at your own expense with the changes and we/our Affiliates will have no liability. You will have up to 30 days to implement these changes.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

As of the date of this Disclosure Document, we do not own any rights in or to any patents or patent applications that are material to the franchise. We claim copyright protection for our Manual and other publications and promotional materials, although we have not registered any of the materials with the U.S. Copyright Office (the “Copyright Office”). These materials are considered proprietary and

confidential and are considered our property and may be used by you only as provided in the Franchise Agreement, Manual and other communications that we provide to you. We reserve the right to register any of our copyrighted materials at any time we deem appropriate.

There is no current determination of the USPTO, Copyright Office or court regarding our claimed copyrights. We are not aware of any infringement that could materially affect the franchise.

There are no agreements in effect that significantly limit our right to use or license the copyrighted materials. We are not required by any agreement to protect or defend any patent, trademark or copyright.

We know of no superior prior rights or infringing uses that could materially affect your use of the copyrights in the state where your Franchised Business will be located.

As a franchisee, you will learn information that belongs to us as trade secrets. Our proprietary information includes any Manuals, techniques, instructional materials and curricula, any proprietary recipes, processes, policies, procedures, systems, data, and know how regarding the establishment, operation and franchising of Happy Lemon Stores; Happy Lemon Store layouts and designs; specifications for any Happy Lemon customized Products and Services; and supplier lists and related agreements, pricing and terms; and Trade Secrets and other non-public information regarding the Happy Lemon System or Happy Lemon Stores. Non-public information can include potential location plans; Happy Lemon System statistics, profits, financial data; marketing plans and business strategies; store performance information, customer lists and related data for all Happy Lemon Stores, and other operating data/information. Your Franchise Agreement requires you to keep all of this material confidential while you are a franchisee and afterward. You cannot use the Happy Lemon intellectual property in any activity other than operating your franchise. You must use reasonable procedures that we request to help protect our secrets and confidential information.

You must notify us if you learn of an unauthorized use of our confidential information or any copyrighted work. We do not have to take any action against an unauthorized user, and we can respond as we think appropriate. We have the sole right to control any administrative proceedings or litigation involving our confidential information or any copyrighted work. We do not have to indemnify you for losses brought by a third party concerning your use of this information. You must cooperate with us when requested.

If we modify or discontinue any copyrighted work and require franchisees to do the same, you will comply at your own expense with the changes. You will have up to 30 days to implement these changes.

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

You are required to use best efforts to promote and increase sales of Happy Lemon Store Products and Services. You, or your Designated Owner, are responsible for supervising your Franchised Business and personally participating in the direct operation of your Franchised Business. We will deal with your Designated Owner on all matters relating to your Franchise Agreement or Franchised Business. The Designated Owner must have and maintain an equity interest in the Franchised Business. You must have at least 2 Store Managers to manage and supervise the Happy Lemon Store, one of whom may be the Designated Owner. Each Store Manager must attend and

successfully complete the Initial Training Program by passing the applicable exams and/or tests. We place no restriction on who you can hire as a Store Manager. He/she does not have to own any percentage of your Franchised Business, but you keep us up to date on who they are. You, your Designated Manager, your Store Manager(s) and any other applicable staff members must have food handler license(s) or equivalent certification(s) (if required under state or local law). You are responsible for all matters related to your Happy Lemon Store employees, including but not limited to those matters related to including but not limited to those related to (a) wages, benefits, and other compensation; (b) hours of work and scheduling; (c) the assignment of duties to be performed; (d) the supervision of the performance of duties; (e) work rules and directions governing the manner, means, and methods of the performance of duties and the grounds for discipline; (f) the tenure of employment, including hiring and discharge; (g) working conditions related to the safety and health of employees; and (h) the manner and means by which they carry out their duties.

You must maintain the assets and the condition and appearance of your Happy Lemon Store in good repair and consistent with our quality standards. We can notify you if we feel these standards are not being met and give you timeframes for correcting the deficiencies. You will take all steps needed to correct each deficiency within the timeframes we require. These Store Maintenance Activities are additional to your Store Update requirements that must be met each Franchise Term and as a condition to renewal. Store Updates are intended to bring your Happy Lemon Store current with our then-existing new Happy Lemon Store standards and can include significant structural renovations/remodels and related capital investments.

We can require all your Owners, if you are a Business Entity franchisee, to sign a personal guaranty of your performance. We can require the same of each of their spouses or domestic partners. Our current form of personal guaranty is attached to the Franchise Agreement as Schedule B, but the form can change.

You must have anyone who has access to Confidential Information sign a form of confidentiality agreement we approve. A copy of each confidentiality agreement must be on file with us. A non-compete, non-disclosure and non-use agreement form for Owners is attached as Schedule E to the Franchise Agreement (for non-California Franchisees/Developers) or Schedule F to the Franchise Agreement (for California Franchisees/Developers). These agreements impose certain competitive restrictions on Owners for 2 years after the Franchise Agreement ends, including disallowing them from operating, supporting or having an interest in a business similar to a Happy Lemon Store, among other limitations. We may provide you with a proposed form of confidentiality agreement for Store Managers and other applicable employees and agents. You have to provide us copies of executed confidentiality agreements upon our request. You give us and our Affiliates an unrestricted, perpetual right without charge to use and license the use of any enhancement, adaptation, invention, publication, derivative work, modification or new process developed or acquired by you or your employees/agents concerning any aspect of the Happy Lemon Store or its operation, instructional activities/recipes or formulas, or promotion.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only offer and sell Products and Services we approve at your Happy Lemon Store. You must also offer and sell all Products and Services we may require, which Products and Services may change from time to time, at our sole discretion.

You have the right to determine your Happy Lemon Store retail prices, although we have the right to establish minimum and maximum prices to the extent permitted under applicable law. We also may recommend pricing.

We will provide you a list of Approved Suppliers and can add to, delete from or modify Approved Suppliers lists, as well as the approved Products and Services you offer/use from or at your Happy Lemon Store.

We can change any Manual and all other components of the Happy Lemon System and require you to make the changes that are mandatory. However, you cannot make changes without our written consent. We can also condition your participation in any program or promotion and your access to any franchise tools and resources on your compliance with your Franchise Agreement and the mandatory requirements of any Manual.

You may not establish any website, Internet directory listing or any other presence on the Internet relating to your Happy Lemon Store or the Franchised Business or publish any information or statements using the Marks, including in social networks and related media, without our prior written consent. You are not permitted to operate or be involved with any online store offering or selling products or services the same as or competitive with the Products and Services available through the Franchised Business.

There are no restrictions on the customers to whom you can offer and sell Products and Service; provided, however, you may only offer and sell Products and Services at your Happy Lemon Store and not through any other channels of distribution (including online).

If we choose to, we can provide you with forms, agreements and other materials you will use in your Happy Lemon Store. However, we do not warrant the legal sufficiency or quality of any documents we may approve or provide, and you are responsible for having them reviewed by local counsel for your own protection.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Sections In Franchise Agreement	Summary
a. Term of the franchise	Section 2.A	Term of your agreement with us will commence on the Effective Date of the agreement and will continue for 10 years from the Effective Date, or, upon Franchisor's written consent, 10 years from the grand opening of your Happy Lemon Store. It could end earlier if we terminate earlier under (f), as follows.
b. Renewal or extension of the term	Section 2.B	If you meet all conditions, you can renew for 2 additional 5-year terms.

Provision	Sections In Franchise Agreement	Summary
c. Requirements for you to renew or extend	Section 2.B	To renew you must: be in compliance with agreements with us (including passing Franchisor's inspections and audits); have your Happy Lemon Store in compliance with standards for new or renewing Happy Lemon Stores; have right to remain at Premises for duration of Renewal term; comply with new Franchisee qualification and training requirements; give us written notice of your desire to renew between 180 and 365 days before expiration of Initial Term; pay amounts due us/our Associates; sign, and have Franchisee Owners and Associates sign, a General Release in favor of us/our Associates and related persons; pay a Renewal Fee of \$22,950; and sign then-current form of Franchise Agreement, Renewal addenda, and/or extension agreement and/or related documents, as we choose. You may be asked to sign a contract with materially different terms and conditions from those of your original contract.
d. Termination by you	Not applicable	You may terminate under any grounds permitted by law.
e. Termination by us without cause	Section 16.D	We cannot terminate without cause; however, if the Sublicense Agreement between us and XZL is terminated, XZL can, if it chooses, take an assignment of some or all then existing Franchise Agreements. Franchise Agreements not assumed by XZL are terminated at the same time as our Sublicense Agreement is terminated.
f. Termination by us with cause	Sections 16.A and 16.B	We may terminate if you default on any of your obligations.
g. "Cause" defined – defaults which can be cured	Section 16.B	You have 5 days to cure monetary defaults, funds transfer account deficiencies and defaults concerning Approved Suppliers or Products and Services or to stop use of unauthorized products/suppliers. You have 30 days to cure any other curable defaults/non-compliance with any other requirement. If you fail to cure within these timeframes, we may terminate your franchise.

Provision	Sections In Franchise Agreement	Summary
h. "Cause" defined – defaults which cannot be cured:	Section 16.A	Non-curable defaults include: failure to have an Accepted Location within 180 days of the Effective Date of the Franchise Agreement or open/operate the Happy Lemon Store by Opening Period Deadline; failure to complete the Initial Training Program; making material misrepresentation or omission in your franchise application; felony or other offense likely to have adverse impact on the franchise; unauthorized use or disclosure of Trade Secret, Confidential Information or Copyrighted Works; abandonment of Franchised Business; failure to relocate after vacating Accepted Location; unauthorized Transfer; submission of 3 or more falsified/inaccurate reports or other information; insolvency, receivership, bankruptcy or assignment for the benefit of creditors; misuse of Marks or any act expected to impair goodwill of the Marks; failure 2 or more times within 12 month period to timely submit required reports or other information, to pay Royalty Fees or other amounts, or to comply with Franchise Agreement, whether or not failures are corrected; more than 2 written notices of default concerning Approved Suppliers or Products and Services, even if cured; any safety, health or consumer protection violation; failure to comply with laws relating to the franchise; failure to have, maintain and provide proof of sufficient insurance; failure to transfer in the event of death or incapacity.

Provision	Sections In Franchise Agreement	Summary
i. Your obligations on termination/ non-renewal	Section 17	De-identify as present or former Happy Lemon franchisee; stop using the Happy Lemon System and Marks; cancel or assign any assumed name containing Happy Lemon or any derivative; pay us amounts already due, or incurred after termination/expiration, including our costs for collection, enforcement, damages, expenses and Attorneys' Fees; discontinue, return and/or destroy any Manual, instructional program, marketing materials, and any items bearing Marks as we decide; discontinue/remove domain names, email addresses, Internet key word purchases, social network pages, videos and other publications using Marks; comply with non-compete and other covenants, including limitations on the operation of, participation in, or support to a Similar Business in relation to the Franchised Business; assign phone and fax numbers, email addresses and domain names to us; notify phone company and other listing agencies of termination/expiration of right to use phone/fax numbers, email addresses, domain names and other directory listings associated with the Marks; permit us to purchase Store assets if we want per formula; pay other amounts which would have become due under the franchise agreement or other agreement with us if you had continued as franchised Store for full term. We have the option, but not the obligation, to repurchase any remaining Proprietary Products, supplies inventory and other assets of your Franchised Business. If we exercise this right, the purchase price for (i) product inventory will be your cost less 20% and (ii) other assets of your Happy Lemon Store, including signs, equipment, supplies, advertising materials, forms and software, will be at your cost or fair market value, whichever is less.
j. Assignment of contract by us	Section 18.A	There is no restriction on our right to assign.
k. "Transfer" by you – definition	Section 18.B	Includes assignment, sale, gift, pledge, grant or merger of any security, ownership or other interest in the Happy Lemon Store, the Franchise Agreement or the franchisee or a substantial portion of the assets.
l. Our approval of your transfer	Sections 18.B	You must receive our approval first.

Provision	Sections In Franchise Agreement	Summary
m. Conditions for our approval of transfer	Section 18.C, Section 18.D and Section 20	Transferee must have good credit rating and business qualifications and meet new franchisee standards and you provide us with this information; transferee must pay the then-current initial training fee and complete Initial Training Program and/or demonstrate ability to operate the Happy Lemon Store; transferee and its Owners sign personal guaranties as well as new Franchise Agreement and/or written assignment of your obligations under your Franchise Agreement; we decide whether transferee's term will be for unexpired portion of your franchise agreement or full term of new Franchise Agreement; we receive \$15,000 Transfer Fee; you cannot own any security interest in franchise after transfer without our prior written consent; we can request you and transferee sign consent to transfer; the transferee cannot own interests in Similar Businesses or otherwise breach its Franchise Agreement; all amounts due must be paid in full; each certificate representing ownership interest in the transferee entity must include a statement that ownership interests are subject to the Franchise Agreement restrictions on transfer; no interest in the transferee entity may be transferred or issued without our prior written request; Happy Lemon Store and its operations must be brought into full compliance with current standards for a new Happy Lemon Store. We do not charge a transfer fee for a one-time transfer to a wholly owned business entity formed by you, but additional conditions apply to this type of transfer to a business entity franchisee. Except for a transfer from individual franchisee(s) to a wholly owned Business Entity, we have a right of first refusal on any proposed transfer.
n. Our right of first refusal to buy your business	Section 20	We can match any offer for your business and can also require certain terms of sale.
o. Our option to buy your business	Section 17.A	On written notice to you, on termination or expiration of the Franchise Agreement, we can elect to purchase for cash or set-off: (i) product inventory for cost less 20% and (ii) other assets of your Happy Lemon Store, including signs, equipment, supplies, advertising materials, forms and software, at your cost or fair market value, whichever is less.
p. Your death or disability	Section 19	Your interest must be transferred to an approved 3 rd party within 180 days.

Provision	Sections In Franchise Agreement	Summary
q. Non-competition covenants during term of franchise	Section 15.A, Section 15.B and Section F Schedule E	Subject to applicable state law, you and Owners must not divert any customers, do anything to injure goodwill of Marks or have involvement or family involvement in any Similar Business.
r. Non-competition covenants after franchise is terminated or expires	Section 15.C and Section 16.D Schedules E and F	For 2 years after termination or non-renewal, you, your Affiliates, Family Members and Owners cannot be involved in a Similar Business within a 10-mile radius of your Happy Lemon Store or any other Happy Lemon Store location. (Subject to state law. See State Addendum, Ex. F). If you are not in default of the Franchise Agreement and the Franchise Agreement is terminated because our Sublicense Agreement with XZL is terminated or expires, you are not required to comply with the non-competition obligations of Section 15.C.
s. Modification of the agreement	Section 27	No modification except in writing signed by you and us, but we can change any Manual as we wish.
t. Integration/merger clause	Section 27	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of this Disclosure Document and Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 30	Except for claims for injunction and other provisional relief or actions for collection of undisputed payment, any claim arising out of or relating to the Franchise Agreement, or its breach must be resolved by mediation, and if mediation is not successful, then by arbitration in Los Angeles County, California. Waiver of punitive, exemplary or multiple damages; class action waiver. (Subject to state law. See State Addendum, Ex. F).
v. Choice of forum	Section 29.B. and Section 30.C.	Los Angeles County, California (subject to applicable state law).

Provision	Sections In Franchise Agreement	Summary
w. Choice of law	Section 29.A. and Schedules E and F	California law applies, except for breaches of Sections 15.A, 15.B and 15.C (in which case law of the place where breach occurs controls) and no California franchise law applies unless jurisdictional, definitional and application requirements of the law are met independently of this franchise term. The Owner Non-Compete, Non-Disclosure and Confidentiality Agreement (Schedules E and F to the Franchise Agreement) is governed by the laws of the state where a claimed breach occurs, and no provisions of any statute, regulation or law regarding franchises will apply unless jurisdictional, definitional and other requirements thereof are met independently of this Section (subject to applicable state law).

ITEM 18. PUBLIC FIGURES

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

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

The following information reflects certain financial performance for company-owned and franchised Happy Lemon Stores in the United States (together "HL Stores") that were operating during the entire 2025 calendar year, except for temporary closures of less than 7 days.

The financial performance information presented consists of average Gross Revenues for all HL Stores in the reporting group. "Gross Revenues" means all charges and/or revenues you earn or receive in the operation of the Franchised Business, less sales tax collected and paid when due to the appropriate taxing authority and actual customer refunds, adjustments and credits. Gross Revenues and do not reflect the costs of sales, operating expenses, or other costs/expenses that must be deducted from Gross Revenues to obtain net income or profit.

The company-owned Happy Lemon Stores are owned by us and our affiliates, HL USA and HL West. We compiled the data for company-owned Happy Lemon Stores from our (and our affiliates') financial statements prepared internally by management. The results have not been compiled, reviewed or audited by our auditors. We compiled the data for franchised Happy Lemon Stores in the reporting group from the sales reports through our franchisees' POS Systems. We have not independently audited or verified the information obtained from our franchisees' POS Systems.

Quartile (Ranked by 2025 Gross Revenues)	Number of HL Stores in Quartile	Average 2025 Gross Revenues	Median 2025 Gross Revenues	Lowest 2025 Gross Revenues in Quartile	Highest 2025 Gross Revenues in Quartile	% of HL Stores in Quartile Meeting Average
Top 25% (1 st Quartile)	29	\$861,412	\$776,164	\$654,842	\$1,551,272	41%
2 nd Quartile	29	\$501,460	\$493,144	\$394,357	\$653,250	45%
3 rd Quartile	29	\$336,956	\$345,552	\$260,862	\$389,830	59%
Bottom 25% (4 th Quartile)	30	\$199,383	\$214,516	\$83,692	\$259,135	60%
Average of All HL Stores	117	\$472,451	-	-	-	-

Note: Sales information presented here is of actual historic results of specific Happy Lemon Stores located throughout the United States. You should evaluate the information presented in relation to the geographic area in which you will establish your Franchised Business. Item 20 below contains the number of Happy Lemon Stores in each state.

We do not authorize our employees or representatives to make any financial performance representations either orally or in writing, other than the information described in this item or for information which supplements these tables with respect to performance at particular locations or under particular circumstances. 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 potential future income, you should report it to the franchisor's management by contacting Janice Charles, US Franchise and Business Development Director, Yummy-town USA LLC, 1801 Highland Avenue, Unit G, Duarte, California 91010, (909) 334-1038, janice_charles@yummy-town.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

Written substantiation for the financial performance representations will be provided to you upon reasonable request.

Your individual financial results may differ from the results stated in the above financial performance representations. There is no assurance you will earn as much.

You are urged to consult with your financial, business and legal advisors in connection with the information listed in this Item 19.

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ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
Systemwide Outlet Summary
For Years 2023 to 2025

Outlet Type	Year	Outlets at Start of the Year	Outlets at End of the Year	Net Change
Franchised	2023	91	106	15
	2024	106	106	0
	2025	106	106	0
Company Owned	2023	5	5	0
	2024	5	9	4
	2025	9	12	3
Total	2023	96	111	15
	2024	111	115	4
	2025	115	118	3

TABLE 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2023 to 2025

State	Year	Number of Transfers
Arizona	2023	0
	2024	1
	2025	0
California	2023	1
	2024	3
	2025	5
Colorado	2023	0
	2024	4
	2025	0
Florida	2023	0
	2024	1
	2025	0
Texas	2023	1
	2024	0
	2025	2
Washington	2023	0
	2024	6
	2025	1
Total	2023	2

State	Year	Number of Transfers
	2024	15
	2025	8

TABLE 3
Status of Franchised Outlets
For years 2023 to 2025

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Arizona	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
California	2023	51	6	0	0	0	9	48
	2024	48	2	0	5	0	0	45
	2025	45	2	0	0	2	2	43
Colorado	2023	3	2	0	0	0	0	5
	2024	5	0	0	0	0	0	5
	2025	5	0	0	0	0	0	5
Florida	2023	1	2	0	0	0	0	3
	2024	3	0	0	0	0	1	2
	2025	2	0	0	0	0	0	2
Georgia	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Hawaii	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
	2025	3	0	0	0	0	0	3
Illinois	2023	2	2	0	0	0	1	3
	2024	3	0	0	0	0	1	2
	2025	2	0	0	0	0	2	0
Massachusetts	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Nevada	2023	0	2	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
	2023	1	0	0	0	0	1	0
New Jersey	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
	2023	1	0	0	0	0	0	1
New York	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
	2023	0	0	0	0	0	0	0
Oklahoma	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1
	2023	2	1	0	0	0	0	3
Oregon	2024	3	2	0	0	0	0	5
	2025	5	0	0	0	0	0	5
	2023	10	4	0	0	0	0	14
Texas	2024	14	2	0	0	0	0	16
	2025	16	1	0	0	0	1	16
	2023	0	0	0	0	0	0	0
Virginia	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1
	2023	16	6	0	0	0	0	22
Washington	2024	22	2	0	0	3	0	21
	2025	21	1	0	0	1	0	23
	2023	91	26	0	0	0	11	106
Total	2024	106	10	0	5	3	2	106
	2025	106	7	0	0	2	5	106

TABLE 4
Status of Company-Owned Outlets
For years 2023 to 2025

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Arizona	2023	0	0	0	0	0	0
	2024	0	1	0	0	0	1
	2025	1	0	0	0	0	1
California	2023	4	0	0	2	0	4
	2024	4	2	0	2	0	4
	2025	4	0	2	0	0	6
Texas	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Washington	2023	0	0	0	0	0	0
	2024	0	0	3	0	0	3
	2025	3	0	1	0	0	4
Total	2023	5	0	0	0	0	5
	2024	5	3	3	2	0	9
	2025	9	0	3	0	0	12*

* These outlets are owned and operated by us, HL West and HL USA.

TABLE 5
Projected Openings as of December 31, 2025

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	0	1	0
California	2	7	0
Oregon	0	1	0
Texas	0	2	0
Washington	1	4	0
Total	3	15	0

Attached as Exhibit D is a list of names, city and state and current business telephone numbers of all of our franchisees as of the date of this Disclosure Document as well as a list of names, city and state and last known business telephone numbers of franchisee who had an outlet terminated,

canceled or not renewed, or that otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or had 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.

No franchisees have signed confidentiality provisions in the last 3 years that would restrict their ability to speak openly about their experience with the Happy Lemon System.

There are no trademark-specific organizations formed by us or our franchisees that are associated with the Happy Lemon System.

ITEM 21. FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit A are our audited financial statements as of December 31, 2023, December 31, 2024, and December 31, 2025.

ITEM 22. CONTRACTS

Attached to this Disclosure Document are the following:

- Exhibit B Franchise Agreement and Schedules
 - Schedule A. Franchisee Owners, Designated Owner and Accepted Location
 - Schedule B. Guaranty and Assumption of Obligations
 - Schedule C. Current Form of Releasing Language
 - Schedule D. ADA and Related Certifications
 - Schedule E. Owner Non-Compete, Non-Disclosure and Confidentiality Agreement (Non-California Franchisees)
 - Schedule F. Owner Non-Compete, Non-Disclosure and Confidentiality Agreement (California Franchisees)
- Exhibit F State Specific Addendum
- Exhibit G Current Form of Addendum to Franchise Agreement – Executive Order 13224 and Related Certifications

Important Notice: 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.

ITEM 23. RECEIPTS

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

EXHIBIT A TO THE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

[see attached]

YUMMY-TOWN USA LLC AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

WITH INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

**To the Management and Member of
Yummy-Town USA LLC**

Opinion

We have audited the consolidated financial statements of Yummy-Town USA LLC (a limited liability company) and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yummy-Town USA LLC and its subsidiary as of December 31, 2025 and 2024, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Yummy-Town USA LLC and its subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Yummy-Town USA LLC and its subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Yummy-Town USA LLC and its subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Yummy-Town USA LLC and its subsidiary'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.

JTC Accountancy Corp.

Arcadia, California
February 28, 2026

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 898,939	\$ 1,896,733
Accounts receivable	372,014	1,392,692
Accounts receivable - related parties	525,636	399,601
Contract costs - current	190,343	300,000
Contract costs - current - related parties	240,000	300,000
Inventory	541,983	1,149,463
Notes receivable – related party	800,000	-
Prepaid expenses and other current assets	119,696	252,287
Total current assets	<u>3,688,611</u>	<u>5,690,776</u>
Property and equipment, net	822,291	1,101,670
Goodwill	1,275,525	1,275,525
Intangible asset, net	12,329	62,329
Deferred tax assets	-	143,125
Right-of-use assets, net	1,503,818	2,008,734
Other assets	71,709	71,319
Total assets	<u>\$ 7,374,283</u>	<u>\$ 10,353,478</u>
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 120,011	\$ 15,698
Accounts payable - related parties	1,076,295	1,573,782
Contract liabilities - current	312,513	275,550
Operating lease liabilities - current	369,606	417,108
Income tax payable	79,432	59,637
Deferred revenue	557,193	458,170
Notes payable – related party	500,000	-
Accrued expenses and other current liabilities	389,627	379,665
Total current liabilities	<u>3,404,677</u>	<u>3,179,610</u>
Contract liabilities - noncurrent	1,194,893	2,006,227
Operating lease liabilities - noncurrent	1,371,888	1,741,494
Deferred tax liabilities	47,795	68,188
Security deposit	6,000	-
Total liabilities	<u>6,025,253</u>	<u>6,995,519</u>
Commitments and Contingencies		
Member's equity		
Contributed capital	2,290,628	2,290,628
Retained earnings (Accumulated deficit)	(1,475,288)	426,306
Member's equity attributable to Yummy-Town USA LLC	815,340	2,716,934
Noncontrolling interests	533,690	641,025
Total equity	<u>1,349,030</u>	<u>3,357,959</u>
Total liabilities and equity	<u>\$ 7,374,283</u>	<u>\$ 10,353,478</u>

See accompanying notes to consolidated financial statements.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Revenues:		
Company-operated store revenues	\$ 2,634,410	\$ 2,841,537
Franchise and royalty revenues	2,897,155	3,089,119
Product sales	1,217,137	2,335,860
Management revenues	360,000	-
Other revenues	35,527	60,796
Total revenues	<u>7,144,229</u>	<u>8,327,312</u>
Operating costs and expenses:		
Company-operated store expenses	1,670,966	1,695,503
Cost of goods sold	1,228,855	1,957,176
Selling, general and administrative expenses	6,321,501	5,072,261
Total operating costs and expenses	<u>9,221,322</u>	<u>8,724,940</u>
Operating loss	<u>(2,077,093)</u>	<u>(397,628)</u>
Other income (expense):		
Interest income	-	62,125
Loss on disposal of fixed assets	-	(3,648)
Employment retention credit	246,795	-
Other income, net	200,256	137,586
Total other income, net	<u>447,051</u>	<u>196,063</u>
Loss before income taxes	(1,630,042)	(201,565)
Income tax (benefit) expense	<u>168,887</u>	<u>(98,686)</u>
Net loss	(1,798,929)	(102,879)
Less: net income attributable to noncontrolling interests	(102,665)	(68,659)
Net loss attributable to Yummy-Town USA LLC	<u>\$ (1,901,594)</u>	<u>\$ (171,538)</u>

See accompanying notes to consolidated financial statements.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>Contributed Capital</u>	<u>Retained Earnings</u>	<u>Total Member's Equity</u>	<u>Noncontrolling Interests</u>	<u>Total Equity</u>
Balance, January 1, 2024	\$ 2,290,628	597,844	2,888,472	602,366	3,490,838
Member's distributions	-	-	-	(30,000)	(30,000)
Net (loss) income	-	(171,538)	(171,538)	68,659	(102,879)
Balance, December 31, 2024	<u>2,290,628</u>	<u>\$ 426,306</u>	<u>\$ 2,716,934</u>	<u>\$ 641,025</u>	<u>\$ 3,357,959</u>
Member's distributions	-	-	-	(210,000)	(210,000)
Net (loss) income	-	(1,901,594)	(1,901,594)	102,665	(1,798,929)
Balance, December 31, 2025	<u><u>\$ 2,290,628</u></u>	<u><u>\$ (1,475,288)</u></u>	<u><u>\$ 815,340</u></u>	<u><u>\$ 533,690</u></u>	<u><u>\$ 1,349,030</u></u>

See accompanying notes to consolidated financial statements.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Net loss	\$ (1,798,929)	\$ (102,879)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on disposal of property and equipment	-	3,648
Depreciation & Amortization	356,901	280,896
Amortization of contract costs	349,657	340,000
Deferred income tax	122,732	(44,191)
Changes in operating assets and liabilities:		
Accounts receivable, including related parties	894,643	(1,311,825)
Contract costs, including related parties	(180,000)	(200,000)
Inventory	585,480	(643,955)
Prepaid expenses and other current assets	132,591	(369,890)
Other assets	(390)	306,534
Accounts payable, including related parties	(393,174)	1,477,904
Contract liabilities	(774,371)	(377,570)
Income tax payable	19,795	(89,881)
Deferred revenue	99,023	182,922
Security Deposit	6,000	-
Accrued expenses and other current liabilities	9,961	209,792
Operating lease right-of-use assets and liabilities, net	87,808	30,125
Net cash used in operating activities	<u>(482,273)</u>	<u>(308,370)</u>
Cash flows from investing activities:		
Notes receivable issued to related party	(800,000)	-
Purchases of equipment	(5,521)	(702,384)
Disposal of property and equipment	-	5,000
Net cash used in investing activities	<u>(805,521)</u>	<u>(697,384)</u>
Cash flows from financing activities:		
Distribution to member	(210,000)	(30,000)
Proceeds from notes payable issued by related party	500,000	-
Net cash provided by (used in) financing activities	<u>290,000</u>	<u>(30,000)</u>
Net decrease in cash and cash equivalents	(997,794)	(1,035,754)
Cash and cash equivalents, beginning of year	<u>1,896,733</u>	<u>2,932,487</u>
Cash and cash equivalents, end of year	<u>\$ 898,939</u>	<u>\$ 1,896,733</u>
Supplementary disclosures of cash flow information		
Cash paid during the year for:		
Income tax	<u>\$ 11,403</u>	<u>\$ 16,320</u>
Supplemental disclosures of cash flow for non-cash transaction:		
Operating lease liabilities arising from obtaining right-of-use assets	\$ -	\$ 1,083,939
Prepaid expense reduction attributed to acquisition of fixed assets	\$ -	\$ 185,070
Inventory transfer to fixed asset	<u>\$ 22,000</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 – NATURE OF BUSINESS

Yummy-Town USA LLC (the “Company”) was formed under the laws of the State of Delaware on August 30, 2017, and was formed to operate a franchise business under the brand of “Happy Lemon”, one of the food and beverage brands from China. On October 18, 2019, the Company’s former sole member, RBT Holdings Limited, entered into an agreement to transfer its 100% interest in the Company to Yummy-Town UK Limited.

On the same date of the transfer, Yummy-Town UK Limited made a resolution that during the period from October 1, 2019, through December 31, 2021, Yummy-Town UK Limited will make additional capital contributions in the amount of \$2,000,000 to the Company. During the years 2020 and 2019, Yummy-Town UK Limited made capital contributions in the amounts of \$860,628 and \$400,000 to the Company, respectively. The Company’s ultimate parent company is Yummy-Town (Cayman) Holdings Corporation, whose shares have been listed on the Taipei Exchanges since December 24, 2014.

On August 12, 2020, the Company completed the acquisition of Happy Lemon West, Inc. (the “Subsidiary” or “HL West”), a company incorporated under the laws of the State of California on February 12, 2020, for its 70% equity interest. With the acquisition of the Subsidiary, the Company has expanded its operations in the business of sales of food and beverages.

On April 1, 2023, Yummy-Town UK Ltd., signed a reorganization agreement with its subsidiary, Yummy-Town Holding Corporation (“YT Holding”), to transfer its 100% shares of the Company to YT Holding. On the same date, YT Holding signed an E-system purchase agreement with T Rock Inc. (“T Rock”), pursuant to which the Company purchased T Rock’s system for \$150,000. Concurrently, T Rock acquired 5% (or 250 shares) of YT Holding’s common stock for \$150,000. From then on, YT Holding owns 95% of the YT Holding’s common stock, or equivalent to 4,750 shares. On March 17, 2023, Yummy-Town UK Limited made another capital contribution in the amount of \$2,000,000 to the Company, but withdrew \$1,020,000 of capital on December 12, 2023.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiary as described in Note 1. All significant intercompany transactions and account balances have been eliminated in the consolidation. Certain reclassifications have been made to the consolidated financial statements for the prior year's consolidated financial statements to conform to the current year's presentation. Such reclassifications have no effect on net income or accumulated deficit, as previously reported.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and the related disclosures at the date of the consolidated financial statements. Estimates and judgments are used for, but not limited to, the accounting for accounts receivable doubtful accounts, inventory reserve, accrual warranty, depreciation and amortization, taxes, and contingencies. Because future events and their effects cannot be determined with certainty, actual results could differ from those estimates.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

Non-controlling Interests

The Company accounted for its non-controlling interests in the Subsidiary as a separate component of equity. In addition, the net income (loss) of the Subsidiary is attributable to both the Company's member equity and the non-controlling interests.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid instruments with original maturities of three months or less. As of December 31, 2025 and 2024, the Company had cash on hand and in banks in the amount of \$898,939 and \$1,896,733, respectively.

Concentration of Credit Risk

The Company maintains its cash with financial institutions in the United States. In the United States, the standard insurance amount is \$250,000 per depositor in a bank insured by the Federal Deposit Insurance Corporation ("FDIC"). As of December 31, 2025 and 2024, the uninsured balances of cash in the bank were approximately \$386,667 and \$1,384,810, respectively.

Allowance for Credit Losses

Accounts receivable consist of royalty receivable and trade sales receivable from franchisees. The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. Based on the management's judgment, no allowance for doubtful accounts is required as of the balance sheet dates.

Inventory

Inventories are stated at the lower of cost (determined on the weighted-average method) or net realizable value. Inventories consist of raw materials for food and beverages. Net realizable value is the estimated selling prices in the ordinary course of business, less the costs necessary to make the sale. Provisions are recorded to reduce inventory for obsolete or slow-moving inventory based on assumptions about future demand and marketability of products, the impact of new product introductions, inventory levels and turns, product spoilage, and specific identification of items, such as product discontinuance. As of December 31, 2025 and 2024, the Company had inventories in the amount of \$541,983 and \$1,149,463, respectively.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line method over their estimated useful lives. When an asset is retired or sold, its cost and the related accumulated depreciation are eliminated from the respective accounts, and any gain or loss is recorded in other income (expense).

Depreciation is computed by the straight-line method over the following estimated useful lives:

	Years
Leasehold improvements	Shorter of the remaining lease term or useful life of the improvements
Machine and equipment	5 years
Furniture and fixtures	5 years

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

Goodwill

The Company's goodwill was recorded as a result of the Company's business combination. Goodwill represents the excess of the cost of a business acquired over the net of the amounts assigned to assets acquired, including identifiable intangible assets and liabilities assumed. The Company tests its recorded goodwill for impairment on an annual basis, or more often if indicators of potential impairment exist, by determining if the carrying value of each reporting unit exceeds its estimated fair value. Factors that could trigger an interim impairment test include but are not limited to, underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the Company's overall business, and the significant negative industry or economic trends.

Impairment of Long-lived Assets

The Company reviews long-lived assets when changes in circumstances or events could impact the recoverability of the carrying value of the assets. The recoverability of long-lived assets is determined by comparing the estimated undiscounted cash flows related to the long-lived assets to their carrying value. Impairment is determined by comparing the present value of future undiscounted cash flows or some other fair value measure to the carrying value of the asset. Management determined that no impairment of long-lived assets existed as of December 31, 2025 and 2024.

Revenue Recognition

The Company has adopted ASC Topic 606, *Revenue from Contracts with Customers*, which requires that recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company's revenues are derived primarily from franchised and licensed Happy Lemon stores and sales of raw materials, food, and beverages. Franchise and license revenues consist primarily of initial area development fees, initial licensing fees, and royalty fees. The Company recognizes revenue when persuasive evidence of a contract with a customer exists and a performance obligation is identified and satisfied as the customer obtains control of the goods or services. See Note 6 for additional information.

Income Taxes

The Company utilizes an asset and liability approach for financial accounting and reporting for income taxes. Deferred income taxes are provided for temporary differences in the bases of assets and liabilities as reported for consolidated financial statement and income tax purpose. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company accounts for uncertainty in income taxes in accordance with accounting principles generally accepted in the United States of America, which prescribe a recognition threshold and measurement standard for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return based on a more likely than not threshold. Interest and penalties related to uncertain tax positions are recognized as part of the provisions for income taxes.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

Leases

In its ordinary course of business, the Company enters into leases as a lessee for office buildings, stores, and warehouses. The Company recognizes a right-of-use (ROU) asset and lease liability for each lease with a contractual term greater than 12 months at the time of lease inception. The Company does not record leases with an initial term of 12 months or less on the Company's consolidated balance sheets but continues to record rent expense on a straight-line basis over the lease term.

Leases are classified as either finance leases or operating leases. The Company has lease agreements for the use of facilities, and its lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent its obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term using a discount rate based on similarly secured borrowings available to the Company. ROU assets include any prepaid lease amounts and exclude lease incentives.

NOTE 3 – GOODWILL

On August 12, 2020, the Company completed the acquisition of HL West for 70% of its equity interest. The consideration to acquire 3,500 shares of common stock of HL West was \$1,134,000 in cash. The acquisition was accounted for as a business purchase. The acquisition is expected to significantly increase the Company's ability to provide catering services and franchise business in the United States of America.

The following table summarizes the consideration paid and the amounts of the assets acquired, and liabilities assumed recognized, as well as the fair value at the acquisition date of the noncontrolling interest in HL West at the acquisition date:

Consideration:	
Cash	\$ 1,134,000
Fair value of total consideration transferred	<u>\$ 1,134,000</u>
Recognized fair value of identifiable assets acquired and liabilities assumed:	
Financial assets	\$ 84,418
Inventories	8,157
Property and equipment	216,769
Other assets	31,227
Financial liabilities	<u>(98,096)</u>
Total identifiable net assets	242,475
Noncontrolling interest in HL West	(384,000)
Goodwill	<u>1,275,525</u>
	<u>\$ 1,134,000</u>

The purchase price of the business exceeded the fair value of identifiable assets acquired and liabilities assumed. As a result, the Company recognized goodwill of \$1,275,525 in the year 2020 associated with the acquisition. Management determined that no impairment of goodwill existed as of December 31, 2025 and 2024.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 4 – PROPERTY AND EQUIPMENT

As of December 31, 2025 and 2024, property and equipment consisted of the following:

	December 31,	
	2025	2024
Leasehold improvement	\$ 1,264,816	\$ 1,259,294
Machine and equipment	506,166	484,166
Furniture and fixtures	55,059	55,059
Transportation equipment	172,697	172,697
Total property and equipment	1,998,738	1,971,216
Less: accumulated depreciation	(1,176,447)	(869,546)
Total property and equipment, net	<u>\$ 822,291</u>	<u>\$ 1,101,670</u>

Depreciation expenses were \$306,901 and \$230,896 for the years ended December 31, 2025 and 2024, respectively.

NOTE 5 – INTANGIBLE ASSETS

As of December 31, 2025 and 2024, intangible assets consisted of the following:

	December 31,	
	2025	2024
Software	\$ 150,000	\$ 150,000
Total intangible assets	150,000	150,000
Less: accumulated amortization	(137,671)	(87,671)
Total property and equipment, net	<u>\$ 12,329</u>	<u>\$ 62,329</u>

Amortization expenses were \$50,000 and \$50,000 for the years ended December 31, 2025 and 2024, respectively.

NOTE 6 – REVENUE RECOGNITION

The Company's revenues are derived primarily from franchising and licensing Happy Lemon brand and sales of raw materials, food, and beverages. Franchise and license revenues consist primarily of initial area development fees, initial licensing fees and royalty fees. The Company also earns revenues from some services.

Franchise and Royalty

The Company provides franchisees with a license of the Company's symbolic intellectual property, the "HAPPY LEMON system" or "System". The System includes the Marks, training programs and materials, product and supplier resources, recipes, menu item preparation and service techniques, brand packaging, operations methods and techniques, and other ongoing support functions. The franchise arrangement is documented in the form of franchise agreements and, in most cases, along with an area development agreement. The franchise arrangement between the Company as the franchisor and the franchisee as the customer requires that the Company performs various activities to support the brand without directly transferring goods and services to the franchisees. Such

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

transfer of the franchise license represents a single performance obligation. The franchise license is a symbolic intellectual property that does not have significant standalone functionality, and substantially all the utilization is derived from its association with the Company's past or ongoing activities. The nature of the Company's promise in granting the franchise license is providing the franchisees with access to the brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and are considered to represent a single performance obligation.

The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise and area development fees and (b) continuing franchise fees (royalties). The Company considers the licensing of the franchising right to be a single performance obligation, no allocation of the transaction price is required. The Company recognizes the primary components of the transaction price as follows:

- Area development fees and initial franchise fees are recognized as revenue based on a certain percentage commencing with the Happy Lemon store opening date, and the remaining balance is recognized over the term of the franchise agreement on a straight-line basis. As these fees are typically received in cash at or near the beginning of the franchise term, the cash received is initially recorded as contract liabilities until recognized as revenue over time.
- The Company is entitled to royalty fees based on a percentage of the franchisees' gross sales as defined in the franchise agreement. Royalty revenue is recognized when the franchisees' reported sales occur. Franchise royalties are billed on a monthly basis.

In determining the amount and timing of revenue from contracts with franchisees, the Company exercises significant judgment with respect to the collectability of the payment; however, the timing of recognition does not require significant judgments. Franchise fees are recorded as contract liabilities when cash is received and are recognized as revenues over the term of the franchise agreement upon a new Happy Lemon store opening or at the start of a new franchise term. Royalty revenues are recognized in the month of reported sales by the franchisee. The Company does not incur a significant amount of contract acquisition costs in conducting franchising activities and recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less. The Company's franchising arrangements do not contain a significant financing component.

Company-operated Store Revenues

Company-operated store revenues from food and beverage sales are recognized when payment is tendered at the point of sale as the performance obligation has been satisfied. The revenues are recognized net of sales-related taxes and discounts.

Product Sales

Revenue from sales of raw materials is recognized when the goods are transferred as the performance obligation has been satisfied. The revenues are recognized net of any discounts and sales incentives.

Management Revenue

Management revenue is earned under a management agreement with a related party. The performance obligation is to provide administrative, financial, and operational support services. Revenue is recognized over time as the services are performed.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

Other Revenues

Revenue that is distinct from the area development and franchise services, such as store design fees and franchise transfer fees, constitute separate performance obligations and is recognized when services are rendered. Certain revenues associated with providing consultancy, training, and marketing services are based on a percentage of the franchisees' gross sales as defined in the franchise agreement and recognized when the franchisee's reported sales occur.

Contract Balances

Generally, the Company receives payments within 30 days of invoicing, depending on the credit terms with its franchisees. Accounts receivable, including amounts due from related parties, totaled \$897,650 and \$1,792,294, net of allowances for credit losses of \$246,634 and \$27,573, as of December 31, 2025 and 2024, respectively.

Contract costs consist of incremental costs to obtain a contract, which was referral fees paid in connection with the award of a contract. Such costs are expected to be recovered under existing and future contracts and are amortized on a systematic basis that is consistent with the transfer to the licensing of the franchising rights.

	December 31,	
	2025	2024
Balance, beginning of the year	\$ 600,000	\$ 740,000
Additions to incremental costs to obtain a contract	180,000	200,000
Amortization of contract costs	(349,657)	(340,000)
Balance, end of the year	430,343	600,000
Less: contract costs - current	(430,343)	(600,000)
Contract costs - noncurrent	<u>\$ -</u>	<u>\$ -</u>

Contract liabilities consist primarily of the unamortized portion of initial area development fees and franchise fees. The amortization of contract liabilities and recognition of revenue will start when Happy Lemon stores are opened. Contract liabilities represent the Company's remaining performance obligations to franchisees, excluding amounts of variable considerations related to sales-based royalties and other service fees. The components of the change in contract liabilities are as follows:

	December 31,	
	2025	2024
Balance, beginning of the year	\$ 2,281,777	\$ 2,659,347
Fees received from franchisees	520,000	600,000
Revenue recognized	(1,294,371)	(977,570)
Balance, end of the year	1,507,406	2,281,777
Less: contract liabilities - current	(312,513)	(275,550)
Contract liabilities - noncurrent	<u>\$ 1,194,893</u>	<u>\$ 2,006,227</u>

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 7 – EMPLOYEE RETENTION CREDIT

The Company recognized \$246,795 of income related to the Employee Retention Credit (“ERC”) under the CARES Act for the year ended December 31, 2025. The ERC claims were filed on June 2, 2023 for the second, third, and fourth quarters of 2020 and the first and second quarters of 2021. The ERC was intended to provide financial relief to employers that retained employees during the COVID-19 pandemic. The Company received the full ERC proceeds during the year ended December 31, 2025. The ERC is presented as other income in the accompanying consolidated statement of income.

NOTE 8 – INCOME TAXES

The Company is a Limited Liability Company (“LLC”) elected to be taxed as a C-corporation. The applicable federal income tax rate for the Company was 21% for the years ended December 31, 2025 and 2024.

Components of Income Tax Expense (Benefits)

Income tax expense (benefits) consisted of the following for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Current tax expenses (benefits)		
Federal	\$ 23,962	\$ (20,262)
State	(18,593)	(58,437)
	<u>5,369</u>	<u>(78,699)</u>
Deferred tax expenses (benefits)		
Federal	106,481	3,422
State	57,037	(23,409)
	<u>163,518</u>	<u>(19,987)</u>
	<u><u>\$ 168,887</u></u>	<u><u>\$ (98,686)</u></u>

Deferred Income Taxes

As of December 31, 2025 and 2024, deferred tax assets and liabilities consisted of the following:

	<u>December 31,</u>	
	<u>2025</u>	<u>2024</u>
Yummy-Town USA LLC		
Deferred income tax assets:		
Net operating loss	\$ 748,389	\$ 129,014
Right-of-use assets, net	24,331	-
State income tax	153	3,142
Total deferred income tax assets	<u>772,873</u>	<u>143,125</u>
Deferred income tax liabilities:		
Property and equipment	(59,664)	(57,219)
Less: Valuation allowance	<u>(713,209)</u>	<u>-</u>
Net Deferred Tax Assets	<u><u>\$ -</u></u>	<u><u>\$ 74,937</u></u>

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

Happy Lemon West, Inc.

Deferred income tax assets:

State income tax	\$ 153	\$ 2,974
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Deferred income tax liabilities:

Right-of-use assets, net	(23,368)	-
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Property and equipment	(24,580)	(71,162)
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Net Deferred Tax Liabilities	(47,795)	(68,188)
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Consolidated net deferred tax assets (liabilities)	\$ (47,795)	\$ 74,937
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Income Tax Rate Reconciliation

Reconciliation of income tax provision and the accounting profit multiplied by the U.S. federal income tax rate for the years ended December 31, 2025 and 2024:

	2025	2024
Accounting profits at 21% statutory tax rate	\$ (342,309)	\$ (42,329)
Increase (decrease) in income taxes resulting from:		
State income taxes, net of federal tax benefit	1,264	14,963
Permanent difference and other	41,495	60,434
True up of prior year income tax	(37,292)	(131,754)
Valuation allowance changes	505,729	-
Income tax expenses (benefits)	\$ 168,887	\$ (98,686)
Effective income tax rate	(15%)	75%

The Company files income tax returns in the U.S. Federal jurisdiction and California state jurisdiction. With few exceptions, the Company is no longer subject to U.S. Federal and state income tax examinations by tax authorities for years before 2020. It is difficult to predict the final timing and resolution of any particular uncertain tax position. Based on the Company's assessment of many factors, including past experience and complex judgments about future events, the Company did not anticipate significant changes in its uncertain tax positions over the next 12 months.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 9 – RELATED PARTY TRANSACTIONS

Transactions entered in the ordinary course of business with related parties were as follows:

Name of Related Parties	Relationship
Yummy Town (Cayman) Holdings Corporation	Ultimate parent company
Yummy-Town Holding Corporation	Parent company
T Rock Inc.	Minority shareholder of parent company; and an entity controlled by management of the subsidiary
Yen Mei Enterprise Limited	An affiliate company
Happy Lemon USA LLC	An affiliate company
RBT Enterprises Limited	Entity controlled by Yu-Chen Chen, Manager of the Company
Smart Lemon Global Inc.	A close family member of the Company's CEO has guaranteed outstanding loan

For the years ended December 31, 2025 and 2024, transactions entered with its related parties were as follows:

	2025	2024
Sales of raw materials		
Happy Lemon USA LLC	\$ 249,661	\$ 153,906
Smart Lemon Global Inc.	108,770	-
T Rock Inc.	33,628	325,480
Sales discount		
T Rock Inc.	\$ 43,293	\$ -
Happy Lemon USA LLC	1,488	-
Franchise royalty revenue		
Smart Lemon Global Inc.	\$ 18,783	\$ -
Management revenue		
Happy Lemon USA LLC	\$ 360,000	\$ -
Franchise royalty fee		
RBT Enterprises Limited	\$ -	\$ 360,000
Service fee		
T Rock Inc.	\$ 335,674	\$ 298,042
Smart Lemon Global Inc.	11,012	-
Management fee		
T Rock Inc.	\$ 90,000	\$ -
Inventory Purchase		
Yen Mei Enterprise Limited	\$ 832,526	\$ 2,608,490
T Rock Inc.	174,372	285,961
Smart Lemon Global Inc.	42,811	-

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

Equipment and Software Purchase			
T Rock Inc.	\$	-	\$ 44,209
Member distribution			
T Rock Inc.	\$	210,000	\$ 30,000

As of December 31, 2025 and 2024 the Company had balance due to or due from with its related parties were as follows:

	December 31,	
	2025	2024
Accounts receivable		
Happy Lemon USA LLC	\$ 323,397	\$ 153,697
Smart Lemon Global Inc.	202,239	-
T Rock Inc.	-	245,904
Accounts payable		
Yen Mei Enterprise Limited	\$ 939,913	\$ 1,573,782
Smart Lemon Global Inc.	38,871	-
Happy Lemon USA LLC	5,603	-
Notes receivable		
Happy Lemon USA LLC	\$ 800,000	\$ -
Other receivable		
Yummy-Town Holding Corporation	\$ 5,000	\$ 5,000
Other payable		
T Rock Inc.	\$ 16,275	\$ 34,289
Smart Lemon Global Inc.	5,626	-
Notes payable		
Yummy Town (Cayman) Holdings Corporation	\$ 500,000	\$ -
Paid in advance (Contract Assets)		
T Rock Inc.	\$ 240,000	\$ 300,000

Details of the notes receivable is as follows:

The Company provided a short-term, non-interest-bearing loan to Happy Lemon USA LLC on January 16, 2025. The loan was payable on demand and was fully repaid on January 20, 2026.

Details of the notes payable is as follows:

The Company entered into a one-year, non-interest-bearing loan agreement with its ultimate parent company, Yummy Town (Cayman) Holdings Corporation, on October 15, 2025. As of December 31, 2025, the outstanding balance was \$500,000.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 10 – COMMITMENTS

Lease

The Company entered into non-cancelable operating lease agreements for its stores and warehouse.

A. The following summarizes the line items in the balance sheets, which include the amount for operating leases as of December 31, 2025 and 2024:

	December 31,	
	2025	2024
Operating leases right-of-use-assets	\$ 1,503,818	\$ 2,008,734
Operating lease liabilities - current	\$ 369,606	\$ 417,108
Operating lease liabilities - non-current	1,371,888	1,741,494
Total operating lease liabilities	\$ 1,741,494	\$ 2,158,602

B. The following summarizes the weighted-average remaining lease term and discount rate as of December 31, 2025 and 2024:

	December 31,	
	2025	2024
Weighted average remaining lease term – operating lease	5.98 years	6.54 years
Weighted average discount rate	5.29%	5.11%

C. As of December 31, 2025 and 2024, the future minimum lease liabilities were as follows:

	December 31,	
	2025	2024
2025	\$ -	\$ 517,556
2026	452,440	452,440
2027	382,067	382,067
2028	252,227	252,227
2029	206,035	206,035
Thereafter	792,475	792,475
Total undiscounted lease payments	2,085,244	2,602,801
Less: interest	(343,750)	(444,199)
Present value of lease liabilities	\$ 1,741,494	\$ 2,158,602

D. The following summarizes the line items in the income statements which include the components of lease expense for the year ended December 31, 2025 and 2024:

	2025	2024
Operating lease expense included in SG&A	\$ 1,138,982	\$ 1,095,531

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 11 – CONTINGENCIES

Customer litigation issue

A customer filed a civil lawsuit originally against one of the Company's franchised stores on January 30, 2024 and, on November 1, 2024, amended the complaint to name the Company as an additional defendant. The complaint alleges negligence and strict liability arising from an allegedly spilled hot beverage and seeks damages of \$600,000. The Company denies liability and has filed a motion for summary judgment. As of the date of the audit report, no trial date has been scheduled, and no material litigation deadlines are pending.

Institutional litigation issue

A non-profit organization filed a civil lawsuit on April 3, 2025, originally against one business entity and, on July 21, 2025, amended the complaint to include over 300 companies, including the Company and its subsidiary. The lawsuit alleges violations of the California Safe Drinking Water and Toxic Enforcement Act of 1986, which requires warnings about chemicals that may cause cancer, birth defects, or other reproductive harm. As of the audit report, the matter is in its early stages, and the outcome is uncertain.

NOTE 12 – SUBSEQUENT EVENTS

The Company evaluated subsequent events through February 28, 2026, the date when the consolidated financial statements were available for issuance. It concluded that there were no material recognizable subsequent events requiring disclosure or adjustment as of and for the year ended December 31, 2025.

YUMMY-TOWN USA LLC AND SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
WITH INDEPENDENT AUDITOR'S REPORT**

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JTC ACCOUNTANCY CORP
CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditor's Report

**To the Management and Member of
Yummy-town USA LLC**

Opinion

We have audited the consolidated financial statements of Yummy-town USA LLC (a limited liability company) and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yummy-town USA LLC and its subsidiary as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Yummy-town USA LLC and its subsidiaries and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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 Yummy-town USA LLC and its subsidiary's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Yummy-town USA LLC and its subsidiary'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 Yummy-town USA LLC and its subsidiary'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.

JTC Accountancy Corp.

Temple City, California
March 11, 2025

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,896,733	\$ 2,932,487
Accounts receivable	1,392,692	479,033
Accounts receivable - related parties	399,601	1,435
Contract costs - current	300,000	260,000
Contract costs - current - related parties	300,000	480,000
Inventories	1,149,463	505,508
Prepaid expenses and other current assets	252,287	67,467
Total current assets	<u>5,690,776</u>	<u>4,725,930</u>
Property and equipment, net	1,101,670	453,760
Goodwill	1,275,525	1,275,525
Intangible asset, net	62,329	112,329
Deferred tax assets	143,125	30,746
Right-of-use assets, net	2,008,734	1,317,322
Other assets	71,319	377,853
Total assets	<u>\$ 10,353,478</u>	<u>\$ 8,293,465</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 15,698	\$ 3,237
Accounts payable - related parties	1,573,782	108,339
Contract liabilities - current	275,550	296,734
Operating lease liabilities - current	417,108	245,933
Income tax payable	59,637	149,518
Deferred revenue	458,170	275,248
Accrued expenses and other current liabilities	379,665	169,873
Total current liabilities	<u>3,179,610</u>	<u>1,248,882</u>
Contract liabilities - noncurrent	2,006,227	2,362,613
Operating lease liabilities - noncurrent	1,741,494	1,191,132
Deffered tax liabilities	68,188	-
Total liabilities	<u>6,995,519</u>	<u>4,802,627</u>
Commitments and Contingencies		
MEMBER'S EQUITY		
Contributed capital	2,290,628	2,290,628
Retained earnings	426,306	597,844
Total member's equity attributable to Yummy Town USA LLC	<u>2,716,934</u>	<u>2,888,472</u>
Noncontrolling interests	641,025	602,366
Total equity	<u>3,357,959</u>	<u>3,490,838</u>
Total liabilities and equity	<u>\$ 10,353,478</u>	<u>\$ 8,293,465</u>

See accompanying notes to consolidated financial statements.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Revenues:		
Company-operated store revenues	\$ 2,841,537	\$ 1,946,780
Franchise and royalty revenues	3,089,119	3,222,131
Product sales	2,335,860	1,450,490
Other revenues	60,796	197,262
Total revenues	<u>8,327,312</u>	<u>6,816,663</u>
Operating costs and expenses:		
Company-operated store expenses	1,695,503	1,048,021
Cost of goods sold	1,957,176	1,743,133
Selling, general and administrative expenses	5,072,261	3,237,426
Total operating costs and expenses	<u>8,724,940</u>	<u>6,028,580</u>
Operating (loss) income	<u>(397,628)</u>	<u>788,083</u>
Other income (expense):		
Interest income	62,125	48,425
Loss on disposal of fixed assets	(3,648)	-
Other income, net	137,586	166,596
Total other income, net	<u>196,063</u>	<u>215,021</u>
(Loss) income before income taxes	(201,565)	1,003,104
Income tax (benefit) expense	<u>(98,686)</u>	<u>367,795</u>
Net (loss) income	(102,879)	635,309
Less: net (loss) income attributable to noncontrolling interests	(68,659)	(156,873)
Net (loss) income attributable to Yummy Town USA LLC	<u><u>\$ (171,538)</u></u>	<u><u>\$ 478,436</u></u>

See accompanying notes to consolidated financial statements.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

Contributed Capital	Retained Earnings	Total Member's Equity	Noncontrolling Interests	Total Equity
\$ 1,310,628	\$ 119,408	\$ 1,430,036	\$ 499,493	\$ 1,929,529
-	-	-	(54,000)	(54,000)
2,000,000	-	2,000,000	-	2,000,000
(1,020,000)	-	(1,020,000)	-	(1,020,000)
-	478,436	478,436	156,873	635,309
<u>2,290,628</u>	<u>597,844</u>	<u>2,888,472</u>	<u>602,366</u>	<u>3,490,838</u>
-	-	-	(30,000)	(30,000)
-	(171,538)	(171,538)	68,659	(102,879)
<u>\$ 2,290,628</u>	<u>\$ 426,306</u>	<u>\$ 2,716,934</u>	<u>\$ 641,025</u>	<u>\$ 3,357,959</u>

See accompanying notes to consolidated financial statements.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Net (loss) income	\$ (102,879)	\$ 635,309
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Loss on disposal of property and equipment	3,648	-
Depreciation & Amortization	280,896	167,801
Amortization of contract costs	340,000	728,000
Deferred income tax	(44,191)	172,309
Changes in operating assets and liabilities:		
Accounts receivable, including a related party	(1,311,825)	(43,103)
Contract costs	(200,000)	(740,000)
Inventories	(643,955)	(162,834)
Prepaid expenses and other current assets	(369,890)	136,989
Other assets	306,534	(313,963)
Accounts payable, including a related party	1,477,904	(20,590)
Contract liabilities	(377,570)	(96,543)
Income tax payable	(89,881)	149,518
Deferred revenue	182,922	275,248
Accrued expenses and other current liabilities	209,792	53,500
Operating lease right-of-use assets and liabilities, net	30,125	19,964
Net cash (used in) provided by operating activities	<u>(308,370)</u>	<u>961,605</u>
Cash flows from investing activities:		
Purchases of equipment	(702,384)	(204,532)
Disposal of property and equipment	5,000	-
Purchase of software	-	(150,000)
Net cash used in investing activities	<u>(697,384)</u>	<u>(354,532)</u>
Cash flows from financing activities:		
Distribution to member	(30,000)	(54,000)
Contribution from member	-	2,000,000
Capital withdraws by member	-	(1,020,000)
Net cash (used in) provided by financing activities	<u>(30,000)</u>	<u>926,000</u>
Net (decrease) increase in cash and cash equivalents	(1,035,754)	1,533,073
Cash and cash equivalents, beginning of year	<u>2,932,487</u>	<u>1,399,414</u>
Cash and cash equivalents, end of year	<u>\$ 1,896,733</u>	<u>\$ 2,932,487</u>
Supplementary disclosures of cash flow information		
Cash paid during the year for:		
Income tax	<u>\$ 16,320</u>	<u>\$ -</u>
Supplemental disclosures of cash flow for non-cash transaction:		
Operating lease liabilities arising from obtaining right-of-use assets	<u>\$ 1,083,939</u>	<u>\$ 254,365</u>
Prepaid expense reduction attributed to acquisition of fixed assets	<u>\$ 185,070</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS

Yummy-town USA LLC (the “Company”) was formed under the laws of the State of Delaware on August 30, 2017, and was formed to operate a franchise business under the brand of “Happy Lemon”, one of the food and beverage brands from China. On October 18, 2019, the Company’s former sole member, RBT Holdings Limited, entered into an agreement to transfer its 100% interest in the Company to Yummy-town UK Limited.

On the same date of the transfer, Yummy-town UK Limited made a resolution that during the period from October 1, 2019, through December 31, 2021, Yummy-town UK Limited will make additional capital contributions in the amount of \$2,000,000 to the Company. During the years 2020 and 2019, Yummy-town UK Limited made capital contributions in the amounts of \$860,628 and \$400,000 to the Company, respectively. The Company’s ultimate parent company is Yummy-town (Cayman) Holdings Corporation, whose shares have been listed on the Taipei Exchanges since December 24, 2014.

On August 12, 2020, the Company completed the acquisition of Happy Lemon West, Inc. (the “Subsidiary” or “HL West”), a company incorporated under the laws of the State of California on February 12, 2020, for its 70% equity interest. With the acquisition of the Subsidiary, the Company has expanded its operations in the business of sales of food and beverages.

On April 1, 2023, Yummy-Town UK Ltd., signed a reorganization agreement with its subsidiary, Yummy-town Holding Corporation (“YT Holding”), to transfer its 100% shares of the Company to YT Holding. On the same date, YT Holding signed an E-system purchase agreement with T Rock Inc. (“T Rock”), pursuant to which the Company purchased T Rock’s system for \$150,000. Concurrently, T Rock acquired 5% (or 250 shares) of YT Holding’s common stock for \$150,000. From then on, YT Holding owns 95% of the YT Holding’s common stock, or equivalent to 4,750 shares. On March 17, 2023, Yummy-town UK Limited made another capital contribution in the amount of \$2,000,000 to the Company, but withdrew \$1,020,000 of capital on December 12, 2023.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiary as described in Note 1. All significant intercompany transactions and account balances have been eliminated in the consolidation. Certain reclassifications have been made to the consolidated financial statements for the prior year's financial statements to conform to the current year's presentation. Such reclassifications have no effect on net income or accumulated deficit, as previously reported.

Use of Estimates

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

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Non-controlling Interests

The Company accounted for its non-controlling interests in the Subsidiary as a separate component of equity. In addition, the net income (loss) of the Subsidiary is attributable to both the Company's member equity and the non-controlling interests.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid instruments with original maturities of three months or less. As of December 31, 2024, and 2023, the Company had cash on hand and in banks in the amount of \$1,896,733 and \$2,932,487, respectively.

Concentration of Credit Risk

The Company maintains its cash with financial institutions in the United States. In the United States, the standard insurance amount is \$250,000 per depositor in a bank insured by the Federal Deposit Insurance Corporation ("FDIC"). As of December 31, 2024, and 2023, the uninsured balances of cash in the bank were approximately \$1,384,810 and \$2,178,171, respectively.

Allowance for Credit Losses

Accounts receivable consist of royalty receivable from franchisees. The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. Based on the management's judgment, no allowance for doubtful accounts is required as of the balance sheet dates.

Inventories

Inventories are stated at the lower of cost (determined on the weighted-average method) or net realizable value. Inventories consist of raw materials for food and beverages. Net realizable value is the estimated selling prices in the ordinary course of business, less the costs necessary to make the sale. Provisions are recorded to reduce inventory for obsolete or slow-moving inventory based on assumptions about future demand and marketability of products, the impact of new product introductions, inventory levels and turns, product spoilage, and specific identification of items, such as product discontinuance. As of December 31, 2024, and 2023, the Company had inventories in the amount of \$1,149,463 and \$505,508, respectively.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line method over their estimated useful lives. When an asset is retired or sold, its cost and the related accumulated depreciation are eliminated from the respective accounts, and any gain or loss is recorded in other income (expense).

Depreciation is computed by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Leasehold improvements	Shorter of the remaining lease term or useful life of the improvements
Machine and equipment	5 years
Furniture and fixtures	5 years

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Goodwill

The Company's goodwill was recorded as a result of the Company's business combination. Goodwill represents the excess of the cost of a business acquired over the net of the amounts assigned to assets acquired, including identifiable intangible assets and liabilities assumed. The Company tests its recorded goodwill for impairment on an annual basis, or more often if indicators of potential impairment exist, by determining if the carrying value of each reporting unit exceeds its estimated fair value. Factors that could trigger an interim impairment test include but are not limited to, underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the Company's overall business, and the significant negative industry or economic trends.

Impairment of Long-lived Assets

The Company reviews long-lived assets when changes in circumstances or events could impact the recoverability of the carrying value of the assets. The recoverability of long-lived assets is determined by comparing the estimated undiscounted cash flows related to the long-lived assets to their carrying value. Impairment is determined by comparing the present value of future undiscounted cash flows or some other fair value measure to the carrying value of the asset. Management determined that no impairment of long-lived assets existed as of December 31, 2024, and 2023.

Revenue Recognition

The Company has adopted ASC Topic 606, *Revenue from Contracts with Customers*, which requires that recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company's revenues are derived primarily from franchised and licensed Happy Lemon stores and sales of raw materials, food, and beverages. Franchise and license revenues consist primarily of initial area development fees, initial licensing fees, and royalty fees. The Company recognizes revenue when persuasive evidence of a contract with a customer exists and a performance obligation is identified and satisfied as the customer obtains control of the goods or services. See Note 6 for additional information.

Income Taxes

The Company utilizes an asset and liability approach for financial accounting and reporting for income taxes. Deferred income taxes are provided for temporary differences in the bases of assets and liabilities as reported for financial statement and income tax purpose. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company accounts for uncertainty in income taxes in accordance with accounting principles generally accepted in the United States of America, which prescribe a recognition threshold and measurement standard for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return based on a more likely than not threshold. Interest and penalties related to uncertain tax positions are recognized as part of the provisions for income taxes.

Leases

In its ordinary course of business, the Company enters into leases as a lessee for office buildings, stores, and warehouses. The Company recognizes a right-of-use (ROU) asset and lease liability for each lease with a contractual

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

term greater than 12 months at the time of lease inception. The Company does not record leases with an initial term of 12 months or less on the Company's consolidated balance sheets but continues to record rent expense on a straight-line basis over the lease term.

Leases are classified as either finance leases or operating leases. The Company has lease agreements for the use of facilities, and its lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent its obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term using a discount rate based on similarly secured borrowings available to the Company. ROU assets include any prepaid lease amounts and exclude lease incentives.

NOTE 3 – GOODWILL

On August 12, 2020, the Company completed the acquisition of HL West for 70% of its equity interest. The consideration to acquire 3,500 shares of common stock of HL West was \$1,134,000 in cash. The acquisition was accounted for as a business purchase. The acquisition is expected to significantly increase the Company's ability to provide catering services and franchise business in the United States of America.

The following table summarizes the consideration paid and the amounts of the assets acquired, and liabilities assumed recognized, as well as the fair value at the acquisition date of the noncontrolling interest in HL West at the acquisition date:

Consideration:		
Cash	\$	1,134,000
Fair value of total consideration transferred	\$	<u>1,134,000</u>
Recognized fair value of identifiable assets acquired and liabilities assumed:		
Financial assets	\$	84,418
Inventories		8,157
Property and equipment		216,769
Other assets		31,227
Financial liabilities		<u>(98,096)</u>
Total identifiable net assets		242,475
Noncontrolling interest in HL West		(384,000)
Goodwill		<u>1,275,525</u>
	\$	<u><u>1,134,000</u></u>

The purchase price of the business exceeded the fair value of identifiable assets acquired and liabilities assumed. As a result, the Company recognized goodwill of \$1,275,525 in the year 2020 associated with the acquisition. Management determined that no impairment of goodwill existed as of December 31, 2024, and 2023.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – PROPERTY AND EQUIPMENT

As of December 31, 2024, and 2023, property and equipment consisted of the following:

	December 31,	
	2024	2023
Leasehold improvement	\$ 1,259,294	\$ 652,997
Machine and equipment	484,166	346,625
Furniture and fixtures	55,059	55,059
Transportation equipment	172,697	41,010
Total property and equipment	<u>1,971,216</u>	<u>1,095,691</u>
Less: accumulated depreciation	(869,546)	(641,931)
Total property and equipment, net	<u>\$ 1,101,670</u>	<u>\$ 453,760</u>

Depreciation expenses were \$230,896 and \$130,164 for the years ended December 31, 2024, and 2023, respectively.

NOTE 5 – INTANGIBLE ASSETS

As of December 31, 2024, and 2023, intangible assets consisted of the following:

	December 31,	
	2024	2023
Software	\$ 150,000	\$ 150,000
Total intangible assets	<u>150,000</u>	<u>150,000</u>
Less: accumulated amortization	(87,671)	(37,671)
Total property and equipment, net	<u>\$ 62,329</u>	<u>\$ 112,329</u>

Amortization expenses were \$50,000 and \$37,671 for the years ended December 31, 2024, and 2023, respectively.

NOTE 6 – REVENUE RECOGNITION

The Company's revenues are derived primarily from franchising and licensing Happy Lemon brand and sales of raw materials, food, and beverages. Franchise and license revenues consist primarily of initial area development fees, initial licensing fees and royalty fees. The Company also earns revenues from some services.

Franchise and Royalty

The Company provides franchisees with a license of the Company's symbolic intellectual property, the "HAPPY LEMON system" or "System". The System includes the Marks, training programs and materials, product and supplier resources, recipes, menu item preparation and service techniques, brand packaging, operations methods and techniques, and other ongoing support functions. The franchise arrangement is documented in the form of franchise agreements and, in most cases, along with an area development agreement. The franchise arrangement between the Company as the franchisor and the franchisee as the customer requires that the Company performs various activities to support the brand without directly transferring goods and services to the franchisees. Such transfer of the franchise license represents a single performance obligation. The franchise license is a symbolic

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

intellectual property that does not have significant standalone functionality, and substantially all the utilization is derived from its association with the Company's past or ongoing activities. The nature of the Company's promise in granting the franchise license is providing the franchisees with access to the brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and are considered to represent a single performance obligation.

The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise and area development fees and (b) continuing franchise fees (royalties). The Company considers the licensing of the franchising right to be a single performance obligation, no allocation of the transaction price is required. The Company recognizes the primary components of the transaction price as follows:

- Area development fees and initial franchise fees are recognized as revenue based on a certain percentage commencing with the Happy Lemon store opening date, and the remaining balance is recognized over the term of the franchise agreement on a straight-line basis. As these fees are typically received in cash at or near the beginning of the franchise term, the cash received is initially recorded as contract liabilities until recognized as revenue over time.
- The Company is entitled to royalty fees based on a percentage of the franchisees' gross sales as defined in the franchise agreement. Royalty revenue is recognized when the franchisees' reported sales occur. Franchise royalties are billed on a monthly basis.

In determining the amount and timing of revenue from contracts with franchisees, the Company exercises significant judgment with respect to the collectability of the payment; however, the timing of recognition does not require significant judgments. Franchise fees are recorded as contract liabilities when cash is received and are recognized as revenues over the term of the franchise agreement upon a new Happy Lemon store opening or at the start of a new franchise term. Royalty revenues are recognized in the month of reported sales by the franchisee. The Company does not incur a significant amount of contract acquisition costs in conducting franchising activities and recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less. The Company's franchising arrangements do not contain a significant financing component.

Company-operated Store Revenues

Company-operated store revenues from food and beverage sales are recognized when payment is tendered at the point of sale as the performance obligation has been satisfied. The revenues are recognized net of sales-related taxes and discounts.

Product Sales

Revenue from sales of raw materials is recognized when the goods are transferred as the performance obligation has been satisfied. The revenues are recognized net of any discounts and sales incentives.

Other Revenues

Revenue that is distinct from the area development and franchise services, such as store designing fees and franchise transfer fees, constitutes separate performance obligations and is recognized when services are rendered. Certain revenues associated with providing consultancy, training, and marketing services are based on a percentage of the franchisees' gross sales as defined in the franchise agreement and recognized when the franchisee's reported sales occur.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contract Balances

Generally, the Company receives payments within 30 days after invoicing depending on the credit terms with franchisees. The Company's accounts receivable, including related parties, were \$1,792,294 and \$480,468 as of December 31, 2024, and 2023, respectively.

Contract costs consist of incremental costs to obtain a contract, which was referral fees paid in connection with the award of a contract. Such costs are expected to be recovered under existing and future contracts and are amortized on a systematic basis that is consistent with the transfer to the licensing of the franchising right.

	December 31,	
	2024	2023
Balance, beginning of the year	\$ 740,000	\$ 728,000
Additions to incremental costs to obtain a contract	200,000	740,000
Amortization of contract costs	(340,000)	(728,000)
Balance, end of the year	600,000	740,000
Less: contract costs - current	(600,000)	(740,000)
Contract costs - noncurrent	<u>\$ -</u>	<u>\$ -</u>

Contract liabilities consist primarily of the unamortized portion of initial area development fees and franchise fees. The amortization of contract liabilities and recognition of revenue will start when Happy Lemon stores are opened. Contract liabilities represent the Company's remaining performance obligations to franchisees, excluding amounts of variable considerations related to sales-based royalties and other service fees. The components of the change in contract liabilities are as follows:

	December 31,	
	2024	2023
Balance, beginning of the year	\$ 2,659,347	\$ 2,755,890
Fees received from franchisees	600,000	1,506,000
Revenue recognized	(977,570)	(1,602,543)
Balance, end of the year	2,281,777	2,659,347
Less: contract liabilities - current	(275,550)	(296,734)
Contract liabilities - noncurrent	<u>\$ 2,006,227</u>	<u>\$ 2,362,613</u>

NOTE 7 – INCOME TAXES

The Company is a Limited Liability Company ("LLC") elected to be taxed as a C-corporation. The applicable federal income tax rate for the Company was 21% for the years ended December 31, 2024, and 2023.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Components of Income Tax Expense (Benefits)

Income tax expense (benefits) consisted of the following for the years ended December 31, 2024, and 2023:

	<u>2024</u>	<u>2023</u>
Current tax expenses		
Federal	\$ (20,262)	\$ 78,029
State	(58,437)	60,297
Deferred tax expenses (benefits)		
Federal	3,422	188,122
State	(23,409)	41,347
	<u><u>\$ (98,686)</u></u>	<u><u>\$ 367,795</u></u>

Deferred Income Taxes

As of December 31, 2024, and 2023, deferred tax assets and liabilities consisted of the following:

	<u>December 31,</u> <u>2024</u>	<u>2023</u>
Deferred tax assets:		
Net operating loss	\$ 129,014	\$ 28,503
Property and equipment	(57,219)	(13,781)
State income tax	3,142	16,024
Valuation allowance	-	-
Net deferred tax assets	<u><u>\$ 74,937</u></u>	<u><u>\$ 30,746</u></u>

Income Tax Rate Reconciliation

Reconciliation of income tax provision and the accounting profit multiplied by the U.S. federal income tax rate for the years ended December 31, 2024, and 2023:

	<u>2024</u>	<u>2023</u>
Accounting profits at 21% statutory tax rate	\$ (27,629)	\$ 242,746
Increase (decrease) in income taxes resulting from:		
State income taxes, net of federal tax benefit	14,963	76,308
Utilization of deferred tax assets previously not recognized	-	67,942
True up of prior year income tax	(86,020)	(19,201)
Income tax expenses (benefits)	<u><u>\$ (98,686)</u></u>	<u><u>\$ 367,795</u></u>
Effective income tax rate	<u><u>75%</u></u>	<u><u>32%</u></u>

The Company files income tax returns in the U.S. Federal jurisdiction and California state jurisdiction. With few exceptions, the Company is no longer subject to U.S. Federal and state income tax examinations by tax authorities for years before 2020. It is difficult to predict the final timing and resolution of any particular uncertain tax position.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Based on the Company's assessment of many factors, including past experience and complex judgments about future events, the Company did not anticipate significant changes in its uncertain tax positions over the next 12 months.

NOTE 8 – RELATED PARTY TRANSACTIONS

Transactions entered in the ordinary course of business with related parties were as follows:

Name of Related Parties	Relationship
Yummy-Town Holding Corporation	Parent company
T Rock Inc.	Minority shareholder of parent company; and an entity controlled by management of the Subsidiary
Yen Mei Enterprise Limited	An affiliate company
Happy Lemon USA LLC	An affiliate company
RBT Enterprises Limited	Entity controlled by Yu-Chen Chen, CEO of the Company
RBT Resources Limited (Taiwan Branch)	Entity controlled by Yu-Chen Chen, CEO of the Company
RBT Holdings Limited	Entity controlled by Yu-Chen Chen, CEO of the Company

For the years ended December 31, 2024, and 2023, transactions entered with its related parties were as follows:

	2024	2023
Sales of raw materials:		
T Rock Inc.	\$ 325,480	\$ 106,708
Happy Lemon USA	\$ 153,906	\$ -
Service and consulting:		
T Rock Inc.	\$ -	\$ 13,991
Inventory Purchase:		
Yen Mei Enterprise Limited	\$ 2,608,490	\$ 590,445
T Rock Inc.	\$ 285,961	\$ 365,237
RBT Resources Limited (Taiwan Branch)	\$ -	\$ 446,253
Equipment and Software purchase		
T Rock Inc.	\$ 44,209	\$ 150,000
Franchise royalty fees		
RBT Enterprises Limited	\$ 360,000	\$ -
Service and consulting fees charged by:		
T Rock Inc.	\$ 298,042	\$ 294,592
Member distribution		
T Rock Inc.	\$ 30,000	\$ 54,000

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2024 and 2023, the Company had balance due to or due from with its related parties were as follows:

	December 31,	
	2024	2023
Accounts payable:		
Yen Mei Enterprise Limited	\$ 1,573,782	\$ 108,339
Accounts receivable:		
T Rock Inc.	\$ 245,904	\$ 1,435
Happy Lemon USA	\$ 153,697	\$ -
Other receivable:		
Yummy-Town Holding Corporation	\$ 5,000	\$ 5,000
Other payable:		
T Rock Inc.	\$ 34,289	\$ -
Paid in advance (Contract Assets):		
T Rock Inc.	\$ 300,000	\$ 480,000

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Lease

The Company entered into non-cancelable operating lease agreements for its stores and warehouse.

A. The following summarizes the line items in the balance sheets, which include the amount for operating leases as of December 31, 2024, and 2023:

	December 31,	
	2024	2023
Operating leases right-of-use-assets	\$ 2,008,734	\$ 1,317,322
Operating lease liabilities - current	\$ 417,108	\$ 245,933
Operating lease liabilities - non-current	1,741,494	1,191,132
Total operating lease liabilities	\$ 2,158,602	\$ 1,437,065

B. The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2024, and 2023:

	December 31,	
	2024	2023
Weighted average remaining lease term – operating lease	6.54 years	4.79 years
Weighted average discount rate	5.11%	3.96%

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

C. As of December 31, 2024, and 2023, the future minimum lease liabilities were as follows:

	December 31,	
	2024	2023
2024	\$ -	\$ 376,421
2025	618,005	386,207
2026	535,273	317,148
2027	449,320	305,159
2028	307,278	108,694
Thereafter	1,137,124	143,422
Total undiscounted lease payments	3,047,000	1,637,051
Less: interest	(888,398)	(199,986)
Present value of lease liabilities	\$ 2,158,602	\$ 1,437,065

D. The following summarizes the line items in the income statements which include the components of lease expense for the year ended December 31, 2024, and 2023:

	2024	2023
Operating lease expense included in SG&A	\$ 1,095,531	\$ 357,364

Contingencies

Loss contingencies, including claims and legal actions in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. The Company was not considered to be probable of any material unasserted possible claims or assessments. Management believes that any such matter will not have a material effect on the consolidated financial statements.

NOTE 10 – SUBSEQUENT EVENTS

The Company evaluated subsequent events through March 11, 2025, the date when the financial statements were available for issuance. It concluded that there were no material recognizable subsequent events requiring disclosure or adjustment as of and for the year ended December 31, 2024.

YUMMY-TOWN USA LLC AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

WITH INDEPENDENT AUDITOR'S REPORT

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JTC ACCOUNTANCY CORP.
CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditor's Report

**To the Management and Member of
Yummy-town USA LLC**

Opinion

We have audited the consolidated financial statements of Yummy-town USA LLC (a limited liability company) and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yummy-town USA LLC and its subsidiary as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Yummy-town USA LLC and its subsidiaries and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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 Yummy-town USA LLC and its subsidiary's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Yummy-town USA LLC and its subsidiary'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 Yummy-town USA LLC and its subsidiary'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.

JTC Accountancy Corp.

Temple City, California
March 1, 2024

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,932,487	\$ 1,399,414
Accounts receivable	479,033	256,302
Accounts receivable - related parties	1,435	181,063
Contract costs - current	260,000	728,000
Contract costs - current - related parties	480,000	-
Inventories	505,508	342,674
Prepaid expenses and other current assets	67,467	204,456
Total current assets	<u>4,725,930</u>	<u>3,111,909</u>
Property and equipment, net	453,760	379,359
Goodwill	1,275,525	1,275,525
Intangible asset, net	112,329	-
Deferred tax assets	30,746	203,055
Right-of-use assets, net	1,317,322	1,102,289
Other assets	377,853	63,890
Total assets	<u><u>\$ 8,293,465</u></u>	<u><u>\$ 6,136,027</u></u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 3,237	\$ 34,115
Accounts payable - related parties	108,339	98,051
Contract liabilities - current	296,734	1,502,725
Operating lease liabilities - current	245,933	235,425
Income tax payable	149,518	-
Deferred revenue	275,248	-
Accrued expenses and other current liabilities	169,873	116,374
Total current liabilities	<u>1,248,882</u>	<u>1,986,690</u>
Contract liabilities - noncurrent	2,362,613	1,253,165
Operating lease liabilities - noncurrent	1,191,132	966,643
Total liabilities	<u><u>4,802,627</u></u>	<u><u>4,206,498</u></u>
Commitments and Contingencies		
MEMBER'S EQUITY		
Contributed capital	2,290,628	1,310,628
Retained earnings	597,844	119,408
Total member's equity attributable to Yummy Town USA LLC	<u>2,888,472</u>	<u>1,430,036</u>
Noncontrolling interests	602,366	499,493
Total equity	<u>3,490,838</u>	<u>1,929,529</u>
Total liabilities and equity	<u><u>\$ 8,293,465</u></u>	<u><u>\$ 6,136,027</u></u>

See accompanying notes to consolidated financial statements.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Revenues:		
Company-operated store revenues	\$ 1,946,780	\$ 1,736,761
Franchise and royalty revenues	3,222,131	2,062,710
Product sales	1,450,490	1,381,069
Other revenues	197,262	105,033
Total revenues	<u>6,816,663</u>	<u>5,285,573</u>
Operating costs and expenses:		
Company-operated store expenses	1,048,021	1,564,532
Cost of goods sold	1,743,133	1,755,166
Other operating expenses	-	3,611
Selling, general and administrative expenses	3,237,426	2,174,202
Total operating costs and expenses	<u>6,028,580</u>	<u>5,497,511</u>
Operating income (loss)	<u>788,083</u>	<u>(211,938)</u>
Other income (expense):		
Interest income	48,425	266
Other income, net	166,596	67,818
Total other income, net	<u>215,021</u>	<u>68,084</u>
Income (loss) before income taxes	1,003,104	(143,854)
Income tax expense (benefit)	<u>367,795</u>	<u>(133,891)</u>
Net income (loss)	635,309	(9,963)
Less: net income attributable to noncontrolling interests	(156,873)	(61,626)
Net income (loss) attributable to Yummy Town USA LLC	<u><u>\$ 478,436</u></u>	<u><u>\$ (71,589)</u></u>

See accompanying notes to consolidated financial statements.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Contributed Capital	Retained Earnings	Total Member's Equity	Noncontrolling Interests	Total Equity
Balance, January 1, 2022	\$ 1,310,628	\$ 420,997	\$ 1,731,625	\$ 455,867	\$ 2,187,492
Member's distributions	-	(230,000)	(230,000)	(18,000)	(248,000)
Net income (loss)	-	(71,589)	(71,589)	61,626	(9,963)
Balance, December 31, 2022	<u>1,310,628</u>	<u>119,408</u>	<u>1,430,036</u>	<u>499,493</u>	<u>1,929,529</u>
Member's distributions	-	-	-	(54,000)	(54,000)
Capital injection	2,000,000	-	2,000,000	-	2,000,000
Capital withdrawal	(1,020,000)	-	(1,020,000)	-	(1,020,000)
Net income	-	478,436	478,436	156,873	635,309
Balance, December 31, 2023	<u>\$ 2,290,628</u>	<u>\$ 597,844</u>	<u>\$ 2,888,472</u>	<u>\$ 602,366</u>	<u>\$ 3,490,838</u>

See accompanying notes to consolidated financial statements.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Net income (loss)	\$ 635,309	\$ (9,963)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation & Amortization	167,801	115,736
Amortization of contract costs	728,000	766,983
Deferred income tax	172,213	(176,797)
Changes in operating assets and liabilities:		
Accounts receivable, including a related party	(43,103)	(373,751)
Contract costs	(740,000)	(1,336,000)
Inventories	(162,834)	947,226
Prepaid expenses and other current assets	136,989	45,353
Other assets	(313,963)	(39,456)
Accounts payable, including a related party	(20,590)	(737,759)
Contract liabilities	(96,543)	1,265,006
Due to related parties	-	(9,534)
Income tax payable	149,518	(56,348)
Deferred revenue	275,248	-
Accrued expenses and other current liabilities	53,500	20,492
Operating lease right-of-use assets and liabilities, net	19,964	99,779
Net cash provided by operating activities	<u>961,605</u>	<u>520,967</u>
Cash flows from investing activities:		
Purchases of equipment	(204,532)	(356,023)
Purchase of software	(150,000)	-
Net cash used in investing activities	<u>(354,532)</u>	<u>(356,023)</u>
Cash flows from financing activities:		
Distribution to member	(54,000)	(248,000)
Contribution from member	2,000,000	-
Capital withdraws by member	(1,020,000)	-
Net cash provided by (used in) financing activities	<u>926,000</u>	<u>(248,000)</u>
Net increase (decrease) in cash and cash equivalents	1,533,073	(83,056)
Cash and cash equivalents, beginning of year	<u>1,399,414</u>	<u>1,482,470</u>
Cash and cash equivalents, end of year	<u>\$ 2,932,487</u>	<u>\$ 1,399,414</u>
Supplementary disclosures of cash flow information		
Cash paid during the year for:		
Income tax	<u>\$ -</u>	<u>\$ 185,875</u>
Supplemental disclosures of cash flow for non-cash transaction:		
Operating lease liabilities arising from obtaining right-of-use assets	<u>\$ 254,365</u>	<u>\$ 1,102,289</u>
Prepaid expense reduction attributing to acquisition of fixed assets	<u>\$ -</u>	<u>\$ 32,930</u>

See accompanying notes to consolidated financial statements.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS

Yummy-town USA LLC (the “Company”) was formed under the laws of the State of Delaware on August 30, 2017, and was formed to operate a franchise business under the brand of “Happy Lemon”, one of the food and beverage brands from China. On October 18, 2019, the Company’s former sole member, RBT Holdings Limited, entered into an agreement to transfer its 100% interest in the Company to Yummy-town UK Limited.

On the same date of the transfer, Yummy-town UK Limited made a resolution that during the period from October 1, 2019, through December 31, 2021, Yummy-town UK Limited will make additional capital contributions in the amount of \$2,000,000 to the Company. During the years 2020 and 2019, Yummy-town UK Limited made capital contributions in the amounts of \$860,628 and \$400,000 to the Company, respectively. The Company’s ultimate parent company is Yummy-town (Cayman) Holdings Corporation, whose shares have been listed on the Taipei Exchanges since December 24, 2014.

On August 12, 2020, the Company completed the acquisition of Happy Lemon West, Inc. (the “Subsidiary” or “HL West”), a company incorporated under the laws of the State of California on February 12, 2020, for its 70% equity interest. With the acquisition of the Subsidiary, the Company has expanded its operations in the business of sales of food and beverages.

On April 1, 2023, Yummy-Town UK Ltd., signed a reorganization agreement with its subsidiary, Yummy-town Holding Corporation (“YT Holding”), to transfer its 100% shares of the Company to YT Holding. On the same date, YT Holding signed an E-system purchase agreement with T Rock Inc. (“T Rock”), pursuant to which the Company purchased T Rock’s system for \$150,000. Concurrently, T Rock acquired 5% (or 250 shares) of YT Holding’s common stock for \$150,000. From then on, YT Holding owns 95% of the YT Holding’s common stock, or equivalent to 4,750 shares. On March 17, 2023, Yummy-town UK Limited made another capital contribution in the amount of \$2,000,000 to the Company, but withdrew \$1,020,000 of capital on December 12, 2023.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiary as described in Note 1. All significant intercompany transactions and account balances have been eliminated in the consolidation. Certain reclassifications have been made to the consolidated financial statements for the prior year’s financial statements to conform to the current year’s presentation. Such reclassifications have no effect on net income or accumulated deficit, as previously reported.

Use of Estimates

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

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Non-controlling Interests

The Company accounted for its non-controlling interests in the Subsidiary as a separate component of equity. In addition, the net income (loss) of the Subsidiary is attributable to both the Company's member equity and the non-controlling interests.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid instruments with original maturities of three months or less. As of December 31, 2023, and 2022, the Company had cash on hand and in banks in the amount of \$2,932,487 and \$1,399,414, respectively.

Concentration of Credit Risk

The Company maintains its cash with financial institutions in the United States. In the United States, the standard insurance amount is \$250,000 per depositor in a bank insured by the Federal Deposit Insurance Corporation ("FDIC"). As of December 31, 2023, and 2022, the uninsured balances of cash in the bank were approximately \$2,178,171 and \$647,729, respectively.

Allowance for Credit Losses

Accounts receivable consist of royalty receivable from franchisees. The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. Based on the management's judgment, no allowance for doubtful accounts is required as of the balance sheet dates.

Inventories

Inventories are stated at the lower of cost (determined on the weighted-average method) or net realizable value. Inventories consist of raw materials for food and beverages. Net realizable value is the estimated selling prices in the ordinary course of business, less the costs necessary to make the sale. Provisions are recorded to reduce inventory for obsolete or slow-moving inventory based on assumptions about future demand and marketability of products, the impact of new product introductions, inventory levels and turns, product spoilage, and specific identification of items, such as product discontinuance. As of December 31, 2023, and 2022, the Company had inventories in the amount of \$505,508 and \$342,674, respectively.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line method over their estimated useful lives. When an asset is retired or sold, its cost and the related accumulated depreciation are eliminated from the respective accounts, and any gain or loss is recorded in other income (expense).

Depreciation is computed by the straight-line method over the following estimated useful lives:

	Years
Leasehold improvements	Shorter of the remaining lease term or useful life of the improvements
Machine and equipment	5 years
Furniture and fixtures	5 years

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Goodwill

The Company's goodwill was recorded as a result of the Company's business combination. Goodwill represents the excess of the cost of a business acquired over the net of the amounts assigned to assets acquired, including identifiable intangible assets and liabilities assumed. The Company tests its recorded goodwill for impairment on an annual basis, or more often if indicators of potential impairment exist, by determining if the carrying value of each reporting unit exceeds its estimated fair value. Factors that could trigger an interim impairment test include but are not limited to, underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the Company's overall business, and the significant negative industry or economic trends.

Impairment of Long-lived Assets

The Company reviews long-lived assets when changes in circumstances or events could impact the recoverability of the carrying value of the assets. The recoverability of long-lived assets is determined by comparing the estimated undiscounted cash flows related to the long-lived assets to their carrying value. Impairment is determined by comparing the present value of future undiscounted cash flows or some other fair value measure to the carrying value of the asset. Management determined that no impairment of long-lived assets existed as of December 31, 2023, and 2022.

Revenue Recognition

The Company has adopted ASC Topic 606, *Revenue from Contracts with Customers*, which requires that recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company's revenues are derived primarily from franchised and licensed Happy Lemon stores and sales of raw materials, food, and beverages. Franchise and license revenues consist primarily of initial area development fees, initial licensing fees, and royalty fees. The Company recognizes revenue when persuasive evidence of a contract with a customer exists and a performance obligation is identified and satisfied as the customer obtains control of the goods or services. See Note 6 for additional information.

Income Taxes

The Company utilizes an asset and liability approach for financial accounting and reporting for income taxes. Deferred income taxes are provided for temporary differences in the bases of assets and liabilities as reported for financial statement and income tax purpose. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company accounts for uncertainty in income taxes in accordance with accounting principles generally accepted in the United States of America, which prescribe a recognition threshold and measurement standard for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return based on a more likely than not threshold. Interest and penalties related to uncertain tax positions are recognized as part of the provisions for income taxes.

Leases

In its ordinary course of business, the Company enters into leases as a lessee for office buildings, stores, and warehouses. The Company recognizes a right-of-use (ROU) asset and lease liability for each lease with a contractual

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

term greater than 12 months at the time of lease inception. The Company does not record leases with an initial term of 12 months or less on the Company's consolidated balance sheets but continues to record rent expense on a straight-line basis over the lease term.

Leases are classified as either finance leases or operating leases. The Company has lease agreements for the use of facilities, and its lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent its obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term using a discount rate based on similarly secured borrowings available to the Company. ROU assets include any prepaid lease amounts and exclude lease incentives.

NOTE 3 – GOODWILL

On August 12, 2020, the Company completed the acquisition of HL West for 70% of its equity interest. The consideration to acquire 3,500 shares of common stock of HL West was \$1,134,000 in cash. The acquisition was accounted for as a business purchase. The acquisition is expected to significantly increase the Company's ability to provide catering services and franchise business in the United States of America.

The following table summarizes the consideration paid and the amounts of the assets acquired, and liabilities assumed recognized, as well as the fair value at the acquisition date of the noncontrolling interest in HL West at the acquisition date:

Consideration:	
Cash	\$ 1,134,000
Fair value of total consideration transferred	<u>\$ 1,134,000</u>
Recognized fair value of identifiable assets acquired and liabilities assumed:	
Financial assets	\$ 84,418
Inventories	8,157
Property and equipment	216,769
Other assets	31,227
Financial liabilities	<u>(98,096)</u>
Total identifiable net assets	242,475
Noncontrolling interest in HL West	(384,000)
Goodwill	<u>1,275,525</u>
	<u>\$ 1,134,000</u>

The purchase price of the business exceeded the fair value of identifiable assets acquired and liabilities assumed. As a result, the Company recognized goodwill of \$1,275,525 in the year 2020 associated with the acquisition. Management determined that no impairment of goodwill existed as of December 31, 2023, and 2022.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – PROPERTY AND EQUIPMENT

As of December 31, 2023, and 2022, property and equipment consisted of the following:

	December 31,	
	2023	2022
Leasehold improvement	\$ 652,997	\$ 557,042
Machine and equipment	346,625	292,182
Furniture and fixtures	55,059	41,935
Transportation equipment	41,010	-
Total property and equipment	1,095,691	891,159
Less: accumulated depreciation	(641,931)	(511,800)
Total property and equipment, net	\$ 453,760	\$ 379,359

Depreciation expenses were \$130,164 and \$115,736 for the years ended December 31, 2023, and 2022, respectively.

NOTE 5 – INTANGIBLE ASSETS

As of December 31, 2023, and 2022, intangible assets consisted of the following:

	December 31,	
	2023	2022
Software	\$ 150,000	\$ -
Total intangible assets	150,000	-
Less: accumulated amortization	(37,671)	-
Total property and equipment, net	\$ 112,329	\$ -

Amortization expenses were \$37,671 and \$0 for the years ended December 31, 2023, and 2022, respectively.

NOTE 6 – REVENUE RECOGNITION

The Company's revenues are derived primarily from franchising and licensing Happy Lemon brand and sales of raw materials, food, and beverages. Franchise and license revenues consist primarily of initial area development fees, initial licensing fees and royalty fees. The Company also earns revenues from some services.

Franchise and Royalty

The Company provides franchisees with a license of the Company's symbolic intellectual property, the "HAPPY LEMON system" or "System". The System includes the Marks, training programs and materials, product and supplier resources, recipes, menu item preparation and service techniques, brand packaging, operations methods and techniques, and other ongoing support functions. The franchise arrangement is documented in the form of franchise agreements and, in most cases, along with an area development agreement. The franchise arrangement between the Company as the franchisor and the franchisee as the customer requires that the Company performs various activities to support the brand without directly transferring goods and services to the franchisees. Such transfer of the franchise license represents a single performance obligation. The franchise license is a symbolic

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

intellectual property that does not have significant standalone functionality, and substantially all the utilization is derived from its association with the Company's past or ongoing activities. The nature of the Company's promise in granting the franchise license is providing the franchisees with access to the brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and are considered to represent a single performance obligation.

The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise and area development fees and (b) continuing franchise fees (royalties). The Company considers the licensing of the franchising right to be a single performance obligation, no allocation of the transaction price is required. The Company recognizes the primary components of the transaction price as follows:

- Area development fees and initial franchise fees are recognized as revenue based on a certain percentage commencing with the Happy Lemon store opening date, and the remaining balance is recognized over the term of the franchise agreement on a straight-line basis. As these fees are typically received in cash at or near the beginning of the franchise term, the cash received is initially recorded as contract liabilities until recognized as revenue over time.
- The Company is entitled to royalty fees based on a percentage of the franchisees' gross sales as defined in the franchise agreement. Royalty revenue is recognized when the franchisees' reported sales occur. Franchise royalties are billed on a monthly basis.

In determining the amount and timing of revenue from contracts with franchisees, the Company exercises significant judgment with respect to the collectability of the payment; however, the timing of recognition does not require significant judgments. Franchise fees are recorded as contract liabilities when cash is received and are recognized as revenues over the term of the franchise agreement upon a new Happy Lemon store opening or at the start of a new franchise term. Royalty revenues are recognized in the month of reported sales by the franchisee. The Company does not incur a significant amount of contract acquisition costs in conducting franchising activities and recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less. The Company's franchising arrangements do not contain a significant financing component.

Company-operated Store Revenues

Company-operated store revenues from food and beverage sales are recognized when payment is tendered at the point of sale as the performance obligation has been satisfied. The revenues are recognized net of sales-related taxes and discounts.

Product Sales

Revenue from sales of raw materials is recognized when the goods are transferred as the performance obligation has been satisfied. The revenues are recognized net of any discounts and sales incentives.

Other Revenues

Revenue that is distinct from the area development and franchise services, such as store designing fees and franchise transfer fees, constitutes separate performance obligations and is recognized when services are rendered. Certain revenues associated with providing consultancy, training, and marketing services are based on a percentage of the franchisees' gross sales as defined in the franchise agreement and recognized when the franchisee's reported sales occur.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contract Balances

Generally, the Company receives payments within 30 days after invoicing depending on the credit terms with franchisees. The Company's accounts receivable, including related parties, were \$480,468 and \$437,365 as of December 31, 2023, and 2022, respectively.

Contract costs consist of incremental costs to obtain a contract, which was referral fees paid in connection with the award of a contract. Such costs are expected to be recovered under existing and future contracts and are amortized on a systematic basis that is consistent with the transfer to the licensing of the franchising right.

	December 31,	
	2023	2022
Balance, beginning of the year	\$ 728,000	\$ 158,983
Additions to incremental costs to obtain a contract	740,000	1,336,000
Amortization of contract costs	(728,000)	(766,983)
Balance, end of the year	740,000	728,000
Less: contract costs - current	(740,000)	(728,000)
Contract costs - noncurrent	<u>\$ -</u>	<u>\$ -</u>

Contract liabilities consist primarily of the unamortized portion of initial area development fees and franchise fees. The amortization of contract liabilities and recognition of revenue will start when Happy Lemon stores are opened. Contract liabilities represent the Company's remaining performance obligations to franchisees, excluding amounts of variable considerations related to sales-based royalties and other service fees. The components of the change in contract liabilities are as follows:

	December 31,	
	2023	2022
Balance, beginning of the year	\$ 2,755,890	\$ 1,490,884
Fees received from franchisees	1,506,000	2,165,372
Revenue recognized	(1,602,543)	(900,366)
Balance, end of the year	2,659,347	2,755,890
Less: contract liabilities - current	(296,734)	(1,502,725)
Contract liabilities - noncurrent	<u>\$ 2,362,613</u>	<u>\$ 1,253,165</u>

NOTE 7 – INCOME TAXES

The Company is a Limited Liability Company ("LLC") elected to be taxed as a C-corporation. The applicable federal income tax rate for the Company was 21% for the years ended December 31, 2023, and 2022.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Components of Income Tax Expense (Benefits)

Income tax expense (benefits) consisted of the following for the years ended December 31, 2023, and 2022:

	<u>2023</u>	<u>2022</u>
Current tax expenses		
Federal	\$ 78,029	\$ 113,553
State	60,297	48,993
Deferred tax expenses (benefits)		
Federal	188,122	(216,688)
State	41,347	(79,749)
	<u><u>\$ 367,795</u></u>	<u><u>\$ (133,891)</u></u>

Deferred Income Taxes

As of December 31, 2023, and 2022, deferred tax assets and liabilities consisted of the following:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Deferred tax assets:		
Net operating loss	\$ 28,503	\$ 129,115
Property and equipment	(13,781)	64,580
State income tax	16,024	9,360
Valuation allowance	-	-
Net deferred tax assets	<u><u>\$ 30,746</u></u>	<u><u>\$ 203,055</u></u>

Income Tax Rate Reconciliation

Reconciliation of income tax provision and the accounting profit multiplied by the U.S. federal income tax rate for the years ended December 31, 2023, and 2022:

	<u>2023</u>	<u>2022</u>
Accounting profits at 21% statutory tax rate	\$ 242,746	\$ (30,209)
Increase (decrease) in income taxes resulting from:		
State income taxes, net of federal tax benefit	76,308	20,984
Utilization of deferred tax assets previously not recognized	67,942	(139,797)
True up of prior year income tax	(19,201)	15,131
Income tax expenses (benefits)	<u><u>\$ 367,795</u></u>	<u><u>\$ (133,891)</u></u>
Effective income tax rate	<u><u>32%</u></u>	<u><u>93%</u></u>

The Company files income tax returns in the U.S. Federal jurisdiction and California state jurisdiction. With few exceptions, the Company is no longer subject to U.S. Federal and state income tax examinations by tax authorities for years before 2019. It is difficult to predict the final timing and resolution of any particular uncertain tax position.

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Based on the Company's assessment of many factors, including past experience and complex judgments about future events, the Company did not anticipate significant changes in its uncertain tax positions over the next 12 months.

NOTE 8 – RELATED PARTY TRANSACTIONS

Transactions entered in the ordinary course of business with related parties were as follows:

Name of Related Parties	Relationship
Yummy-Town Holding Corporation	Parent company
T Rock Inc.	Minority shareholder of parent company; and an entity controlled by management of the Subsidiary
Yen Mei Enterprise Limited	An affiliate company
Happy Lemon HK Limited	An affiliate company
RBT Resources Limited (Taiwan Branch)	Entity controlled by Yu-Chen Chen, CEO of the Company
RBT Holdings Limited	Entity controlled by Yu-Chen Chen, CEO of the Company

For the years ended December 31, 2023, and 2022, transactions entered with its related parties were as follows:

	2023	2022
Sales of raw materials:		
T Rock Inc.	\$ 106,708	\$ 655,709
Service and consulting:		
T Rock Inc.	\$ 13,991	\$ -
Inventory Purchase:		
Yen Mei Enterprise Limited	\$ 590,445	\$ -
RBT Resources Limited (Taiwan Branch)	\$ 446,253	\$ 335,066
T Rock Inc.	\$ 365,237	\$ 307,955
Software purchase		
T Rock Inc.	\$ 150,000	\$ -
Service and consulting fees charged by:		
T Rock Inc.	\$ 294,592	\$ 450,549

As of December 31, 2023 and 2022, the Company had balance due to or due from with its related parties were as follows:

	December 31,	
	2023	2022
Accounts payable:		
Yen Mei Enterprise Limited	\$ 108,339	\$ -
RBT Resources Limited (Taiwan Branch)	\$ -	\$ 98,051
Accounts receivable:		
T Rock Inc.	\$ 1,435	\$ 181,063

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>2023</u>	<u>2022</u>
Other receivable:		
Yummy-Town Holding Corporation	\$ 5,000	\$ -
Paid in advance (Contract Assets):		
T Rock Inc.	\$ 480,000	\$ 442,500

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Lease

The Company entered into non-cancelable operating lease agreements for its stores and warehouse.

A. The following summarizes the line items in the balance sheets, which include the amount for operating leases as of December 31, 2023, and 2022:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Operating leases right-of-use-assets	\$ 1,317,322	\$ 1,102,289
Operating lease liabilities - current	\$ 245,933	\$ 235,425
Operating lease liabilities - non-current	1,191,132	966,643
Total operating lease liabilities	<u>\$ 1,437,065</u>	<u>\$ 1,202,068</u>

B. The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2023, and 2022:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Weighted average remaining lease term – operating lease	4.79 years	7.09 years
Weighted average discount rate	3.96%	2.27%

YUMMY-TOWN USA LLC AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

C. As of December 31, 2023, and 2022, the future minimum lease liabilities were as follows:

	December 31,	
	2023	2022
2023	\$ -	\$ 278,310
2024	376,421	282,715
2025	386,207	287,206
2026	317,148	212,013
2027	305,159	75,851
Thereafter	252,116	199,921
Total undiscounted lease payments	1,637,051	1,336,016
Less: interest	(199,986)	(133,948)
Present value of lease liabilities	<u>\$ 1,437,065</u>	<u>\$ 1,202,068</u>

D. The following summarizes the line items in the income statements which include the components of lease expense for the year ended December 31, 2023, and 2022:

	2023	2022
Operating lease expense included in SG&A	<u>\$ 357,364</u>	<u>\$ 334,854</u>

Contingencies

Loss contingencies, including claims and legal actions in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. The Company was not considered to be probable of any material unasserted possible claims or assessments. Management believes that any such matter will not have a material effect on the consolidated financial statements.

NOTE 10 – SUBSEQUENT EVENTS

The Company evaluated subsequent events through March 1, 2024, the date when the financial statements were available for issuance. It concluded that there were no material recognizable subsequent events requiring disclosure or adjustment as of and for the year ended December 31, 2023.

EXHIBIT B TO THE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

[see attached]



YUMMY-TOWN USA LLC
FRANCHISE AGREEMENT

Franchisee:_____

Effective Date of Agreement:_____

Expiration Date:_____

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C.	Current Form of Releasing Language
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F.	Owner Non-Compete, Non-Disclosure and Confidentiality Agreement (California Franchisees)

HAPPY LEMON FRANCHISE AGREEMENT

This Franchise Agreement (this “**Agreement**”) is made and entered into on _____, 20__ (the “**Effective Date**”) by and between Yummy-town USA LLC, a Delaware limited liability company with its principal address at 1801 Highland Avenue, Unit G, Duarte, California 91010 (“**Franchisor**”), and _____, a _____ with a principal address of _____ (“**Franchisee**”).

WHEREAS, Franchisor has been granted a license by Xian Zong Lin Food and Beverage Management (Shanghai) Co., Ltd. (“**Licensor**”), a Franchisor Associate formed under the laws of the People’s Republic of China, which allows Franchisor to grant franchises involving a distinctive system for the operation of a retail store that sells tea beverages with fresh fruits, milk, salted cheese, boba and other specialty items, as well as other complementary menu items, as designated by the Franchisor (the “**System**”);

WHEREAS, the System includes the HAPPY LEMON trademarks (the “**Marks**”), training programs and materials, product and supplier resources, recipes, menu item preparation and service techniques, branded packaging and any proprietary mixes/ingredients, operations methods and techniques, proprietary information and trade secrets and manual(s), if any, (individually and collectively, the “**Manual**”), as well as know-how regarding the operation and management of a HAPPY LEMON retail outlet;

WHEREAS, Franchisee wants to obtain a franchise to operate a retail outlet using the System and providing the products and services approved by Franchisor for sale under the Marks (a “**Store**”);

WHEREAS, Franchisor is willing to grant Franchisee a HAPPY LEMON franchise on the terms contained in this Agreement (the “**Franchise**”); and

WHEREAS, certain capitalized terms used in this Agreement are defined in Section 37 below.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Grant of Franchise.

A. Grant. Franchisor grants to Franchisee, and Franchisee accepts, the non-exclusive right to use the System and Marks only for the establishment and operation of a Store using and selling Franchisor-approved Products and Services from the Accepted Location (the “**Franchised Business**”). The Accepted Location, as defined in Section 3.A below, is to be identified on Schedule A to this Agreement, which is a part of this Agreement. Franchisee shall not open or operate any additional Stores or engage in any resale and/or sublicensing or franchising of the Marks, System, any Manual, or any other elements of the Franchise. Franchisee shall not provide any Products or Services from or at a location other than the Accepted Location, except as authorized in writing by Franchisor in its sole discretion. Franchisee must not conduct any activities from or at the Store other than the operation of a HAPPY LEMON Franchised Business without Franchisor’s prior written consent.

B. No Grant of Territory; Rights Reserved by Franchisor and Franchisor Associates.

(i) Franchisee acknowledges and agrees that the Franchisee’s license to use the Marks and the System as provided in this Agreement is non-exclusive. Franchisee is not awarded an “exclusive territory” or any “exclusive,” “protected” or “reserved” territorial rights under this Agreement. No such

rights are granted or will be inferred. Franchisor and Franchisor Associates have the right to locate, and to license others to locate, and operate anywhere HAPPY LEMON Stores or any other type of business under the Marks or any other brand, regardless of their proximity to or competition with Franchisee's Store. Franchisor and Franchisor Associates have the right to use, and to license others to use, any distribution channels of any type for the sale of any and all kinds of goods and services, including, but not limited to, grocery outlets and the Internet, whether or not using the Marks or System. Franchisee has no right to exclude any businesses, regardless of their proximity to or competition with Franchisee. Franchisor and Franchisor Associates also can develop or become associated with other concepts, including dual branding and/or other license/franchise systems, for any kind of products and/or services, whether or not using the System and/or the Marks, in Franchisor's sole and absolute discretion.

(ii) Franchisor and Franchisor Associates can acquire, be acquired by, merge, affiliate or co-brand with, or engage in any transaction with other businesses with outlets located anywhere, whether or not competitive or franchised. Franchisee agrees to participate at Franchisee's expense in any brand/chain conversion, as Franchisor requires.

(iii) Franchisor and Franchisor Associates reserve all rights not expressly granted to Franchisee or expressly precluded under this Agreement.

2. Term and Renewal.

A. Term. The Term of this Agreement starts on the Effective Date and expires on (i) the tenth (10th) anniversary of the Effective Date, or (ii) upon Franchisor's written consent, the tenth (10th) anniversary of the grand opening of the Store (the "**Initial Term**"). The applicable Expiration Date appears on the cover page of this Agreement. Regardless of the stated Expiration Date, this Agreement can be terminated sooner as provided in Section 16.

B. Renewal. Franchisee has the right to a successor Franchise at the expiration of an Initial Term of the Franchise for two (2) additional five (5) year terms (each, a "**Renewal**"), so long as Franchisee satisfies the following conditions before and at Renewal, as required by Franchisor. Franchisee shall:

(i) be in full compliance with this Agreement, the mandatory terms of any Manual and any and all other agreements with Franchisor and any Franchisor Associate (including passing Franchisor's inspections and audits);

(ii) by the Expiration Date of this Agreement have brought the Store and its Equipment and other operating assets into full compliance with the specifications and standards then applicable for a new or renewing Store, as established by Franchisor, including any Store Update then required by Franchisor for Franchisee's Store to meet then-current standards and specifications;

(iii) prove to Franchisor's satisfaction that Franchisee has the right to remain in possession of the Store premises for the duration of the Renewal term;

(iv) comply with Franchisor's then-current qualification and training requirements;

(v) have given written notice of Franchisee's desire to renew to Franchisor at least one hundred eighty (180) days, but not more than three hundred sixty-five (365) days, before the Expiration Date of the Initial Term;

(vi) have paid all amounts due to Franchisor and any Franchisor Associate up to and through any Renewal date;

(vii) have signed, along with all Franchisee Owners (if Franchisee is a Business Entity) and any Franchisee Affiliates, a General Release in favor of Franchisor and Franchisor Associates and related persons in a form specified by Franchisor;

(viii) have paid Franchisor by the Expiration Date a Renewal fee of Twenty-Two Thousand Nine Hundred Fifty Dollars (\$22,950) (the “**Renewal Fee**”); and

(ix) have signed Franchisor’s then-current form of franchise agreement, Renewal addendum, and/or extension agreement, as then required by Franchisor in its sole discretion, and any related documents then customarily used by Franchisor for a Renewal Franchise, the terms of which may differ from the terms of this Agreement in material ways (including possibly different payment amounts or arrangements and new fee requirements). Any new form of franchise agreement may be modified to the extent Franchisor considers appropriate to reflect the grant of the Renewal term.

C. Notice of Deficiencies; Franchisor Extension. Within forty-five (45) days after receipt of Franchisee’s written renewal notice, Franchisor shall provide Franchisee with written notice of (i) any reasons that could cause Franchisor not to permit Renewal; and (ii) Franchisor’s then-current image, facility standards and other requirements for the Store or its operations. Franchisor’s award of a successor Franchise to Franchisee is conditioned on Franchisee’s timely compliance with these requirements as prescribed in the notice and all terms of this Agreement. Franchisor can extend the term of this Agreement in its sole discretion to be consistent with the terms of any such notice or to comply with applicable franchise laws. Franchisor is not obligated to grant Franchisee a successor franchise if Franchisee fails to deliver to Franchisor a notice of election to renew, as provided in Section 2.B(v) above.

3. Store Location and Development.

A. Proposed Store Locations and Site Review; Franchisor’s Written Acceptance Required. Franchisee shall operate a Store at a location accepted by Franchisor (the “**Accepted Location**”). If the Accepted Location has not been identified at the time this Agreement is signed, Franchisee must notify Franchisor in writing of a proposed location and review the specifics of the site with Franchisor. If Franchisor reasonably determines that the site warrants further consideration, Franchisor may schedule a site review with Franchisee, which shall be held on-site and at mutually acceptable dates and times. Any acceptance of a proposed site by Franchisor must be in writing. Franchisee is solely responsible for identifying a suitable location for the Store and for obtaining Franchisor’s written acceptance of the proposed location within one hundred eighty (180) days¹ of the Effective Date of this Agreement. If Franchisee and Franchisor do not agree on an Accepted Location within one hundred eighty (180) days of the Effective Date of this Agreement and Franchisor has not granted a written time extension, Franchisor can elect to terminate this Agreement and return the Initial Franchise Fee, less Fifteen Thousand Dollars (\$15,000), and any Initial Training Fee and Grand Opening Fee paid by Franchisee, so long as Franchisee and Franchisee Owner(s), if applicable, sign a mutual termination agreement and a General Release in a form satisfactory to Franchisor. The Post-Termination Provisions of this Agreement will survive such mutual termination. Franchisee shall not make any site commitments before obtaining Franchisor’s written consent to the site.

B. Lease Related Matters. Franchisee agrees to submit any lease and all site-related documents to Franchisor for review prior to their execution. Franchisor may condition approval of the Accepted Location on a lease addendum or other appropriate site-related documents containing some or all of the following terms, in Franchisor’s sole discretion. The lessor must: (i) provide upon request, sales and

¹ Upon our mutual agreement, you may execute up to 3 Franchise Agreements for 3 different Store locations at the same time. In this case, the deadline to obtain Franchisor’s written acceptance of the proposed location under the second Franchise Agreement is 12 months, and the deadline to obtain Franchisor’s written acceptance of the proposed location under the third Franchise Agreement is 18 months.

other operations information related to Franchisee's Store; (ii) permit Franchisee to operate the Store in accordance with this Agreement; (iii) require that the Store premises be used only for the operation of the Store, and prohibit Franchisee's assignment or modification of any lease term or other rights without Franchisor's prior written consent; (iv) give Franchisor copies of any written notices to Franchisee (whether of default or otherwise) and the right to cure any default if Franchisor so chooses; and (v) give Franchisor the right to enter the Store during normal business hours for purposes of inspection to take steps to protect the Marks and Trade Dress and/or prevent/cure any default. Franchisee must deliver to Franchisor a copy of the signed lease or sublease within five (5) days after their execution. Franchisor's review of a lease or purchase agreement, or any advice or recommendation offered by Franchisor, is not and shall not be construed as a representation or guarantee that Franchisee will succeed or an expression of Franchisor's opinion regarding the lease terms. Franchisee acknowledges and agrees that Franchisee shall solely rely on Franchisee's review of any such lease and is encouraged to review the same with a competent attorney.

C. Store Development. Franchisee must meet any Store development standards and specifications Franchisor establishes, which may relate to Store design, decoration, facility layout, equipment, furniture, fixtures, signs and other items for the Store. Franchisee shall obtain Franchisor's prior written approval of site specific drawings/plans before beginning construction. Franchisor will provide a three dimensional rendering for Store design concept and assist with or consent to (or not) any proposed deviations. Franchisee must engage a competent licensed general contractor to build out the Store. Franchisee shall cooperate with and permit Franchisor or its designees to enter the Store premises during normal business hours, with prior notice to Franchisee and without causing any undue interruption, to inspect and evaluate any Store construction for compliance with System Standards and other Franchisor requirements. Franchisor or its designee will give Franchisee notice of any deficiencies, and Franchisee agrees to correct them promptly at Franchisee's expense, subject to the terms and conditions of this Agreement. All matters related in any way to Franchisee's site, its development, construction and equipment are Franchisee's sole responsibility, including related costs and expenses. Franchisee must purchase or lease and install all Equipment, signage, supplies and inventory Franchisor requires prior to opening the Store. The Store must comply with all applicable local, state, and federal laws, including without limitation the Americans with Disabilities Act ("**ADA**"). Franchisee must deliver to Franchisor an ADA Certification in the form attached to this Agreement as Schedule D before the Store can open. Franchisee is solely responsible for identifying and obtaining all required building, utility, sign, health, sanitation, and other business permits and licenses required for the Store. Any proposed revisions to the Store premises and plans as previously approved by Franchisor must be submitted to Franchisor for review for consistency with development standards and for Franchisor's prior written authorization.

D. Opening Requirements. Franchisee must occupy the Accepted Location and be open for business to the general public as a HAPPY LEMON Store within twelve (12) months of the Effective Date of this Agreement² (the "**Opening Period Deadline**"), unless otherwise authorized by Franchisor in writing. If this Agreement applies to a Store to be developed pursuant to the Development Schedule under an Area Development Agreement and this Agreement allows for a greater period of time for the Store opening than is allowed under the Development Schedule, the Development Schedule shall control and be deemed to establish the applicable Opening Period Deadline. Franchisor can terminate this Agreement if Franchisee fails to comply with the Opening Period Deadline, in its sole discretion. Prior to opening and for so long as Franchisee has a HAPPY LEMON Franchise, Franchisee shall obtain and maintain all insurance, licenses, permits and approvals needed to conduct the Franchised Business lawfully at the Store and in compliance with this Agreement (including health and food service legal requirements); make leasehold improvements; hire personnel; and obtain and install all necessary Computer Systems, Equipment, Products and other inventory and furnishings needed to start and operate the Store in compliance with all applicable

² Upon our mutual agreement, you may execute up to 3 Franchise Agreements for 3 different Store locations at the same time. In this case, the deadline open for business under the second Franchise Agreement is 18 months, and the deadline to open for business under the third Franchise Agreement is 22 months.

Franchisor standards and specifications and this Agreement. Franchisee shall not open its Store to the public without Franchisor's prior written authorization, which shall require that (i) the Initial Franchise Fee, Development Service Fee, Initial Training Fee and Grand Opening Fee and any other amounts due Franchisor have been paid; (ii) Franchisor has determined that the Store development requirements have been met to Franchisor's reasonable satisfaction; (iii) certificates of insurance coverage consistent with Section 14.A below have been received by Franchisor; and (iv) Franchisee has completed pre-opening training requirements to Franchisor's reasonable satisfaction and has delivered to Franchisor at least fifteen (15) days prior to opening satisfactory evidence that a Designated Owner has obtained Franchisor-approved food handler certifications required for the operation of the Franchised Business.

E. Relocation of Store. Any proposed relocation of Franchisee's Store also requires Franchisor's written acceptance and will be subject to the same review, leasing and development requirements described in this Section 3 as are applicable to Franchisee's initial Accepted Location. If Franchisee requests Franchisor's consent to relocate the Store, Franchisee must pay Franchisor a relocation fee of Five Thousand Dollars (\$5,000) at the time Franchisee submits its request to cover Franchisor's administrative costs and site evaluation. Franchisee must also pay any out-of-pocket costs and expenses Franchisor incurs in connection with evaluating and approving the new site.

4. Training Program.

A. Initial Training Program. The person identified on Schedule A as Franchisee's Designated Owner must have an equity interest in the Franchised Business and must successfully complete Franchisor's Initial Training Program and obtain all applicable state or local certifications required for the operation of the Franchised Business. The Designated Owner must identify and supervise at least one other manager ("**Store Manager**") if the Designated Owner is also a Store Manager. If the Designated Owner is not a Store Manager, the Designated Owner must identify and supervise a minimum of two (2) Store Managers. The Franchisee's Designated Owner and at least one (1) additional Store Manager must successfully complete the Initial Training Program. Franchisee agrees to train all other Store staff in the skills and subject areas required of their positions and to ensure that at least one employee with a food handler course or equivalent certification as may be required under state or local law is on Store premises during all operating hours. In consideration for the payment of the Initial Training Fee, Franchisor shall make an Initial Training Program available to the Designated Owner and up to one (1) other attendee, all of whom shall participate in the program at the same time. Any subsequent participants shall be charged Franchisor's then-current Initial Training Program fee. Franchisor can choose to eliminate or shorten the Initial Training Program for persons who have previously participated or who have comparable experience in Franchisor's sole estimation. Franchisee will be responsible for all travel, living, incidental and other expenses Franchisee and Franchisee's personnel incur while attending an Initial Training Program and any other instructional or informational programs, remedial training, seminars or meetings/conventions Franchisor may provide. Franchisee is solely responsible for hiring sufficient personnel to adequately staff each Store. If any Store is not operating according to System Standards, Franchisor reserves the right to require the Designated Owner and/or any applicable Store Manager to participate in remedial initial training instruction. Franchisee is responsible for payment to Franchisor of the then current fee for any such remedial instruction, as published in any Manuals or through other written communication to Franchisees, as well as for any incidental costs that Franchisor and/or Franchisor's personnel may incur, such as lodging, transportation, and other related expenses.

B. Additional Programs and Possible On-Site Assistance. Additional training services or programs, if any, shall be offered at Franchisor's sole discretion. Franchisor can charge a reasonable fee for any additional instructional programs, the amount of which will be published in any Manuals or through other written communication to Franchisees. On-site consultation services may be available in Franchisor's sole discretion and subject to Franchisor availability. Franchisee must pay Franchisor's then-current consulting fee and any incidental expenses incurred by Franchisor's personnel participating in any such

additional on-site consultation, including, without limitation, costs of transportation, lodging, and other living expenses. Franchisor can require the Designated Owner, Store Managers, and/or other Franchisee's employees to attend additional programs offered on-line or at Franchisor headquarters or another location selected by Franchisor from time to time so they remain up to date on Products and Services and brand standards. Franchisee will be required to pay any then-current participation fees, as published in any Manual or through other written communication to Franchisees. Franchisee is responsible for all incidental costs that Franchisor and/or Franchisor's personnel may incur in connection with any training program, such as lodging, transportation, and other related expenses.

C. Limited Refund. If Franchisor determines that the Designated Owner and at least one (1) Store Manager have not attended or successfully completed the Initial Training Program prior to the earlier of: (i) the Opening Period Deadline or (ii) the grand opening Franchisee's HAPPY LEMON Store, Franchisor has the unrestricted right to either (a) require that a substitute Designated Owner or Store Manager complete the training or (b) terminate this Agreement. If Franchisor terminates this Agreement due to failure to complete training, then Franchisor will refund to Franchisee the Initial Franchise Fee, less Fifteen Thousand Dollars (\$15,000), and any Grand Opening Fee paid by Franchisee; provided, that Franchisee, Franchisee Owner(s) and Franchisee Affiliates, as applicable, return any Manual received to date and sign a General Release. The post-termination provisions of this Agreement will survive such a termination.

D. Additional Guidance. Franchisor will provide general guidance regarding the operation of Franchisee's HAPPY LEMON Store to the extent Franchisor determines appropriate. This guidance can be furnished in whatever manner Franchisor selects, including electronically, in writing or telephonically, through web-based programs, and/or on-site consultations, among other methods.

E. Annual Meeting. Franchisor may hold an annual meeting or convention for franchisees. Franchisee must attend the annual meeting if Franchisor requires it. Up to two (2) of Franchisee's personnel from the Store may attend the annual meeting free of registration charges. Franchisee must pay Franchisor's then-current attendance fee for any additional personnel Franchisee wishes to send to the annual meeting. Franchisee responsible for all travel, lodging, and living expenses for Franchisee's attendees.

5. Marks.

A. Goodwill and Ownership of Marks. Franchisor and Franchisor Associates developed at great expense and owns or is licensed to sublicense all of the elements of the System and the Marks. Franchisor is licensed to grant to Franchisee, and Franchisee is hereby granted, a non-exclusive right to use the Marks and System as expressly authorized under this Agreement. Nothing in this Agreement grants Franchisee any right, title or interest in the Marks or System, and Franchisor and Franchisor Associates have all rights in and to the Marks and System. All goodwill related to the Marks belongs exclusively to Franchisor or Franchisor Associates and any use of the Marks by Franchisee inures to Franchisor's/ Franchisor Associates' benefit. Franchisee agrees not to oppose or engage in any acts or omissions inconsistent with this Agreement or Franchisor's/ Franchisor Associates' rights in and to the Marks. This Agreement applies to all trademarks, service marks and other commercial symbols that Franchisee may be authorized to use under this Agreement throughout the Term.

B. Limitations and Use of Marks. Franchisee agrees to do business under "HAPPY LEMON" and such other Marks as Franchisor may prescribe. HAPPY LEMON shall be the sole identifier for Franchisee's Store and displayed without any accompanying words or symbols, other than as may be approved by Franchisor in its discretion. Franchisee will not use any Mark, or modified version or derivative of a Mark, as part of its legal name or any other business entity name. Franchisee shall give such trademark registration and other notices, including notices of independent ownership, as Franchisor directs and shall obtain fictitious or assumed name registrations as may be required under law. Franchisee will

display the Marks in compliance with Franchisor's requirements and will not use the Marks so as to negatively affect their goodwill. Franchisee agrees not to use any Mark in connection with the performance or sale of any unauthorized services or products or at any location or in any other manner not authorized in writing by Franchisor. Franchisee agrees not to use any Mark on or in connection with any website/page, domain name, site directory, e-mail address or other electronic display/use, without Franchisor's advance written consent, which Franchisor has an unrestricted right to withhold. Franchisee will comply with all policies and requirements established by Franchisor regarding Internet keyword purchases, social network pages, e-mail protocol, web pages, websites, videos, digital content or any other publication on the Internet in which the Marks are used or mentioned. Upon termination or expiration of this Agreement, Franchisee will cease all use of the System and all use of the Marks in all media, including, but not limited to, websites, web pages and social media. Franchisee will instruct in writing all online directories, search engines, and other advertising publishers as necessary to take down and remove any directory listings and advertisements for Franchisee containing the Marks and will not use or authorize the use of links or similar reference devices associated with any use of the Marks. Franchisee will deliver copies of such instructions to Franchisor within seven (7) days of the termination or expiration of this Agreement. These requirements survive the termination or expiration of this Agreement. Franchisee agrees that electronic commerce is a rapidly developing field and that Franchisor can impose conditions and requirements in addition to the provisions of this Section 5.B and may establish and modify policies concerning use of the Internet and various media, and Franchisee will comply with all such policies.

C. Notification of Infringements and Claims. Franchisee agrees not to take any action that jeopardizes Franchisor or Franchisor Associates' interests in, or the validity or enforceability of, the Marks. Franchisee agrees to immediately notify Franchisor of any apparent or actual infringement of, or of any challenge to Franchisee's use of, the Marks. Franchisor or Franchisor Associates will take such action as either of them deems appropriate in its sole and absolute discretion. As owner of the Marks, Franchisor and Franchisor Associates have the exclusive right to control any settlement, litigation or proceeding arising out of or related to any such matters and shall be entitled to all damages awarded based on infringement of any Mark. Franchisee shall cooperate with Franchisor and Franchisor Associates to protect Franchisor's/ Franchisor Associates' interests in the Marks and shall assist Franchisor or Franchisor Associates in connection with any litigation involving the Marks to the extent requested by and at the expense of Franchisor or Franchisor Associate, as applicable.

D. Changes in Marks. Franchisor can require Franchisee to discontinue, modify, substitute or add any Mark, and Franchisee will comply at Franchisee's expense within thirty (30) days of receipt of notice thereof. Franchisor cannot and does not guarantee that a modification, discontinuance or other change may not be required at any time for any reason. Franchisor and Franchisor Associates will not have any liability or obligation to Franchisee for or related to any modification, discontinuance, substitution, change or otherwise in connection with or to any Marks.

6. Ownership and Use of Copyrights.

Franchisee acknowledges and agrees that Franchisor owns or is the licensee of works that are protected by copyright law and that Franchisor may create, acquire or obtain licenses for additional works subject to copyright law that Franchisee may use in operating the Store (the "**Copyrighted Works**"). The Copyrighted Works include any Manual, training curriculum, and any proprietary recipes, formulas, preparation techniques, advertisements and promotional materials developed by or licensed to Franchisor. Franchisee shall notify Franchisor immediately on learning of any unauthorized use of any of the Copyrighted Works. Franchisor and its licensor, as applicable, shall have the right, but not the obligation, to take such action as they deem appropriate, if any, with regard to the possible unauthorized use. Franchisee shall reasonably cooperate with Franchisor to protect Franchisor's/its licensor's interests in the Copyrighted Works.

7. Manual.

A. *Manual Publication.* While Franchisor has no obligation to produce a manual or a similar document, if Franchisor chooses to publish any Manual, Franchisor shall lend to Franchisee one (1) copy of any such Manual. Franchisor can choose to provide Franchisee with a hard copy of, or electronic, on-line access to, any Manual, which may consist of one (1) or more separate manuals and other materials as designated by Franchisor. Any Manual will contain mandatory and suggested specifications, standards, and operating procedures that Franchisor develops for a Store and information related to other obligations of a HAPPY LEMON franchisee. Franchisor has the right to add to and otherwise modify a Manual in any manner, and Franchisee will comply with any mandatory changes as specified by Franchisor and at Franchisee's sole expense. Franchisor's master copy of any Manual will control in the event of any dispute regarding the Manual.

B. *Franchisee's Control.* Franchisor and Franchisee acknowledge and agree that Franchisor neither dictates nor controls labor or employment matters for Franchisee and Franchisee employees, including, but not limited to those matters related to (a) wages, benefits, and other compensation; (b) hours of work and scheduling; (c) the assignment of duties to be performed; (d) the supervision of the performance of duties; (e) work rules and directions governing the manner, means, and methods of the performance of duties and the grounds for discipline; (f) the tenure of employment, including hiring and discharge; (g) working conditions related to the safety and health of employees; and (h) the manner and means by which they carry out their duties. Nothing contained in this Agreement shall be construed or interpreted so that (i) any of Franchisee's employees becomes or is deemed to be an employee or agent of Franchisor or (ii) Franchisor has any direct or indirect control over, or any direct or indirect authority to control, Franchisee's employees. Franchisee further acknowledges and agrees that any personnel and security-related policies or procedures in any Manual or other written information from Franchisor are for Franchisee's optional use and are not mandatory provisions. It is the Franchisee's sole responsibility to determine to what extent, if any, any such policies and procedures described in any Manual or otherwise by Franchisor might be applicable to operations at Franchisee's Store. Franchisor and Franchisee agree that neither is, nor will be deemed to be, a joint employer with the other and Franchisee will defend, indemnify and hold harmless Franchisor and Franchisor Associates with respect to any such or similar claims against any or all of them.

8. Confidential Information; Non-Disclosure and Non-Use.

A. *"Confidential Information" Defined.* Confidential Information includes in any form current and future:

(i) any Manual, techniques, processes, instructional materials and curricula, policies, procedures, systems, data, and know how regarding the establishment, operation and franchising of HAPPY LEMON Stores;

(ii) HAPPY LEMON layouts and designs, specifications for any HAPPY LEMON customized Products and Services, and supplier lists and related agreements, pricing and terms; and

(iii) Trade Secrets and other non-public information regarding the System or HAPPY LEMON Stores, including potential location plans, System statistics, profits, financial data, marketing plans, business strategies, proprietary recipes, formulas and mixtures, cooking and preparation processes, Store performance information, customer lists and related data for all HAPPY LEMON Stores, and other operating data/information, all of which is owned by and proprietary to Franchisor or a Franchisor Associate, as applicable.

B. *Exclusions.* "Confidential Information" is not intended to include any information that:

- (i) is or subsequently becomes publicly available other than by Franchisee or Franchisee Owner's breach of any obligation;
- (ii) was known by Franchisee or any Owner prior to Franchisee becoming a HAPPY LEMON franchisee;
- (iii) became known to Franchisee or any Owner other than through a breach by Franchisee or any Owner of a legal obligation; or
- (iv) is independently developed by Franchisee.

For avoidance of doubt and notwithstanding any other term of this Agreement, Franchisee acknowledges that Franchisee's customer lists and related data are owned by Franchisor. Franchisee's only interest in any of Franchisor's or any Franchisor Associate's Confidential Information or in any Trade Secret is the right to use it pursuant to this Agreement.

C. *Franchisee Covenants.* Both during and after the term of this Agreement, Franchisee agrees: (i) to use the Confidential Information and any Copyrighted Works only for the operation of Franchisee's Store as authorized under this Agreement; (ii) to maintain the confidentiality of the Confidential Information; (iii) not to make or distribute, or permit to be made or distributed, any unauthorized copies of any portion of the Confidential Information and/or any Copyrighted Works; (iv) not to alter, appropriate, use and/or distribute any Confidential Information or Copyrighted Works except as authorized by Franchisor; and (v) to implement all procedures Franchisor reasonably prescribes for prevention of unauthorized use or disclosure of the Confidential Information and Copyrighted Works.

D. *Franchisee and Franchisee's Employees and Agents.* Franchisee shall notify each of its employees, Store Managers and Owner(s) of Franchisee's obligations with respect to the covenants provided under this Section 8. To the extent permitted by law and if so required by Franchisor, Franchisee agrees to cause anyone who has access to Confidential Information to sign a form of confidentiality and non-use agreement in a form as may be reasonably approved by Franchisor. A form for Owners is attached as Schedule E (for non-California Franchisees) or Schedule F (for California Franchisees). Franchisee shall take such measures to guard any HAPPY LEMON Confidential Information and Copyrighted Works against misuse or misappropriation as Franchisee does for Franchisee's own confidential information and intellectual property, but no less than reasonable measures. Additionally, Franchisee hereby grants to Franchisor and Franchisor Associates the unrestricted, perpetual right without charge to own, use and license the use of any enhancement, adaptation, invention, publication, derivative work, modification or new process developed or acquired by Franchisee or its employees/agents/suppliers concerning any aspect of the Store or its operation, menu items, instructional activities/curricula/recipes or promotion.

E. *Enforcement.* If any court of competent jurisdiction deems the duration of the non-disclosure requirements of this Section 8 overbroad, Franchisee will comply with such requirements with respect to such Confidential Information during and for a period of three (3) years following the Term of this Agreement and, with respect to any Trade Secret, for so long as its Trade Secret character is retained.

9. System Standards and Changes.

Franchisee understands that it is important for the System to be flexible to respond to commercial opportunities and challenges. Franchisee agrees to comply with mandatory provisions of any Manual, the System and System Standards as they are changed and understands that such changes may require additional investments by Franchisee. Franchisee shall operate the Store in compliance with any mandatory HAPPY LEMON procedures, policies, methods and requirements established by Franchisor and published in any Manual or otherwise to promote System Standards, to protect or maintain the goodwill associated with the Marks, to meet competition and/or otherwise as Franchisor considers appropriate. If Franchisee fails to

adhere to Franchisor's System Standards, Franchisee must reimburse Franchisor for any and all costs and expenses Franchisor incurs associated with counsel, inspection, support, assistance, and enforcement rendered to and against Franchisee to correct such failure. Franchisor has the unrestricted right to change, eliminate or modify any elements of the System, any Manual or the Marks. Franchisee has the sole responsibility for managing the daily operations of the Store and for implementing and maintaining System Standards. System Standards may involve requirements relating to Product preparation, storage, handling, packaging and storage; catering and delivery services (if approved); signage; use and display of the Marks; logo wear requirements; hours of operation; required participation in research, surveys, campaigns, conventions and promotions; payment systems and check verification services; bookkeeping and accounting systems; and other aspects of the Store and its operations that Franchisor determines to be beneficial to the System or the establishment and preservation of good will and image associated with the Marks. Franchisee acknowledges that without Franchisee's commitment to the System and to fulfill each of the obligations detailed in this Agreement, Franchisor would not form this franchise relationship with Franchisee.

10. Store Marketing.

A. *Marketing and Store Pricing.* All advertising and promotion for Franchisee's Store must be conducted in a professional manner and conform to the highest ethical advertising standards and any policies Franchisor establishes from time to time. Franchisee shall obtain Franchisor's prior written approval before publishing any advertising, marketing or promotional material or information in any medium which displays the Marks, including social media. Franchisee shall have the right to establish Store retail prices; provided, that Franchisor reserves the right to establish minimum and maximum prices to the extent permitted under applicable law. Franchisor also may recommend pricing. Franchisee agrees not to use any materials, publications, promotions or programs disapproved by Franchisor. Franchisee agrees to participate at Franchisee's expense in any advertising/marketing campaigns implemented by Franchisor, including any such campaigns involving discount coupons or other customer incentives.

B. *Gift Card, Certificates and Customer Loyalty Programs.* Franchisee agrees to implement any gift card, gift certificate, customer loyalty or similar rewards program for its Store as required by Franchisor. Franchisee agrees to accept credit cards, debit cards, and such other means of payment; to sell and accept Franchisor approved gift cards, gift certificates, and other comparable items, as provided or designated by Franchisor or which are prepared using any standard form Franchisor prescribes; and to abide by the terms of any gift card or gift certificate or loyalty program Franchisor specifies, all as provided in any Manual or through other written communication to franchisees and at Franchisee's expense, including without limitation all policies and procedures relating to sales, issuance and redemption and payment of related fees and costs (which will require payment by Franchisee to Franchisor upon issuance of loyalty/rewards points to customers and reimbursement by Franchisor to Franchisee upon redemption of loyalty/rewards points by customers). Franchisee agrees to honor gift cards in the form Franchisor provides or approves, if any, regardless of whether issued directly or indirectly by Franchisee, Franchisor or another HAPPY LEMON Store, and to timely make any payments due to Franchisor or a designee for gift cards sold by Franchisee and to comply with processes for requests for reimbursement for goods and services sold in exchange for gift cards. Franchisee agrees to purchase or lease, install and use all equipment components and software that meet any standards and specifications Franchisor establishes and which allow Franchisee to accept and process any such gift/loyalty cards, certificates or programs as Franchisor may require. Franchisee shall give Franchisor independent access to related system information.

C. *Marketing Fund and Marketing Fund Fees.* With respect to the marketing fund:

(i) Franchisor has established a fund (the "***Marketing Fund***" or "***Fund***") for the purpose of promoting and enhancing the Stores, the System and the Marks. Franchisee shall participate in all Marketing Fund programs and pay to Franchisor a Marketing Fund contribution as provided in this

Section 10.C. On or before the seventh (7th) day after each Royalty Fee period throughout the term of this Agreement, Franchisee shall pay to Franchisor without offset, credit or deduction of any nature, a Marketing Fund Fee equal to one percent (1%) of Franchisee's Gross Revenues, as defined in Section 11.G, in the immediately preceding Royalty Fee period.

(ii) The Marketing Fund will have the characteristics and be operated according to the terms contained in this Section 10.C. Franchisor will have sole and absolute discretion over all matters relating to its operations and be solely responsible for its financial management. The Marketing Fund will be accounted for separately through Franchisor's internal records, but Franchisor has the right to deposit these fees into its general operating account and commingle them with its corporate funds. Contributions may be used to pay for taxes related to the Fund and all administrative, accounting, legal and other costs related to Fund activities and purposes. In lieu of a formal accounting system, Franchisor will maintain internal records of the total fees collected and expenditures incurred. Upon Franchisee's written request once per calendar year, Franchisor will prepare and give to Franchisee an unaudited annual summary showing the total amount collected and a general breakdown of how the funds were spent. Franchisee hereby waives any right to require an audit or a report prepared by an independent Certified Public Accountant (CPA). Franchisor's internal calculations and records shall be final and binding. The Marketing Fund may be used as Franchisor considers appropriate, including for, but not limited to, product development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the Internet; digital advertising; social media management; creative design; in-house agency services and expenses; all outside costs of administering the Fund; brand/image campaigns; media; national, regional, local and other marketing programs; agency and consulting services; research; web site development, maintenance and web-based campaigns and advertising fulfillment costs; and a reasonable allocation of internal administrative costs related to marketing. Franchisor has sole and absolute discretion over the use of the Marketing Fund, including the selection of advertising media, creative concepts, and geographic allocation. Franchisee acknowledges and agrees that the Fund is intended to build brand awareness for the entire System; therefore, Franchisor does not guarantee that any portion of Franchisee's contribution will be spent directly in Franchisee's specific market, or that any Store franchisee will benefit directly, indirectly or in proportion to its contribution to the Marketing Fund.

(iii) Franchisor has the right to spend in any fiscal year an amount greater or less than the aggregate contributions to the Marketing Fund in that year. Any unspent Marketing Fund Fees at the end of a fiscal year will be carried forward for future use. If marketing expenditures exceed the amount collected, Franchisor may advance the necessary funds and be reimbursed from future contributions. Franchisor will not pay interest on any surplus funds held by it. Franchisor can at its discretion defer, waive and/or compromise claims for contributions to, and/or claims against or with respect to, the Marketing Fund and take legal or other action against any franchisee in default of its obligations and/or deny it access to programs, materials and/or other benefits funded by the Marketing Fund. Franchisor Associates, Licensor and Franchisor will not be liable for any act or omission in connection with the Marketing Fund that is consistent with this Agreement. Franchisee acknowledges that any Marketing Fund is not a "trust," and does not create and is not in the nature of a "fiduciary" or similar special arrangement.

(iv) Although Franchisor intends any Marketing Fund it may establish to be ongoing, Franchisor has the right to terminate any Marketing Fund at any time. If the Marketing Fund is terminated, any remaining monies in the Fund may be expended for purposes consistent with this Section 10.C or retained by Franchisor in its sole discretion. Franchisee acknowledges and agrees that Franchisor is under no obligation to return any unspent Marketing Fund Fees to Franchisee or any other franchisee upon termination of the Fund.

D. The HAPPY LEMON Website(s) and Related Policies. Franchisor can, but is not obligated to, license, create and/or maintain a HAPPY LEMON website(s) (individually and collectively,

the “**HAPPY LEMON Website**”). Franchisee will participate in and provide Franchisor pertinent information for content development of any such HAPPY LEMON Website, subject to usage, privacy and other system policies and procedures, as provided by Franchisor in any Manual or otherwise. Franchisor will have no liability for failures, errors or other occurrences relating to any system, program, or HAPPY LEMON Website, or to any computer hardware or software, even if recommended, maintained, created and/or specified by Franchisor. Franchisee shall not establish any website, Internet directory listing or any other presence on the Internet relating to the Store or the Franchised Business or publish any information or statements using the Marks in any manner, including but not limited to social networks and related media, without the prior written consent of Franchisor. Franchisee acknowledges that the domain names www.happy-lemon.com and www.happylemonusa.com are Franchisor or Franchisor Associates’ sole property, and Franchisee shall not register or use any domain name or URL that contains, uses or displays the words “HAPPY LEMON” or any Marks or other words or symbols related or confusingly similar to any of the foregoing without the express written authorization of Franchisor. Franchisee must seek Franchisor’s advance written approval when selecting and using any domain name(s) for the Franchise contemplated under this Agreement. On termination or expiration of this Agreement any previous consent or approval given by Franchisor to use a domain name as provided herein, if any, shall automatically terminate, and Franchisee shall take all actions that Franchisor requires to disassociate Franchisee from the HAPPY LEMON Website and domain name immediately upon termination or expiration of this Agreement. This provision shall survive the termination or expiration of this Agreement.

E. Marketing Policies. Franchisor’s policy as of the Effective Date of this Agreement is to allow Franchisee to market to customers located anywhere, but Franchisor reserves the right to change this policy and to implement other marketing policies and requirements from time to time. Franchisee agrees to comply with any such mandatory policies and requirements as they may be implemented or modified.

F. Ad Customization. Franchisor may make available to Franchisee, from time to time, advertising plans and promotional materials. If Franchisee requests that Franchisor provide customized copies of advertising materials showing information specific to the Store, Franchisee must pay an Ad Customization Fee at Franchisor’s then-published rate per hour (currently, \$75 per hour) for the design and production work associated with such customization.

G. Local Marketing and Grand Opening Campaign. Franchisee shall conduct a grand opening campaign for the Store starting eight (8) weeks prior to and ending four (4) weeks after the opening of the Store to the general public. In addition to the Marketing Fund contribution required under Section 10.C, Franchisor recommends that Franchisee spend an additional one percent (1%) to two percent (2%) of the Store’s Gross Revenues per month on local advertising and promotion. All such local advertising expenditures must be made directly by Franchisee, subject to the prior written approval of Franchisor or Franchisor’s designated advertising agency.

11. Fees.

A. Initial Franchise Fee. Upon the execution of this Agreement, Franchisee shall pay Franchisor by electronic funds transfer or as otherwise instructed by Franchisor an Initial Franchise Fee in the amount of Forty-Five Thousand Nine Hundred Dollars (\$45,900)³. The Initial Franchise Fee is fully earned and payable when this Agreement is executed and is non-refundable, except as provided in Sections 3.A and 4.C.

B. Development Service Fee. Upon the execution of this Agreement, Franchisee shall pay Franchisor by electronic funds transfer or as otherwise instructed by Franchisor a Development Service Fee

³ Upon our mutual agreement, you may execute up to 3 Franchise Agreements for 3 different Store locations at the same time. In this case, the Initial Franchise Fee for the second Franchise Agreement will be discounted to \$40,900, and the Initial Franchise Fee for the third Franchise Agreement will be discounted to \$35,900.

in the amount of Twelve Thousand Five Hundred Dollars (\$12,500). The Development Service Fee is fully earned and payable when this Agreement is executed and is non-refundable under any circumstances.

C. Initial Training Fee. Upon the execution of this Agreement, Franchisee shall pay Franchisor by electronic funds transfer or as otherwise instructed by Franchisor an Initial Training Fee in the amount of Eight Thousand Dollars (\$8,000). The Initial Training Fee is fully earned and payable when this Agreement is executed and is non-refundable, except as provided in Section 3.A.

D. Grand Opening Fee. Upon the execution of this Agreement, Franchisee shall pay Franchisor by electronic funds transfer or as otherwise instructed by Franchisor a Grand Opening Fee in the amount of Thirteen Thousand Six Hundred Dollars (\$13,600). The Grand Opening Fee is fully earned and payable when this Agreement is executed and is non-refundable, except as provided in Sections 3.A and 4.C.

E. Royalty Fee. Beginning with the calendar month in which the Store opens and throughout the Term of this Agreement, Franchisee shall deliver to Franchisor a Gross Revenues Report, as provided in Section 12.B below, and pay Franchisor a Royalty Fee without offset, credit or deduction of any nature. Such Royalty Fee shall be payable to and received by Franchisor by the seventh (7th) day after each royalty period and be equal to six percent (6%) of Franchisee's Gross Revenues in the immediately preceding Royalty Fee period. The time period covered by a Royalty Fee period may be changed by Franchisor (e.g., to a calendar week, etc.). In that event, any amounts which are paid based upon, or calculated in relation to, a Royalty Fee period will be adjusted on pro rata basis. Franchisee must promptly notify Franchisor of any closure of the Store or the Franchised Business that deviates from the normal course of business. Franchisee's royalty and other financial and reporting obligations to Franchisor will continue during any closure period not authorized by Franchisor.

F. Marketing Fund Fee. A Marketing Fund Fee of one percent (1%) of Gross Revenues is due and payable by Franchisee as provided in Section 10.C, above.

G. Gross Revenues. For purposes of this Agreement, "**Gross Revenues**" means all charges and/or revenues that are earned or received by Franchisee in the operation of the Franchised Business, less sales tax collected and paid when due to the appropriate taxing authority and actual customer refunds, adjustments and credits.

H. Payment Methods; No Franchisee Set Off. Franchisee agrees to pay any amount owed to Franchisor or any Franchisor Associate in the manner Franchisor instructs, including possibly by credit card, wire transfer or pre-authorized electronic deposit to a bank or other financial institution account. Franchisee shall complete and execute any bank authorization or other form required by Franchisor for the purpose of authorizing Franchisor's selected payment method. Franchisee agrees to maintain an account at a bank or other financial institution that has the capacity to perform electronic debits to Franchisee's account and shall maintain account balances sufficient to meet any electronic payments that Franchisor requires. Amounts payable to, but not received by, Franchisor from Franchisee on the date due are subject to interest, as provided in Section 23 below. Franchisor and Franchisor Associates can require advance payment by wire transfer, cash on delivery or other specified method of payment on sales of products/services to Franchisee by Franchisor or a Franchisor Associate. Franchisee does not have the right to offset or withhold payments of any kind owed or to be owed to Franchisor or any Franchisor Associate as a result of any dispute with Franchisor or otherwise, except as authorized by an arbitration award or in a judicial proceeding.

I. Renewal Fee. The Renewal Fee of Twenty-Two Thousand Nine Hundred Fifty Dollars (\$22,950) is due and payable by Franchisee as provided in Section 2 above.

J. Transfer Fee. A Transfer Fee of Fifteen Thousand Dollars (\$15,000) is due and payable by Franchisee as provided in Section 18.D below.

12. Records, Systems and Computers.

A. Maintenance of Records. Franchisee shall maintain and preserve for the duration of the Term of this Agreement and any Renewal agreement and as otherwise required by law, complete and accurate books, records and accounts maintained according to standard accounting practices. Franchisee must retain all invoices, purchase orders, payroll records, cash receipts records, sales tax records, business account bank statements, disbursement journals, general ledgers and all other books and records of the finances of the Franchised Business.

B. Reporting. Franchisee shall maintain an accurate record of Gross Revenues and shall deliver to Franchisor in the manner Franchisor specifies a signed and verified statement of monthly Gross Revenues ("**Gross Revenues Report**") for the royalty period in a form that Franchisor approves or provides in any Manual or through other written communication to Franchisees. The Gross Revenues Report for the preceding royalty period must be provided to Franchisor by the close of business on first (1st) day after each royalty period as provided in Section 11.E above. Additionally, Franchisee shall provide to Franchisor at such time and in such form or manner as Franchisor requests:

(i) information about or relating to the Franchised Business, including customer/supplier records and data;

(ii) within forty five (45) days after the end of each of Franchisee's fiscal years, a fiscal year-end balance sheet and income statement for Franchisee's Franchised Business, prepared in accordance with generally accepted accounting principles and certified by Franchisee or Franchisee's accountant, as requested by Franchisor.

(iii) such other data, information and supporting records for the Franchised Business as Franchisor reasonably requests from time to time, including copies of sales tax and income tax returns relating to the Franchised Business.

C. Computer System and Software. Franchisor shall have the right to require Franchisee to obtain, use and maintain computer systems, software, operating systems and databases, Internet technology, communications devices, payment systems, and other systems/items/equipment meeting Franchisor's specifications and compatibility requirements and/or that Franchisor designates by brand or title, including point of sale ("**POS**") systems (collectively, a "**Computer System**"). Franchisee's Computer System shall be linked to the Internet and have email and file sharing capabilities meeting Franchisor's then-current requirements and/or equipment and systems specifications. Franchisor reserves the right to have full access to all of Franchisee's computer data, Computer System and related information via direct access either in person or electronically by telephone, Internet or other electronic access system, as selected by Franchisor, including customer related information/data. The foregoing notwithstanding, Franchisee and Franchisor acknowledge and agree that Franchisor shall have no involvement in or authority over employee scheduling, wage and hour matters or any other employee management activities, or terms and conditions of employment, which are Franchisee's sole responsibility. Franchisee also is solely responsible for ensuring that the collection, input, storage and use of the Franchised Business data complies with any applicable privacy laws and regulations within the jurisdictions applicable to Franchisee's Franchised Business. Franchisee is responsible for any supplier and/or licensor charges for use, maintenance, support and/or updates of and to the required systems. Franchisee shall change, upgrade or add to the Computer System and software or any component thereof from time to time on written notice from Franchisor and/or as required by then applicable software and hardware manufacturers or providers to maintain or operate the system.

D. Inspection. Franchisee shall permit Franchisor and/or Franchisor's agents/representatives at any time during business hours, without causing any undue business interruption and without prior notice, to: (i) inspect the condition of Franchisee's Store, its Equipment and inventory, customer service, menu item preparation and other operations and to record and/or photograph the same; (ii) remove samples for testing and analysis; (iii) interview personnel; (iv) interview customers; (v) review operations processes and sample product quality; and (vi) conduct inventories and other activities for the purpose of determining Franchisee's compliance with this Agreement. Franchisee agrees to correct promptly, at Franchisee's expense, any deficiencies identified by Franchisor or its agent/representative in the course of the inspection. Franchisee shall be responsible for reimbursing Franchisor's costs and expenses incurred in connection with such an investigation to the extent the investigation is motivated by Franchisee's repeated or continuing failure to comply with this Agreement, as determined by Franchisor.

E. Audit. Franchisor has the right to require Franchisee to make available to Franchisor for inspection and/or audit at a time and in the manner Franchisor requests, all original books and records that Franchisor designates. Franchisor or its designee shall have the right, at all reasonable times, to examine, copy, inspect and audit the books and records of Franchisee, including electronic records. Such business records may include, but are not limited to, bookkeeping and accounting records, purchase invoices, sales invoices, sales and income tax records and returns, and cash register tapes/data. Franchisee shall cooperate fully with such an audit. Franchisor's audit rights continue in effect for two (2) years after the termination, expiration, or transfer of this Agreement. If an inspection or audit reveals any underpayment or understatement to Franchisor, then Franchisee shall immediately pay the amount of the underpayment or understatement, plus interest from the date the amount was due until paid, at the interest rate stated in Section 23, and shall reimburse Franchisor for costs and expenses incurred in connection with the audit. The provisions of this Section do not and shall not be construed to waive or excuse any breach reflected by an underpayment or understatement and are in addition to all of Franchisor's other rights and remedies.

13. Standards.

A. Quality and Performance. In all dealings with customers, suppliers, the public, government agencies, Franchisor and all other persons and entities, Franchisee shall adhere to high standards of honesty, fair dealing, and ethical conduct for the protection of the goodwill associated with the Marks and the System. Franchisee and Franchisee's Store staff shall always provide prompt, professional, courteous and efficient service to customers and shall use best efforts to promote and increase sales of Store Products and Services. Franchisee shall follow Franchisor's System Standards, including without limitation those relating to ingredients, preparation techniques, temperatures, and cooking times of menu items to be offered at the Store; hours of operation; and uniform usage. Throughout the term of this Agreement, Franchisee shall always maintain a sufficient supply or inventory for the optimal operation of the Store and as may be required under any Manual.

B. Condition of the Store; Renovation Requirements. Franchisee shall conduct the Franchise Business observing the highest standards of sanitation, cleanliness, customer service and efficiency. Franchisee shall at its own expense keep the assets, condition and appearance of the interior and exterior of the Store (inclusive of parking areas) and the Store assets clean, in good repair and consistent with Franchisor's quality standards and System in order to maintain the goodwill and positive image associated with the Marks and System (collectively, "**Store Maintenance Activities**"). Franchisee shall replace all worn, obsolete or unrepairable assets with those meeting any then current System Standards. Franchisor shall have the right to notify Franchisee that, in Franchisor's judgment, the Store's repair, appearance, Equipment or other assets do not meet Franchisor's standards and to state what action Franchisee must take to correct the deficiency(s). Franchisee shall take all steps needed to correct each deficiency within the timeframe(s) then required by Franchisor. If Franchisee fails to maintain the Store as required, Franchisor shall have the right (but not the obligation) to perform such maintenance on Franchisee's behalf. Franchisee shall reimburse Franchisor for the entire costs Franchisor incurs, plus an administration fee equal to ten

percent (10%) of such costs, upon demand. Franchisee hereby authorizes Franchisor's personnel, and its designated vendors/contractors, to enter the premises of the Store to perform such maintenance at any time. In addition to such ongoing obligations, Franchisee shall at its expense and within 6 months of receipt of written notice from Franchisor (or within such longer period as Franchisor may specify in such notice, in its sole discretion), renovate, update, remodel and otherwise conform its Store to meet then current HAPPY LEMON Store design and appearance requirements as implemented by Franchisor (collectively, a "**Store Update**"); provided, however, that Franchisor will not provide such notice requiring a Store Update during the first 18 months or the last 18 months of the Initial Term. Franchisor reserves the exclusive right to determine whether a required modification is all or a portion of a Store Update or a part of Franchisee's ongoing obligations to perform Store Maintenance Activities and comply with System changes, as described in Section 9 above. Franchisee may be required to do so as a condition to Franchisor's award of a renewal HAPPY LEMON Franchise or to approve a proposed Transfer.

C. Products, Equipment and Services. Franchisee acknowledges that the reputation and good will of the System is based on high-quality product ingredients and customer service. Therefore, Franchisee shall offer and use Products and Services, install and use Equipment and purchase only from suppliers approved or specified by Franchisor, to the extent required by Franchisor. Franchisee shall not, without Franchisor's written consent, conduct any business or engage in any activity, or offer or sell any goods or services other than approved Products and Services on a retail basis, or use any product, equipment, service or supplier that is not approved by Franchisor in connection with the Franchised Business.

D. Approved Suppliers; No Warranties. From time to time, Franchisor shall provide to Franchisee in any Manual or in some other manner a list of suppliers and distributors authorized by Franchisor to supply Equipment, Products and/or Services for use or sale at the Store (each, an "**Approved Supplier**"). Franchisor is not obligated to identify Approved Suppliers near Franchisee's Store location. Franchisor reserves the right to increase or decrease the number and selection of Approved Suppliers in its sole discretion. While Franchisor may identify Approved Suppliers, Products and Services for Franchisee to use and/or sell in the Franchised Business, Franchisor has no liability of any kind for an Approved Supplier's performance or any of its prices, Products, Equipment and/or Services. UNLESS FRANCHISOR OR ANY FRANCHISOR ASSOCIATE GIVES TO FRANCHISEE A SPECIFIC WRITTEN WARRANTY FOR A PARTICULAR ITEM OR SERVICE, ALL FRANCHISOR AND/OR ANY FRANCHISOR ASSOCIATE'S PRODUCTS AND SERVICES ARE OFFERED, PROVIDED AND/OR "APPROVED" WITHOUT ANY WARRANTIES, EXPRESS OR IMPLIED, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE BEING EXPRESSLY DISCLAIMED.

E. Other Supplies and Suppliers. If Franchisee proposes to offer for sale or use at the Store any product or service or to use any supplier or equipment that is not then approved by Franchisor, Franchisee shall first notify Franchisor in writing and request Franchisor's consent to do so. Franchisor may charge Franchisee a reasonable fee for inspecting, evaluating, and testing new products or suppliers proposed by Franchisee, estimated not to exceed One Thousand Dollars (\$1,000) per inspection/test. Franchisee shall submit to Franchisor samples and other information that Franchisor requests to permit evaluation of the proposed product, service, equipment or supplier at Franchisee's expense. Franchisee shall reimburse Franchisor for all such costs and expenses associated with such evaluation upon receipt of invoice. Franchisor shall either approve or disapprove the proposed supplies and/or suppliers within a reasonable period after Franchisor's receipt of the evaluation request. Franchisor shall have the right to re-evaluate any Products, Services, Equipment or suppliers previously approved and to revoke such approval when Franchisor deems appropriate, and can require that some or all Products and Services sold and Equipment used in the Store conform to specifications and quality standards that Franchisor may establish from time to time for protection and enhancement of the goodwill associated with Marks. Franchisor shall also have the right to inspect at any time any products or supplies sourced by Franchisee and to inspect or audit the applicable supplier operations and require appropriate adjustments for consistency with Franchisor

standards. Franchisee shall reimburse upon demand costs incurred by Franchisor in connection with any inspection or site visit to Franchisee's supplier's facility for quality assurance purposes. Notwithstanding any other provision of this Agreement, Franchisor shall not be required to reveal recipes, specifications and/or formulas for Proprietary Products to Franchisee, non-designated suppliers, or any other third parties.

F. Franchisor's Reserved Rights. Franchisor reserves the right to designate a supplier as an exclusive supplier of specified Products/Services/Equipment, to concentrate purchases with one or more suppliers and to receive royalties or other payments from suppliers for selecting them as organization suppliers or for allowing them to sell Proprietary Products. Franchisor and Franchisor Associates also reserve the right to derive profits and to receive discounts, commissions, rebates, promotional allowances and other economic benefits as a result of purchases by franchisees of Products, Equipment and Services from Franchisor, from Franchisor Associates or from any other supplier. Franchisor and/or a Franchisor Associate each may be party to agreements with suppliers that provide for marketing or promotional rebates or allowances, volume discounts or other economic benefits. Any rebates, discounts, allowances, profits, markups or other benefits earned under these agreements or otherwise as a result of franchisees' purchases of that supplier's products or otherwise may be kept and used by Franchisor or Franchisor Associate in its/their sole discretion, as applicable. Franchisor and each of Franchisor Associates can be an Approved Supplier or exclusive supplier of specific Equipment/Products/Services to be purchased by franchisees. Franchisee acknowledges and agrees that Franchisor and each such Franchisor Associate will earn a profit in connection with their respective sales of Products (including Proprietary Products), Equipment and Services to franchisees and have no obligation to remit any portion of their receipts to Franchisee.

G. HAPPY LEMON Products. Franchisee shall use, offer and maintain branded items in stock at the Stores in such quantities as are needed to meet reasonably anticipated consumer demand, including packaging and serving materials, as well as certain proprietary ingredients, mixes, seasonings, flavorings, and other raw materials for HAPPY LEMON menu items which are manufactured in accordance with Franchisor's or Franchisor Associates' standards, recipes, specifications and/or formulas (collectively, "**Proprietary Products**"). Franchisee shall purchase such Proprietary Products exclusively from Franchisor, Franchisor Associate(s) or Franchisor's designated supplier, as applicable. Notwithstanding any other provision of this Agreement, Franchisor shall not be required to reveal such standards, recipes, specifications and/or formulas for Proprietary Products to Franchisee, non-designated suppliers, or any other third parties. Franchisor has the right to adjust the number and type of Proprietary Products from time to time. Any Proprietary Products purchased from Franchisor or any Franchisor Associates shall be purchased according to the then current order, delivery and payment policies and procedures then in effect and as may be established from time to time. Franchisor and Franchisor Associates reserve the right to change prices and terms in connection with Products/Services sold or manufactured by any of them, and to discontinue the manufacture and/or sale of any such Products/Services in its sole discretion. Neither Franchisor nor any of the Franchisor Associates shall be liable for any delays in shipment, receipt, or delivery in connection with Products and Services, including but not limited to Proprietary Products.

H. Supervision. Franchisee, or its Designated Owner, as applicable, is solely responsible for supervising the Franchised Business. Franchisee authorizes Franchisor to deal with any Designated Owner on all matters relating to this Agreement and the Franchised Business. Franchisee must keep Franchisor informed as to the identity of each Designated Owner and Store Manager.

I. Legal Compliance. Franchisee shall obtain and maintain all required licenses, permits and certificates to permit operation of the Store. Franchisee shall comply with all applicable federal, state and local laws, regulations, rules, ordinances, orders and other legal requirements in its performance under this Agreement, including but not limited to the ADA. Franchisee shall notify Franchisor in writing within three (3) days after learning of any demand, action, suit or proceeding made or brought against Franchisee, the Franchised Business or a Designated Owner, or of the issuance of any order, writ, injunction, award or decree of any court or government agency that may adversely affect the operation or financial condition of

the Store, Franchisee, the Marks or the System. Franchisee and its Owners certify, represent, and warrant that none of Franchisee's property or interests is subject to being blocked under, and that Franchisee and its Owners otherwise are not in violation of, any of the Anti-Terrorism Laws and shall complete such forms attesting to the same as Franchisor may require. "**Anti-Terrorism Laws**" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war.

J. Forms. Franchisor may from time to time provide Franchisee with template or sample forms/agreements and other materials and/or require, through any Manual or other written instruction, that forms used by Franchisee in the Franchised Business contain certain terms and/or protections for Franchisor, the Marks or the System. Franchisor does not warrant the legal sufficiency or quality of any such documents that Franchisor may approve or provide, and Franchisee is responsible for having all such items reviewed and modified for compliance with local law by an attorney licensed to practice in the state(s) where the Franchised Business will be located.

K. Program Participation. Franchisor can condition Franchisee's participation in any program, or Franchisee's receipt of any System benefits, including, but not limited to, Product discounts, inclusion in any HAPPY LEMON Website or access to any HAPPY LEMON intranet, training opportunities and other resources and promotional programs, on Franchisee remaining in compliance with the terms of this Agreement.

L. Customer Complaint Fee. If Franchisee fails to resolve any customer complaint and the complaint is escalated to Franchisor for handling, Franchisee shall pay Franchisor a Customer Complaint Fee of Fifty Dollars (\$50) per hour for the time spent resolving the matter. This fee is for Franchisor's administrative time only and does not include any refunds, credits issued or other payments made to the customer, which remain Franchisee's responsibility.

14. Risk Management and Indemnification.

A. Insurance. Franchisee shall ensure that its construction, fixtures and equipment related contractors and its general contractor, if applicable, maintain general liability insurance coverage meeting or exceeding any applicable requirements established by Franchisee's lessor, but which shall in no event be less than One Million Dollars (\$1,000,000) per occurrence. Additionally, Franchisee shall obtain and maintain insurance coverage meeting or exceeding the following requirements:

(i) "all risk" property insurance coverage for the replacement value of the assets of the Franchised Business and business interruption insurance;

(ii) worker's compensation insurance in statutory amounts as required in the state(s) where Franchisee's operations are conducted;

(iii) insurance coverage for contractual indemnity;

(iv) commercial general liability coverage covering the Store and Franchisee's operations for bodily injury and property damage liability including contractual liability, personal injury, advertising and product liability coverage in amounts not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate, or such greater coverage as the Store premises lessor may require; and

(v) automobile liability insurance including coverage for autos owned, leased, hired or borrowed by Franchisee or Franchisee's Owners, with limits of at least Five Hundred Thousand Dollars (\$500,000) (or such higher limit as may be established under state law applicable to your Store location)

per occurrence of bodily injury and property damage combined, and any other or increased amounts of insurance that the Franchisor may require from time to time for each vehicle used by Franchisee (whether principally or occasionally) in connection with the Franchised Business;

(vi) Employer Practices Liability Insurance or similar coverage alternatively named, involving employee-related claims in sufficient amounts in relation to the composition of Franchisee's staff, but in no event will such coverage be less than One Million Dollars (\$1,000,000) per occurrence; and

(vii) any other insurance required by law.

All required policies shall name Franchisor and Franchisor Associates as additional insured and entitled to receive at least thirty (30) days' prior written notice of any intention to reduce coverage or policy limits or to cancel or otherwise amend the policy. Each policy shall contain waivers of subrogation in favor of Franchisor and Franchisor Associates (which shall be operative only so long as available in the state having jurisdiction over an affected claim and provided further that no policy of insurance is invalidated thereby). Franchisor shall have the right from time to time to revise coverage types and policy amounts that Franchisee must obtain and maintain. Franchisor shall have the right at any time to require Franchisee to provide to Franchisor full copies of Franchisee's insurance policies. Franchisee shall provide Franchisor prior to opening the Store certificates of insurance evidencing the coverage described in this Section 14.A, and thereafter with each policy renewal and at Franchisor's request; provided, that evidence of contractor(s)'s coverage as specified above must be provided to Franchisor before any construction/build out begins. If Franchisee fails to purchase or maintain required policies and limits or to provide proof of insurance on request, then Franchisor has the right, but not the obligation, to obtain such coverage, and Franchisee must reimburse Franchisor upon demand. A failure to maintain required insurance is a material breach of this Agreement. Without limiting the foregoing, if Franchisee fails to procure or maintain the required insurance, Franchisor may (but is not obligated to) obtain such insurance for Franchisee. Franchisee shall pay to Franchisor, on demand, any costs and premiums Franchisor incurs, plus an administration fee equal to ten percent (10%) of such costs and premiums.

B. Notice of Claims; Franchisee Indemnification. Franchisee shall notify Franchisor in writing of any and all claims or demands against Franchisee, the Franchised Business, any Franchisor Associate or Franchisor within three (3) days after Franchisee receives actual notice of the claim or demand. Franchisee will defend with counsel of Franchisor's choosing, indemnify and hold Franchisor, Franchisor Associate(s) and each of their respective Affiliates, agents, officers, partners, members, shareholders, directors, employees and representatives (the "**Indemnified Parties**") harmless from all fines, suits, proceedings, claims, demands, actions, losses, damages, costs, fees (including Attorneys' Fees and related legal costs and expenses), governmental/administrative actions or proceedings and any other liability of any kind or nature, however arising, growing out of or otherwise connected with and/or related to any Franchisee breach of this Agreement, the ownership or operation of Franchisee's Franchised Business, or any act, error and/or omission by Franchisee and/or any Franchisee Affiliates, agents, officers, partners, members, shareholders, directors, employees or representatives. Franchisor will have the right to control all litigation to which it is a party and to defend and/or settle any claim in such manner as Franchisor considers appropriate, without affecting Franchisor's or the Indemnified Parties' rights under this indemnity. Franchisee acknowledges that this obligation to indemnify and reimburse Indemnified Parties for costs and expenses, as described above, applies to any action or proceeding or legal matter of any kind in which one or more Indemnified Parties is/are named or involved and which also involves this Agreement and/or Franchisee's Franchised Business, including any administrative actions or investigations and appellate, post judgment or bankruptcy proceedings. Franchisee further acknowledges that this obligation to indemnify and reimburse Indemnified Parties for costs and expenses, as described above, expressly applies to claims from persons employed by or providing services to Franchisee involving allegations of a violation the Fair Labor Standards Act, the Occupational Safety and Health Act, any state workers' compensation act, any state unemployment compensation benefit law or regulation, or any other federal,

state or local employment or employee benefit law or regulation. All amounts payable by Franchisee under this Section 14.B are due upon demand. Franchisee is entitled to appoint separate independent counsel to represent Franchisee's interests in such suits, proceedings, or claims, all at Franchisee's expense. Franchisee's obligations under this Section 14.B survive the assignment, termination or expiration of this Agreement. Notwithstanding anything to the contrary herein, Franchisee has no obligation to indemnify or hold harmless an Indemnified Party for losses to the extent that they are determined to have been caused solely and directly by the Indemnified Party's negligence, willful misconduct, strict liability, or fraud.

15. Covenants.

A. No Diversion; Protection of Goodwill. During the term of this Agreement, Franchisee and Franchisee Owners shall not, either directly or indirectly, for itself/themselves, or through, on behalf of or in conjunction with any person or Business Entity divert or attempt to divert any business or customers of the Store to any competitor, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System. Franchisee acknowledges and understands that all customer relationships and customer-related information obtained at or by Franchisee in connection with the Franchised Business are Franchisor's intellectual property and a part of Franchisor's Confidential Information.

B. No Engaging in Competing Business During Term. During the term of this Agreement, Franchisee, each Franchisee Affiliate, each Franchisee Owner and each Family Member of each of the foregoing, shall not:

(i) have any direct or indirect interest anywhere in any Similar Business, or in any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses; or

(ii) provide any financial support or perform any services anywhere as an employee, agent, representative, consultant or in any capacity of any kind for any Similar Business, or for any entity granting franchises or licenses or establishing joint ventures to operate Similar Businesses.

For purposes of this Agreement, (i) a "**Similar Business**" is any business or enterprise that markets or sells tea beverages with fresh fruits, milk, salted cheese, boba and other distinctive HAPPY LEMON menu items and such goods comprise more than twenty percent (20%) of sales for such business/enterprise; and (ii) "**Family Members**" include an individual and his/her spouse and/or domestic partner, and their respective mother, father, brother, sister, son, and daughter. These restrictions do not apply to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than three percent (3%) of the outstanding number of shares of that class issued by a Similar Business.

C. Further Trade Secret and System Protection; Post-Term Restrictions. For a period of two (2) years after the transfer, termination or expiration of this Agreement and to the extent permitted by law, Franchisee, each Franchisee Affiliate, each Franchisee Owner and each Family Member of each of the foregoing, shall not:

(i) have any direct or indirect interest in any Similar Business within a radius of ten (10) miles of the Accepted Location or of any HAPPY LEMON Store, or

(ii) provide any financial support or perform any services as an employee, agent, representative, consultant or in any capacity of any kind for any Similar Business within a radius of ten (10) miles of the Accepted Location or of any HAPPY LEMON Store; or

(iii) have any direct or indirect interest anywhere in, or provide any financial support to, any entity granting franchises or licenses or establishing joint ventures for the operation of Similar

Businesses, or perform any services anywhere as an employee, agent, representative, consultant or in any capacity of any kind for any such entity.

Franchisee accepts that it is Franchisee's obligation under this Agreement to ensure the compliance of each of the persons/entities named in Sections 15.A, 15.B and 15.C with the limitations described in those Sections. Franchisor shall use reasonable judgment in evaluating whether or not the conduct of a Family Member warrants the exercise of rights under this provision.

D. Franchisee Acknowledgment. Franchisee and Franchisor share a mutual interest in ensuring compliance with the restrictions on competition described in Sections 15.A, 15.B and 15.C. Franchisee acknowledges and agrees that such protections can enhance the value of the System to Franchisee, have been expressly bargained for and represent a reasonable balancing of Franchisee and Franchisor interests. Franchisee confirms that Franchisee and Franchisee Owner(s) possess valuable skills unrelated to the Franchised Business and have the ability to be self-supporting and employed regardless of the restrictions on competition to which Franchisee and Franchisee Owners have agreed.

E. Covenants are Severable; Trade Secret Protection Essential. Each of the above covenants shall be deemed independent of any other covenant or provision of this Agreement. If any of the restrictions of this Section 15 are determined to be unenforceable to an extent because of excessive duration, geographic area, scope of business or otherwise, they will be reduced to the level that provides the greatest protection to Franchisor and the System, but which is still enforceable. Franchisee and Franchisor agree and intend that Franchisee and Franchisee Owner(s) in all instances shall not engage in any activities or business if the fulfillment of Franchisee's/Franchisee Owner's duties and responsibilities with respect to any such activities or business (or the duties and responsibilities of another person/entity identified in Sections 15.B and 15.C) would inherently call upon Franchisee or such person/entity to disclose and/or use Franchisor's or Franchisor Associate's Trade Secrets or other proprietary information.

F. Similar Covenants from Franchisee Owner(s). Each Franchisee Owner (if Franchisee is a Business Entity) shall execute covenants in a form satisfactory to Franchisor imposing requirements the same as or equivalent to those provided in this Section 15 to the extent permitted by law. A proposed form for signature by Franchisee Owner(s) is attached as Schedule E (for non-California Franchisees) or Schedule F (for California Franchisees).

G. Injunctive Relief. Franchisee acknowledges that money damages would not be a sufficient remedy for breach of the obligations in this Section 15. Accordingly, Franchisor shall be entitled to seek and obtain equitable remedies, including, without limitation, immediate restraining orders and injunctive relief for the actual or threatened breach of any obligation in this Section 15. Franchisor's remedies for a breach of Sections 15.B and 15.C will include, but not be limited to, the right to receive all profits generated in connection with the operation of any Similar Business.

H. Liquidated Damages for Non-Compete Violations. Franchisee acknowledges that a violation of the non-competition covenants in this Section 15 will cause Franchisor irreparable harm and loss of revenue that is difficult to calculate. Therefore, if Franchisee or any restricted party violates these non-competition covenants, Franchisee shall pay to Franchisor, as liquidated damages and not as a penalty, an amount equal to ten percent (10%) of the gross revenues generated by the competing business(es) for the duration of the violation. This fee is payable at the same time and at the same intervals as the payment of Royalty Fees under this Agreement. The parties acknowledge that this amount is a reasonable estimate of Franchisor's damages.

16. Default and Termination.

A. Termination by Franchisor with No Opportunity to Cure. This Agreement shall, at Franchisor's option, terminate automatically upon Franchisor's delivery of notice of termination to Franchisee, without opportunity to cure, if Franchisee or Franchisee Owner(s), as applicable:

(i) fails to have an Accepted Location within one hundred eighty (180) days of the Effective Date of this Agreement, or to develop, stock, equip, open and operate the Store by the Opening Period Deadline as provided in Section 3 above;

(ii) fails to satisfactorily complete the Initial Training Program (along with Franchisee's Store Managers), to the extent required by Franchisor and as provided in Section 4 above;

(iii) has made any material misrepresentation or omission in the application for the Franchise;

(iv) is convicted of or pleads no contest to a felony or other crime or offense that Franchisor believes is likely to affect adversely the reputation of Franchisor, Franchisee, the System or the Store;

(v) duplicates or discloses or makes any unauthorized use of any Trade Secret or Confidential Information or Copyrighted Works provided to Franchisee by Franchisor, including any Manual;

(vi) abandons, fails or refuses to actively operate the Franchised Business for five (5) or more consecutive days without Franchisor's advance written consent, or fails to relocate to another approved Store location within ten (10) days after vacating the Accepted Location or within such longer period as is permitted by Franchisor in writing, if any;

(vii) attempts to make or makes an unauthorized Transfer or assignment under this Agreement;

(viii) submits to Franchisor on three (3) or more separate occasions at any time during the term of the Franchise any false or inaccurate reports or other information required by Franchisor, regardless of whether or not corrected;

(ix) is the subject of insolvency, receivership or bankruptcy proceedings, admits in writing insolvency or an inability to pay debts as they are due, or makes an assignment for the benefit of creditors;

(x) misuses or makes an unauthorized use of any of the Marks or commits any other act that can reasonably be expected to impair materially the goodwill associated with any of the Marks;

(xi) fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit required reports or other Franchisor required information when due, to pay Royalty Fees or any other fees or amounts due to Franchisor or any Franchisor Associates, or otherwise fails to comply with this Agreement, whether or not the failures to comply are corrected after notice is delivered to Franchisee;

(xii) receives a written notice of default under Section 16.B below, more than twice during the term of this Agreement;

(xiii) violates any safety, health or consumer protection law, ordinance or regulation or operates the Store in a manner that presents a safety or health hazard to its customers or the general public

and does not immediately begin to cure such violation or hazard and correct the same within seventy-two (72) hours of receipt of notice about it;

(xiv) fails to comply with all applicable laws, regulations, orders and ordinances relating to the Store and/or the Franchised Business; or

(xv) have assets, real property or other interests blocked in connection with any legal requirements relating to terrorist conduct or activities, or otherwise violate any such requirements; or

(xvi) fails to have and maintain insurance in compliance with Section 14.A, or to deliver certificates of coverage within seven (7) days of any written request by Franchisor.

B. Termination by Franchisor with Opportunity to Cure. This Agreement shall terminate, at Franchisor's sole option, without further action by Franchisor or notice to Franchisee if Franchisee or any Franchisee Owner(s), as applicable:

(i) fails or refuses to make payments of (a) any amounts due Franchisor or any Franchisor Associate or Approved Supplier for Royalty Fees, marketing fees, or purchases from Franchisor or any such Franchisor Associate or Approved Supplier, or (b) any other fees or amounts due to Franchisor or any such Franchisor Associate or Approved Supplier, or (c) fails or refuses to maintain a bank account with sufficient funds to permit Franchisor to make electronic debits as provided under this Agreement, or (d) otherwise prevents Franchisor from electronically debiting Franchisee's bank account, and (e) does not correct any such failure or refusal within five (5) days after written notice is delivered to Franchisee; or

(ii) fails or refuses to use and/or offer for sale Products and Services and/or use Approved Suppliers and Equipment, to the extent required by Franchisor, or offers/sells/uses unauthorized products/services/equipment/suppliers without first obtaining Franchisor's advance written consent, and does not correct such default within five (5) days after written notice of the default is delivered to Franchisee; or

(iii) fails or refuses to comply with any other provision of this Agreement, any other agreement with Franchisor or any Franchisor Affiliate, or any mandatory requirement prescribed in any Manual and does not correct the failure within thirty (30) days of written notice thereof or within any shorter period for cure as may be prescribed under the applicable agreement.

C. Discontinued Products/Services; Costs of Enforcement. If Franchisor delivers a notice of default to Franchisee, Franchisor and Franchisor Associates have the right to stop selling and/or providing any goods (Proprietary Products or otherwise) and/or services, including Franchisee's participation in the HAPPY LEMON Website or intranet or a marketing promotion, until Franchisee has cured all defaults. Franchisee shall pay to Franchisor all damages, costs and expenses, including all costs of collection and reasonable Attorneys' Fees, incurred by Franchisor in connection with the enforcement of any provision of this Agreement, both during and after the termination or expiration of this Agreement, and this obligation shall survive any such termination or expiration.

D. Mutual Termination. If the sublicense agreement between Franchisor and Licensor is terminated or expires, our rights, duties and obligations under this Agreement will, at Licensor's sole and absolute discretion, revert to and be accepted by Licensor and/or its designee. If Licensor does not elect to accept such a reversion or assignment of Franchisor's rights, duties and obligations under this Agreement, then Franchisor and Franchisee agree that this Agreement shall be deemed to be mutually terminated concurrently with the termination/expiration of Franchisor's license with Licensor. In that event and if Franchisee is not in default of this Agreement, Franchisee will not be required to comply with Franchisee's non-competition obligations under Section 15.C, but will otherwise comply with the post termination provisions of Section 17 below.

E. Franchisor's Right to Operate. Franchisor may, at its option, enter the premises and operate the Store if: (i) Franchisee is in material breach of this Agreement; (ii) Franchisee is absent or abandons the Store; or (iii) in the event of Franchisee's death or incapacity (if the Franchisee is a natural person). If Franchisor elects to operate the Store under these circumstances, Franchisee shall pay to Franchisor a management fee of Five Hundred Dollars (\$500) per day, plus reimbursement of any expenses Franchisor incurs (including travel, lodging, and meals for its personnel), payable on demand. This fee is in addition to any other fees payable under this Agreement (such as Royalty Fees). Franchisor's operation of the Store shall be for Franchisee's account, and Franchisor shall not be liable to Franchisee for any losses or claims arising from its operation of the Store, provided Franchisor acts in good faith.

17. Rights and Duties on Expiration or Termination.

A. Franchisee's Obligations. On termination or expiration of this Agreement, Franchisee and Owner(s) shall:

(i) immediately cease directly or indirectly representing to the public or holding itself out as a present or former HAPPY LEMON franchisee;

(ii) immediately and permanently cease using, whether through advertising, the Internet, social media or in any other manner or materials, any Confidential Information, the Copyrighted Works, any Trade Secrets, the Marks and any distinctive designs, slogans, branded or Proprietary Products, signs, symbols, logos or devices associated with the System, as well as any marks, designs or slogans confusingly similar thereto;

(iii) take such action as may be necessary to cancel or to assign to Franchisor or Franchisor's designee, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities that contains the name "HAPPY LEMON" or any of the Marks or any derivative thereof;

(iv) immediately pay all sums owing to Franchisor and any Franchisor Associate or any Franchised Business creditor;

(v) pay to Franchisor all damages, costs and expenses, including reasonable Attorneys' Fees, incurred by Franchisor after the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

(vi) immediately discontinue any use of and, on Franchisor's request and at its option, return to Franchisor or destroy any Manual, instructional program or marketing materials, and any item or materials bearing the Marks;

(vii) immediately discontinue domain names, e-mail addresses, Internet key word purchases, social network pages, videos and any other publication on the Internet using the Marks, including Facebook, Twitter, YouTube, Pinterest, Instagram, SnapChat or other social media, and ensure the removal of any such uses from all such sites/media;

(viii) comply with the covenants contained in Section 15 of this Agreement to the fullest extent permitted by applicable law;

(ix) assign to Franchisor or its designee on Franchisor's request, all of Franchisee's right, title and interest in and to Franchisee's telephone and facsimile numbers for the Franchised Business, and all of Franchisee's right, title and interest in Internet addresses, electronic mail addresses and domain names and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone and facsimile numbers, Internet addresses, electronic mail

addresses, domain names and any regular, classified or other telephone directory listings associated with the Marks;

(x) immediately remove from the Store premises any HAPPY LEMON interior and exterior displays and signage and any physical and/or structural features associated with HAPPY LEMON Stores and Trade Dress and otherwise de-identify the Store so that the Store is clearly distinguished from other HAPPY LEMON Stores and does not create any public confusion. If immediate removal of exterior signage is not possible because of the necessity of lessor involvement or similar requirements involving leased premises, Franchisee will arrange for immediate coverage of the exterior signage such that it is no longer visible to the public and for the removal of the exterior signage within ten (10) days of the termination or expiration of this Agreement. If Franchisee fails to de-identify the Store following termination or expiration, Franchisor shall have the right to enter the Store to de-identify the premises, including the removal of any exterior signage and proprietary items. Franchisee hereby authorizes Franchisor to do so without being guilty of trespass. Franchisee will pay, on demand, Franchisor's costs for such work, plus an administration fee equal to ten percent (10%) of such costs; and

(xi) comply with Franchisor's request to purchase Store assets as provided herein. Franchisor has the right (but not the duty), for a period of thirty (30) days after termination or expiration of this Agreement, to elect to purchase: (a) any or all of Franchisee's product inventory for cost less twenty percent (20%); and (b) any other assets of the Franchised Business, including signs, Equipment, supplies, advertising materials, forms, and software at the lower of Franchisee's cost or fair market value. If the parties cannot promptly agree on fair market value, the fair market value will be determined by an independent appraiser selected by an independent third party designated by Franchisor, and the appraiser's determination shall be final and binding. If Franchisor elects to exercise this option to purchase, it can assign its rights to a designee and also has the right to set off all amounts due Franchisor and any Franchisor Associate from Franchisee under this Agreement, or otherwise against the purchase price.

All obligations under this Section and other terms that expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect until they are satisfied or by their nature expire.

B. No Release. If this Agreement terminates, is transferred or expires, Franchisee shall not be released or discharged from Franchisee's obligations, including payment obligations, unless otherwise provided by Franchisor in writing. If this Agreement is terminated as a result of Franchisee's default, Franchisor also shall be entitled to payment from Franchisee of all amounts which would have become due under this Agreement or any other agreement with Franchisor if Franchisee had continued to operate a franchised HAPPY LEMON Store for the full term of this Agreement. Franchisor's remedies for default shall include, but are not limited to, the right to collect the present value of these amounts and to receive the benefit of its bargain with Franchisee, as well as to accelerate the balances of any promissory notes owed and to receive any other unpaid amounts owed to Franchisor or any Franchisor Associate.

C. Return of Proprietary Products. Franchisor shall have no obligation to repurchase any Proprietary Products or supplies inventory remaining at the terminated Store. Promptly at Franchisor's request and Franchisee's expense, Franchisee shall return any such Proprietary Products and supplies to a location Franchisor designates. To the extent that Franchisee is licensed to operate any other HAPPY LEMON Store and provided that there is no adverse effect on quality, Franchisor will permit Franchisee to use such inventory at such other Store(s) to reduce the expense of compliance.

D. Liquidated Damages for Termination. If Franchisor terminates this Agreement due to Franchisee's default, or if Franchisee terminates this Agreement or ceases to operate the Store without Franchisor's prior written consent, Franchisee agrees to pay Franchisor, on demand, liquidated damages in an amount equal to the average monthly Royalty Fees payable to Franchisor for the prior twelve (12) months

(if the Store operated for less than twelve (12) months, then the average monthly Royalty Fees payable to Franchisor over the period of operation), multiplied by the lesser of: (i) the number of months remaining in the current Term, or (ii) twelve (12). The parties acknowledge that this amount is a reasonable estimate of Franchisor's damages and not a penalty.

E. *Interim Royalty.* If this Agreement expires and Franchisee continues to operate the Store with Franchisor's permission but without signing a successor agreement, Franchisee shall pay Franchisor an Interim Royalty equal to Franchisor's then-current Royalty Fee, plus an additional two percent (2%) of Gross Revenues.

18. Transfer Restrictions.

A. *Assignment by Franchisor.* Franchisor has an unrestricted right to transfer, assign or otherwise convey this Agreement, and some or all of Franchisor's rights and/or obligations under it, in its sole and absolute discretion, in whole or in part, without Franchisee's consent. Franchisee acknowledges and agrees that Franchisor may be sold and/or sell any or all of Franchisor's Marks, Trade Secrets, Copyrighted Works or the System and/or other assets, and go public, merge, or acquire other entities, whether or not competitive to Franchisee or Franchisor, without Franchisee's consent.

B. *Assignment by Franchisee.* Franchisee and Franchisee Owner(s) shall not encumber, assign or otherwise transfer all or any interest in the Store, the Franchised Business assets, or this Agreement, and no Owner shall transfer any interest in Franchisee, without Franchisor's prior written consent (individually and collectively, a "***Transfer***"). Any purported Transfer without Franchisor's prior written consent shall be null and void and shall be a material breach of this Agreement. The term "***Transfer***" includes any voluntary or involuntary assignment, sale, gift, pledge or any grant of any security or other interest and the following events: (i) any transfer of ownership of membership, capital stock or any partnership or similar interest; (ii) any merger, consolidation or issuance of additional securities representing an ownership interest in the Franchised Business or the Franchisee; (iii) any sale of Franchisee's voting stock; (iv) any transfer in a corporate or partnership dissolution, divorce, insolvency proceeding or otherwise by operation of law; (v) any transfer of any interest in any revenues, profits, or assets of the Franchised Business which is not in the ordinary course of business; or (vi) any Franchise transfer to a Business Entity and/or a trust or similar entity. A Transfer of ownership, possession or control of a HAPPY LEMON Store, or of its assets, may only be made with a Transfer of the Franchise, unless Franchisor otherwise agrees in writing and in its sole discretion.

C. *Conditions for Consent to Transfer to a Wholly-Owned Entity.* If Franchisee is one or more natural persons, Franchisor shall not unreasonably withhold consent to a Transfer by Franchisee to a Business Entity wholly-owned by such Franchisee and shall not require payment of the Transfer Fee described in Section 18.D(v), below, provided that Franchisee meets the following conditions, to the extent required by Franchisor, all of which are accepted by Franchisee as reasonable:

(i) The transferee entity/franchisee shall be newly organized with its activities confined exclusively to operating a HAPPY LEMON Store under this Agreement;

(ii) The individual(s) approved by Franchisor as the Owner(s) of the Franchised Business shall be and shall remain the Owner(s) of the securities or other applicable ownership units for the transferee entity;

(iii) The Owner approved by Franchisor as the Designated Owner shall remain the Designated Owner for the transferee entity;

(iv) The transferee entity shall enter into a written assignment (in a form satisfactory to Franchisor) in which the transferee entity assumes all of Franchisee's obligations under this Agreement;

(v) All Owners of the transferee entity (and each of their respective spouses or domestic partners, to the extent required by Franchisor) shall enter into a written agreement, in a form satisfactory to Franchisor, jointly and severally guaranteeing full payment and performance of the transferee entity's obligations under this Agreement;

(vi) Each certificate representing an ownership interest in the transferee entity and/or the Franchisee shall have conspicuously endorsed on it, and/or the operating agreement shall include, as applicable, a statement that ownership interests are held subject to the restrictions on Transfer provided in this Agreement;

(vii) No new shares of stock or membership interests or other indicia of ownership in the transferee entity shall be issued to any person or entity without obtaining Franchisor's prior written consent; and

(viii) Franchisee and all Owners shall execute a General Release prior to any Transfer in a form prescribed by Franchisor.

D. Conditions on all Other Transfers. Except for Transfers made pursuant to Section 18.C above, Franchisor shall have the right to impose any or all of the following conditions on any proposed Transfer:

(i) the transferee(s) shall have a credit rating and financial/business qualifications reasonably acceptable to Franchisor and otherwise meet Franchisor's then-current qualifying criteria for the grant of a Franchise; and Franchisee shall provide Franchisor with information as Franchisor may require to make such determination;

(ii) the transferee(s) or the individual who shall be the Designated Owner of the Franchised Business shall have successfully completed the Initial Training Program for new franchisees and paid the then-current initial training fee or shall have otherwise demonstrated to Franchisor's satisfaction sufficient ability to operate the Store being transferred;

(iii) the transferee(s), including Owners of the transferee(s), shall jointly and severally execute any or all of the following, at Franchisor's sole discretion and as Franchisor shall direct: (a) Franchisor's franchise agreement and other standard ancillary agreements with Franchisor on the current standard forms being used by Franchisor, except that an additional Initial Franchise Fee, Development Service Fee and Grand Opening Fee shall not be charged; and/or (b) an assignment from Franchisee in a form satisfactory to Franchisor, under which the transferee shall assume all of Franchisee's obligations under this Agreement; and (c) such personal guarantees and ancillary documents as Franchisor then customarily requires;

(iv) the term of the transferee's franchise shall be for the unexpired term of this Agreement or, at Franchisor's option, for the full term of any franchise agreement signed in connection with the Transfer, as provided in Section 18.D(iii) above;

(v) Franchisor must receive payment of a Fifteen Thousand Dollars (\$15,000) Transfer Fee on or before the completion of the Transfer;

(vi) Franchisee shall not take or maintain a security interest after a Transfer in the Franchise or this Agreement or any Franchised Business assets without Franchisor's prior written consent, which Franchisor has an unrestricted right to condition or withhold. If permitted, any security interest will be subordinated to the Franchisor's rights to payment under the applicable franchise agreement and subject to the conditions to Transfer under the transferee's franchise agreement;

(vii) the transferee(s) and Franchisee and each of their respective Owners must sign any consent to Transfer form then customarily requested by Franchisor, which can include a General Release;

(viii) the transferee and each transferee Owner shall not be in breach of this Agreement upon completion of the Transfer due to interests in Similar Businesses or otherwise;

(ix) all amounts due Franchisor or any Franchisor Associate and any Franchised Business supplier must be paid in full;

(x) each certificate representing an ownership interest in any transferee entity shall have conspicuously endorsed on it, and/or the operating agreement shall include, as applicable, a statement that ownership interests are held subject to the restrictions on Transfer provided in this Agreement;

(xi) no shares of stock or membership interests or other indicia of ownership in the transferee entity shall be transferred or issued to any person or entity without obtaining Franchisor's prior written consent;

(xii) the Franchisee Owner approved by Franchisor as the Designated Owner shall remain the Designated Owner, unless Franchisor approves a substitute at Franchisee's request and in Franchisor's sole discretion; and

(xiii) Franchisee's Store facility and its operations must have been brought into full compliance with any Manuals and specifications and System Standards then-applicable for new HAPPY LEMON Stores.

E. No Release. Franchisor's approval of any Transfer shall in no way be deemed a release by Franchisor of Franchisee's, any Franchisee Owner's or any guarantor's obligations under this Agreement, or of any guarantee, any promissory note or any other agreement related to the Franchise. Franchisor's consent to a Transfer shall not be or be interpreted as a consent to any future Transfer.

19. Death or Incapacity.

If the Franchisee, or if the Franchisee Owner having a controlling interest in a Business Entity Franchisee, dies or is permanently disabled, then his or her interest in this Agreement, the Franchise and/or the Franchisee shall be transferred to a third party, subject to compliance with the provisions of Section 18. A "**Permanent Disability**" occurs if Franchisee (or the applicable Owner) is not able to personally, actively participate in the management of the Franchised Business for one hundred eighty (180) consecutive days. A Transfer under this Section shall be completed within one hundred eighty (180) days from the date of death or permanent disability. If no Transfer occurs within the prescribed one hundred eighty (180) day period, the Franchise will automatically terminate at the end of such period, unless Franchisor grants an extension in its sole discretion or in compliance with local law.

20. Right of First Refusal.

A. Franchisor's Right. Except for a transfer to a Business Entity wholly owned by Franchisee or among then current owners, Franchisor shall have a right of first refusal to accept the terms of any proposed Transfer of any interest in this Agreement or in Franchisee or the Franchised Business. To enable Franchisor to exercise its right of first refusal, Franchisee shall deliver to Franchisor a written notice stating all the terms of any proposed Transfer, shall provide any additional information Franchisor requests about the proposed transaction, including the purchase and sale agreement and related documents and terms, and shall comply with such notice requirements as are provided under applicable franchise law.

B. Additional Rights. If Franchisor exercises its right of first refusal, then in addition (i) Franchisor shall have the right to substitute cash for any form of payment proposed in the offer; (ii) Franchisor's credit-worthiness shall not be deemed to be less than that of any proposed purchaser; (iii) Franchisor shall have at least sixty (60) days after notifying Franchisee of its election to exercise its right of first refusal to prepare for closing; and (iv) Franchisor shall be entitled to receive written representations and warranties from Franchisee that Franchisee owns clear title to all assets being sold, transferred or assigned; that all tangible assets being sold, transferred or assigned are in good working condition; that there are no breaches of any contracts affecting the Store; that there are no liabilities of Franchisee that have not been disclosed to Franchisor in writing; that Franchisee and each Owner and Franchisee Affiliate will comply with indemnification and non-competition obligations substantially similar to those required in Sections 14.B, 15.A, 15.B and 15.C of this Agreement; that all sales, transfer and/or similar taxes are to be paid by the transferor; and that all applicable licenses and permits will be transferred to Franchisor at closing, to the extent permitted under applicable law. At Franchisor's request, Franchisee shall take all action necessary to cause the lease for the Store and any other agreements designated by Franchisor, to be assigned to Franchisor.

C. Consent. Within thirty (30) days after Franchisor receives the notice described in Section 20.A above, and all requested information, Franchisor shall, in writing, consent or withhold consent to the proposed Transfer, or in accordance with this Section 20, accept for itself or its nominee the Transfer on the terms specified in the notice. If Franchisor elects not to exercise its right of first refusal and consents to the proposed Transfer, then Franchisee shall be authorized to complete the proposed transaction with the proposed transferee on the terms in the original notice to Franchisor and subject to satisfaction of the conditions contained in Sections 18.B, 18.C and 18.D within ninety (90) days following Franchisor's consent. Any material change to any such Transfer terms shall constitute a new proposal, which shall again require compliance with the procedures provided in this Section 20.

21. Nature of Relationship; Independent Contractors.

The parties desire, acknowledge and agree that they are and shall be independent contractors. Nothing in this Agreement shall be construed to create an employer-employee, co-employer relationship, partnership, joint venture, agency or any fiduciary or special relationship. Franchisee shall have no power to, and shall not purport to, obligate Franchisor for any expense, liability or other obligation. Franchisee shall be responsible for all acts and omissions of Franchisee's employees, Store Managers, independent contractors, and representatives, regardless of whether or not Franchisee had actual knowledge of such act or omission. Franchisee is and shall remain at all times completely independent and in business for itself, and shall have no right or interest in any of Franchisor's property or business. Franchisee is not, and shall not hold itself out as, an agent, representative, employee, officer, director, partner, owner or Associate of Franchisor. Franchisee is free to conduct its business in compliance with System Standards as it deems best in providing the Store Products and Services in accordance with this Agreement, independently of the supervision, management and control of Franchisor. Franchisee is solely responsible for hiring, firing, discipline and supervision of Restaurant employees, the terms and conditions of their employment and all other matters related to their employment. Franchisor has no management of, control over or involvement in any such employment matters. Franchisee must comply with Franchisor's requirements for identifying Franchisee's Franchised Business and its operations as independently owned and operated and will include notices of independent ownership on forms, business cards, stationery, advertising, signs, media postings and other materials and publications as Franchisor requires. Franchisee will hold itself out as an independent business in all dealings and communications with the public.

22. Non-Waiver.

No waiver or delay in enforcing a party's rights after any breach of any term of this Agreement shall be construed as a waiver of any earlier or later breach of such provision or of any other provision of

this Agreement. Any party's acceptance of any payment from the other shall not be construed to be a waiver of any breach of this Agreement, unless such waiver is made in writing and signed by the waiving party.

23. Interest and Costs of Collection.

All amounts due from Franchisee to Franchisor or any Franchisor Associate shall bear interest after the due date at the lower of the rate of one and one-half percent (1.5%) per month or the highest applicable legal rate for open account business credit allowed under applicable law. This Section is not an agreement to permit or accept payments after they are due or a commitment by Franchisor to extend credit. Franchisee shall pay Franchisor on demand all reasonable costs of collection that Franchisor incurs in connection with any late payments made by Franchisee, including legal costs and Attorneys' Fees.

24. No Accord or Satisfaction; Application of Funds.

Franchisor may accept any check or payment in any amount without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. Franchisor shall have the sole discretion to apply any payments made by, or on behalf of, Franchisee to any of Franchisee's past due indebtedness owing to Franchisor or any Franchisor Associates. Franchisor has the right to set off any amounts it owes to Franchisee against any amounts Franchisee owes to Franchisor or to a Franchisor Associate or an Approved Supplier. No restrictive endorsement on any check or in any letter or other communications accompanying any payment shall bind Franchisor or any Franchisor Associates.

25. Tax Payments.

As an independent business, Franchisee is solely responsible for Franchisee's and the Franchised Business's periodic filings and payments in connection with all state, federal and/or local taxes, fees and withholdings of every kind, including without limitation, sales taxes, business and/or personal self-employment taxes and income taxes; payroll and payroll taxes for Franchisee's employees; and all social security and other amounts required to be paid or withheld, as well as for worker's compensation insurance as required by law. Neither Franchisor nor any Franchise Associate is responsible for any item or expense associated with Franchisee's payroll or for any other compensation or benefits related to Franchisee's employees or independent contractors or Franchisee's Store. Franchisee is solely responsible for the payment of all sales taxes and other taxes, debts, and obligations of the Franchised Business and will promptly pay and discharge the same as they become due. If any amount to be paid or reimbursed under this Agreement to Franchisor or any Franchisor Associates, is subject to any gross receipts taxes, value added taxes, sales taxes, use taxes, personal property taxes and similar taxes imposed on, or required to be collected or paid by Franchisor or any Franchisor Associates, then Franchisee must pay or reimburse an additional amount to Franchisor or to such Franchisor Associate, as the case may be, so that the amount actually received by Franchisor or such Franchisor Associates after such deduction, payment or withholding will equal the full amount payable or reimbursable under this Agreement. If the laws applicable to Franchisee's Store require Franchisee to withhold tax on any payment which Franchisee is obliged to make to the Franchisor or any of Franchisors Associates, Franchisee shall timely remit to the appropriate taxing authorities all withholding and/or other taxes and provide Franchisor with proof of payment thereof within five (5) days of such payment. Franchisee also shall do all such other things and take such other steps as may be reasonably required to enable the Franchisor to obtain any tax credit which may be available to it.

26. Notices.

Notices required or permitted under this Agreement shall be sent to the applicable parties at the addresses identified on Schedule A unless a different address has been designated by written notice to the other party. Notices shall be in writing and shall be personally delivered, delivered by commercial delivery service, delivered by certified or registered U.S. mail, return receipt requested, or sent by facsimile or electronic mail transmission with confirmation of receipt, shall be addressed as provided on Schedule A;

and shall be deemed received at the earlier of (i) the time of actual receipt; or (ii) immediately on transmission by facsimile or email transmission; or (iii) one (1) business day after being placed in the hands of a commercial delivery service for overnight delivery; or (iv) three (3) business days after placement in the United States Mail by registered or certified mail, return receipt requested, postage prepaid.

27. Entire Agreement.

This Agreement, each Schedule, any addendum and all ancillary agreements signed concurrently with this Agreement contain the parties' entire agreement on the subject matter hereof, and supersede any and all prior and concurrent negotiations, understandings, representations, disclosures and agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by Franchisor in any Disclosure Document that was furnished to Franchisee by Franchisor. This Agreement shall not be binding on either party unless executed in writing by both parties. This Agreement shall not be modified, except by a written amendment signed by both parties; provided, that Franchisor reserves the right to make changes to any Manual as provided in this Agreement without Franchisee's consent.

28. Severability and Construction.

A. Law Controls; Severable Terms. In any conflict between this Agreement and any applicable law, the law shall prevail, but the provision of this Agreement so affected shall be curtailed and limited only to the extent necessary for such provision to be lawful. This Agreement will be deemed automatically modified to comply with governing law, if such law requires a greater time period for notice of termination of or refusal to renew this Agreement or otherwise. If any provision of this Agreement is held to be indefinite, overbroad, invalid or otherwise unenforceable, the remainder of this Agreement shall continue in full force and effect.

B. Third Party Beneficiaries. Except for indemnification rights held by third party indemnitees or as otherwise expressly provided in this Agreement, nothing in this Agreement is intended, nor shall be construed, to confer on any person or legal entity other than Franchisor or Franchisee and their respective successors and assigns any rights or remedies under or by reason of this Agreement.

C. Headings and Counterparts. Captions and headings are intended solely for the convenience of the parties and shall not be deemed to affect the meaning or construction of any provision of this Agreement. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be signed with full legal force and effect using electronic signatures and records.

D. Franchisor Exercise of "Sole Discretion" and Other Choices; Express Agreement; Requests for Consent or Approval. When this Agreement includes the phrases "Franchisor's sole and absolute discretion" and/or "sole discretion" and whenever Franchisor exercises a right, prescribes an action or thing, or otherwise makes a choice or uses discretion, Franchisee and Franchisor agree that Franchisor has the express, unrestricted right to make decisions and/or take (or refrain from taking) actions, as Franchisor deems appropriate. Franchisor shall use its judgment in exercising such discretion based on its assessment of the interests Franchisor considers appropriate and will not be required to consider Franchisee's individual interests or the interests of any other particular franchisee(s). Franchisor has this right even if a particular decision/action may have negative consequences for Franchisee, a particular franchisee or group of franchisees. Any Franchisee request for approval or consent must be submitted to Franchisor in writing, and any grant by Franchisor of any such approval or consent must be in writing to be effective.

E. Construction. In each instance in which any of them appear in this Agreement, the terms, “include,” “includes,” and “including” shall each be construed to be followed by the words, “without limitation.”

29. Law and Venue.

A. Governing Law. Except to the extent of the applicability of the Federal Arbitration Act and related federal preemption requirements, this Agreement and all other matters concerning Franchisor and Franchisee and/or their respective rights and obligations will be governed by, and construed and enforced in accordance with, the laws of the state of California, without giving effect to any conflict of laws; provided that the provisions of Sections 15.A, 15.B and 15.C shall be construed and enforced in accordance with the laws of the state where the claimed breach of such Section(s) occurs.

B. Venue for Disputes. Subject to Section 30 below, and except to the extent prohibited by law or as otherwise provided in any state addenda applicable to Franchisee’s state of residence or of Franchisee’s Franchised Business location, the parties agree that the venue for any litigation arising under or related to this Agreement or the relationship of the parties will be an appropriate state or federal court with jurisdiction in Los Angeles County, California. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision.

30. Dispute Resolution.

A. Process. Except as precluded by law, any dispute, controversy, action or proceeding of any type, including any claim for equitable relief and/or for which Franchisee is acting as a “private attorney general,” suing pursuant to a statutory claim or otherwise (individually and collectively, a “*Claim*”), between Franchisor and/or other Franchisor Associates, on the one hand, and Franchisee and/or its Affiliates, Owners, and/or any of their respective guarantors, directors, officers, members, shareholders, partners, managers, agents, and/or employees, on the other hand, shall be resolved as provided in this Section 30. Except for a Claim specified in Section 30.D(ii) below, Franchisor and Franchisee agree to mediate any Claim before resorting to arbitration or litigation. Such mediation shall be conducted for a maximum of six (6) hours (unless the parties mutually agree otherwise) before a retired judge with Judicial Arbitration and Mediation Services, Inc. (“*JAMS*”), who shall be jointly selected by the applicable parties. Mediation fees, if any, shall be divided equally between or among the parties involved. If such parties are unable to resolve such Claim(s) through mediation and except as provided in Section 30.D below, such Claim(s) shall be resolved by binding arbitration as provided in this Section 30. Arbitration shall be administered by JAMS, or its successor, in accordance with JAMS’ then prevailing Comprehensive Arbitration Rules and Procedures and conducted by one arbitrator, who must be a lawyer substantially experienced in franchising. In the event of a conflict between the terms of this Agreement and the then prevailing Comprehensive Arbitration Rules and Procedures of JAMS, the terms of this Agreement shall govern. Any award must be in writing and judgment upon any award rendered may be entered in any court having jurisdiction thereof. Upon request by either party, the arbitrator shall provide a reasoned opinion with findings of fact and conclusions of law and the party so requesting shall pay the arbitrator’s fees and costs connected therewith. The parties shall hold arbitration proceedings, awards, and related discussions confidential, except for such disclosure as may be required by law. Claims which would constitute a compulsory counter-claim, if brought in court under the state law provided in Section 29.A, must be filed in an arbitration proceeding brought under this Agreement or be barred. The substantive law applied in such arbitration shall be as provided in Section 29.A. The arbitration and the parties’ agreement therefor shall be deemed to be self-executing, and if either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. The arbitral decision shall be binding and conclusive on the parties.

B. Arbitrator's Authority. The arbitrator shall decide any questions relating in any way to the parties' agreement to arbitrate, including arbitrability, applicability, subject matter, timeliness, scope, remedies, and any alleged fraud in the inducement, or purportedly void or voidable provisions of the Agreement. The arbitrator can issue summary orders disposing of all or part of a Claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, and other relief by any court having jurisdiction. The subpoena powers of the arbitrator with respect to witnesses to appear at the arbitration proceeding shall not be subject to any geographical limitation. No award in arbitration will have any effect of preclusion or collateral estoppel in any other adjudication or arbitration. Arbitrators in any proceeding under this Section 30 will apply all applicable law, and a failure to apply the applicable law in accordance with Section 29 will be deemed an act in excess of authority and reviewable by the courts, and the parties expressly agree that any arbitration award can be reviewed and overturned by a court for legal error.

C. Location. Any arbitration or mediation will be conducted exclusively at a neutral location in Los Angeles County, California. Franchisee and Franchisor agree that the provisions of this Section will control, notwithstanding any language included in Franchisor's franchise disclosure documents due to state requirements suggesting that the provisions of any Section might be unenforceable due to a failure to have a meeting of the minds or otherwise. Neither Franchisee nor Franchisor has any expectation that the provisions of this (or any other) Section will be unenforceable or that they will not be enforced. Franchisee understands and agrees that one effect of this paragraph may be that arbitration and other related costs may be greater, and it may be more difficult for Franchisee to proceed, than if those proceedings took place in a location near Franchisee's residence or business. If this provision is unenforceable for any reason, arbitration will be conducted at a neutral location reasonably near Franchisee's franchised location.

D. Claims Brought in Court Proceedings or Arbitration. Notwithstanding any other provisions of this Agreement or otherwise, (i) either party shall be entitled to seek preliminary or interim injunctive or provisional relief by a court or by arbitration (including, but not limited to, a temporary restraining order and preliminary injunction and injunctive relief concerning rights to real property and possible eviction, all without bond) without showing or proving any actual damage, until such time as a final and binding determination is made by the arbitrator, and (ii) any party to this Agreement is entitled to pursue an action for collection of debt(s) owed in either a court or arbitration proceeding when the right to payment has not been in dispute prior to the filing of such an action. The foregoing remedies shall be in addition to, and not in lieu of, all other remedies or rights which the parties might otherwise have by virtue of any breach of this Agreement by the other party.

E. Intention to Arbitrate. Franchisee and Franchisor expressly agree that, notwithstanding any contrary provisions of state or other law, and/or any statements in any disclosure document required by a state or other government as a condition to franchise registration or for some other purpose:

(i) all issues relating to arbitration and/or the enforcement of arbitration-related provisions will be decided by the arbitrator and governed only by the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and the federal common law of arbitration;

(ii) all provisions of this Agreement shall be fully enforced, including but not limited to those provisions relating to arbitration, venue, and choice of law; and

(iii) Franchisee and Franchisor intend to rely upon federal preemption under the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and, as a result, the provisions of this Agreement will be enforced only according to their terms.

F. Survival and Enforcement. The terms of this Section 30 shall survive termination, expiration or cancellation of this Agreement. If any portion of this Section 30 is deemed to be unenforceable

for any reason, it shall be modified or restricted, or severed, so as to comply with applicable law and shall be otherwise enforced according to its terms.

G. Costs. Each party shall bear its own costs and expenses incurred in connection with any Claim, including, but not limited to, Attorneys' Fees, except that Franchisee shall pay to Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor to enforce the provisions of this Agreement or to collect any amounts owed to Franchisor, whether or not legal action is commenced.

H. Terms Applicable to All Proceedings; Damages Limitation; Waiver of Class Action. UNWAIVABLE RIGHTS TO PUNITIVE, EXEMPLARY, MULTIPLE OR SIMILAR DAMAGES FRANCHISEE OR FRANCHISOR MAY HAVE UNDER ANY STATUTE OR REGULATION SHALL BE FULLY EFFECTIVE. OTHERWISE AND TO THE EXTENT PERMITTED BY LAW, ANY RECOVERY ON ANY CLAIM UNDER THIS AGREEMENT SHALL BE LIMITED TO ACTUAL DAMAGES SUSTAINED BY THE INJURED PARTY, WITH ALL PARTIES WAIVING CLAIMS FOR PUNITIVE, EXEMPLARY, MULTIPLE OR SIMILAR DAMAGES. ANY ARBITRATION OR OTHER PROCEEDING BETWEEN FRANCHISOR OR ANY FRANCHISOR ASSOCIATE AND FRANCHISEE AND ANY FRANCHISEE AFFILIATE OR OWNER SHALL BE BROUGHT AS AN INDIVIDUAL CLAIM AND SHALL NOT BE ARBITRATED OR LITIGATED ON A CLASS-WIDE OR CLASS ACTION BASIS TO THE FULLEST EXTENT PERMITTED BY LAW.

31. Force Majeure.

Except for the payment of monies owed, neither party shall be liable or responsible for any delays or failures to perform as provided in this Agreement due to strikes, lockouts, casualties, acts of God, war, acts of terrorism, government regulation or control or other causes beyond the reasonable control of such parties. Any time period for the performance of an obligation shall be extended by the amount of the delay. This clause shall not apply or not result in an extension of the term of this Agreement.

32. "Franchisee" Defined and Guaranty.

A. Franchisee. As used in this Agreement, the term "Franchisee" shall include the individual(s) or entity defined as "Franchisee" in the introductory paragraph of this Agreement and all persons who succeed to the interest of the original Franchisee by transfer or operation of law, and all Owners, as context requires.

B. Individual Undertakings. By their signatures below, all partners, shareholders, officers, directors, members, managers and governors of a Business Entity Franchisee personally and individually acknowledge and accept the duties and obligations imposed on Franchisee by the terms of this Agreement and any related agreements.

C. Business Entity Franchisee. If Franchisee is at any time a Business Entity, Franchisee agrees that:

(i) Franchisee shall at all times be lawfully organized and formed and in good standing under the laws of Franchisee's state of incorporation or formation and have the authority to undertake and perform Franchisee's obligations under this Agreement and all related agreements;

(ii) Franchisee's organizational and governing documents will acknowledge the restrictions on transfer contained in this Agreement and ownership documents and certificates will include a comparable legend;

(iii) Franchisee will be formed for the sole purpose of operating the Franchised Business and will not conduct any other business;

(iv) any permitted changes in the ownership described on Schedule A shall be included in an amended Schedule A to be executed by the parties; and

(v) if Franchisee is a Business Entity, Franchisor can require that some or all of Franchisee's Owners (and each of their respective spouses or domestic partners, to the extent required by Franchisor) execute Franchisor's then current form of Guaranty, a current copy of which is attached as Schedule B to this Agreement, but which is subject to change by Franchisor.

33. Franchisor Practices.

Franchisee understands, acknowledges and agrees that Franchisor may have offered Franchises in the past, may currently be offering Franchises and/or may offer Franchises in the future on or with economic and/or other terms, conditions and provisions which may significantly differ from those stated in this Agreement and any related documents. Franchisee further acknowledges that there may be instances in which Franchisor has varied, or will vary, the terms on which Franchisor offers Franchises, the fees Franchisor receives and specific arrangements with a particular franchisee to suit the circumstances of a particular transaction, the particular franchisee's situation or otherwise, in each case in its sole discretion and without liability, to the extent permitted by law.

34. Cumulative Remedies.

Unless otherwise expressly provided under this Agreement, the rights and remedies granted to either Franchisee or Franchisor under this Agreement are cumulative and shall not prohibit either of them from exercising any other right or remedy provided under this Agreement or permitted at law or in equity.

35. Discretionary Enforcement.

Franchisor has the right to prescribe, modify and/or eliminate policies that Franchisee must follow and which may involve marketing restrictions or restrictions on products and/or services that Franchisee can use or provide in Franchisee's Franchised Business, among other matters. Franchisor has the right to permit individual deviations from such policies and subject to such conditions as Franchisor elects, and to choose to not enforce (or to selectively enforce) any provision of this Agreement or any other agreement or standard or policy, whether with respect to Franchisee and/or any other franchisee or other person, in a lawful manner without any liability.

36. Notice to Franchisee.

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.

37. Definitions.

The following definitions apply to terms used this Agreement:

"Accepted Location" – As defined in Section 3.A and identified on Schedule A.

“Affiliate” – Any Business Entity which controls, is controlled by or is under common control with another Business Entity.

“Agreement” – This Franchise Agreement.

“Approved Suppliers” – As defined in Section 13.D.

“Attorneys’ Fees” – Includes, without limitation, legal fees, whether incurred in preparation of the filing of any written demand or claim, action, hearing, arbitration, or other proceeding to enforce the obligations of this Agreement, or during any such proceeding, plus all costs incurred in connection therewith.

“Business Entity” – Includes a corporation, partnership, joint venture, limited liability company, limited partnership, or other form of business recognized in any jurisdiction. If Franchisee is a Business Entity, then Franchisor has the right to require each of Franchisee’s Owners to guarantee Franchisee’s performance. Franchisor’s current form of Owners’ Guaranty is attached as Schedule B of this Agreement.

“Claim” – As defined in Section 30.A.

“Computer System” – As defined in Section 12.C.

“Confidential Information” – As defined in Sections 8.A and 8.B.

“Copyrighted Works” – As defined in Section 6.

“Designated Owner” – A person who holds an equity interest in the Franchised Business, is responsible for Store supervision and is identified on Schedule A, as applicable.

“Development Service Fee” – The required fee, as provided in Section 11.B, to set up and integrate the Store to Franchisor’s proprietary management and logistics system and to oversee the development of the Store.

“Effective Date” – The date this Agreement is made, as provided on the first page and in the first paragraph of this Agreement.

“Equipment” – Includes all appliances, ovens, sinks, hardware, counters, furniture, small wares, and other assets authorized by Franchisor from time to time for use or sale at or from Franchisee’s Store and/or in association with the Marks and in each case only as approved by Franchisor and subject to change or elimination by Franchisor.

“Expiration Date” – The date this Agreement ends, as noted on first page of this Agreement.

“Family Member” – As defined in Section 15.B.

“Franchise” – The license to operate a HAPPY LEMON Store business according to System Standards, providing only Products and Services approved by Franchisor and using the System and Marks in compliance with the terms of this Agreement.

“Franchised Business” – As defined in Section 1.A.

“Franchisee” – As defined in the introductory paragraph of this Agreement and in Section 32.A.

“Franchisor” – Yummy-town USA LLC

“Franchisor Associates” – Yummy Town (Cayman) Holdings Corporation, Xian Zong Lin Food and Beverage Management (Shanghai) Co., Ltd., RBT Holdings Limited, RBT Resources Ltd., RBT Enterprises Limited, Happy Lemon Hong Kong Ltd., Tai Quan Trading (Shanghai) Limited, Happy Lemon California, Inc., each Affiliate thereof and Franchisor’s Affiliates, and each of their respective current and future shareholders, members, partners, managers, trustees, directors, officers, employees, agents, attorneys, and representatives, as well as Franchisor’s current and future shareholders, members, partners, managers, trustees, directors, officers, employees, agents, attorneys, and representatives.

“General Release” – A general release, in the then-current form prescribed by Franchisor at the time such release is to be delivered, of any and all claims, liabilities and/or obligations, of any nature whatsoever, including those existing as of, and/or arising before, the date of any such release, however arising, known or unknown, whether against Franchisor and/or any Franchisor Associates or any of their respective shareholders, members, managers, officers, directors, partners, employees, agents and representatives, and whether by Franchisee, any Franchisee Owner (if Franchisee is or becomes a Business Entity) and/or any Affiliate of any of the foregoing. A copy of Franchisor’s general releasing language (which is subject to change) is attached as Schedule C and is approved by Franchisee.

“Grand Opening Fee” – The required fee for Franchisor coordinate and manage the Store’s grand opening activities, such as local marketing activities and/or events, as provided in Section 11.D.

“Gross Revenues” – As defined in Section 11.G.

“Gross Revenues Report” – As defined in Section 12.B.

“Indemnified Parties” – As defined in Section 14.B.

“Initial Franchise Fee” – As defined in Section 11.A.

“Initial Term” – As defined in Section 2.A.

“Initial Training Fee” – The required fee for the Designated Owner and one Store Manager to attend the Initial Training Program, as provided in Section 11.C.

“Initial Training Program” – As defined in Section 4.A.

“Licensor” – As defined in the Recitals of this Agreement.

“Manual” – If published and as described in the Recitals of this Agreement and discussed in Section 7.

“Marketing Fund” or “Fund” – As defined in Section 10.C.

“Marks” – The trademarks, service marks and other commercial symbols now and/or in the future owned by (or licensed to) Franchisor to identify the Services and Products offered in HAPPY LEMON Stores, including “HAPPY LEMON® & Design,” HAPPY LEMON® and other logos and identifiers designated by Franchisor from time to time.

“Opening Period Deadline” – As defined in Section 3.D.

“Owner” – Any holder, direct or indirect, of a legal or beneficial interest in a Business Entity Franchisee or Franchisor, as the context requires, including, but not limited to, any such shareholder, member, manager or partner.

“Permanent Disability” – As defined in Section 19.

“Products” – Goods authorized by Franchisor from time to time for use or sale at or from Franchisee’s Store and/or in association with the Marks and in each case only as approved by Franchisor and subject to change or elimination by Franchisor, including without limitation signage, ingredients, menu items, inventory and assets for the Franchised Business.

“Proprietary Products” – As defined in Section 13.G.

“Renewal” – As defined in Section 2.A.

“Renewal Fee” – As defined in Section 2.B.

“Royalty Fee” – As defined in Section 11.E.

“Services” – Services authorized by Franchisor from time to time for use or sale at or from Franchisee’s Store and/or in association with the applicable Marks and in each case only as approved by Franchisor and subject to change or elimination by Franchisor.

“Similar Business” – As defined in Section 15.B.

“Store” or “HAPPY LEMON Store” – The HAPPY LEMON business Franchisee is franchised to operate when Franchisee signs this Agreement, as defined in the opening paragraphs of this Agreement. A Store may include traditional retail locations and, upon Franchisor’s approval, non-traditional retail locations such as food courts, store-within-a-store venues and kiosks.

“Store Maintenance Activities” – As defined in Section 13.B.

“Store Manager” – As defined in Section 4.A.

“Store Update” – As defined in Section 13.B.

“System” – As defined in the opening recital of this Agreement and inclusive of the Marks, Copyrighted Works and Trade Secrets, all of which Franchisor may continue to develop and change over time and with which Franchisee must comply.

“System Standards” – Standards, specifications, and any mandatory policies and rules prescribed by Franchisor in its sole and absolute discretion from time to time, in any Manual or other written publication, applicable to operations, training, inventory, Equipment, Store layout and design, Approved Suppliers and approved Products and Services, marketing and other aspects of HAPPY LEMON Store businesses.

“Term” – As defined in Section 2.A.

“Trade Dress” – The distinctive HAPPY LEMON Store design and image which you are licensed to use under this Agreement and which is subject to change by Franchisor at any time and in its sole discretion.

“Trade Secrets” – Information that is proprietary to Franchisor or any Franchisor Associate, including a formula, procedure, pattern, compilation, program, receipt, formula, customer lists and related data, device, discovery, invention, method, technique or process, that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use and/or is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

“Transfer” – As defined in Section 18.B.

“Transfer Fee” – As defined in Section 18.D(v).

“Website” or **“HAPPY LEMON Website”** – As defined in Section 10.C.

IN WITNESS WHEREOF, the parties, intending to be legally bound, have executed this Agreement on the day and year first above written.

THIS AGREEMENT WILL NOT BECOME EFFECTIVE UNLESS AND UNTIL SIGNED BY FRANCHISOR.

FRANCHISOR:

Yummy-town USA LLC,
a Delaware limited liability company

By: _____
Name:
Title:

Sign here if "Franchisee" is a natural person

FRANCHISEE (Individual[s])

Signature

Signature

Printed Name

Printed Name

Sign here if "Franchisee" is a type of business entity

FRANCHISEE (Corp., LLC or Partnership)

Legal Name of Franchisee Entity

a _____
Jurisdiction of Formation Corporation, LLC or Partnership

By: _____
Print Name

Signature

Title

SCHEDULE A TO THE FRANCHISE AGREEMENT

FRANCHISEE OWNERS, DESIGNATED OWNER AND ACCEPTED LOCATION

Franchisee: _____

Franchisee Owners (Holders of Legal or Beneficial Interest):

Name: _____

Name: _____

Position/Title: _____

Position/Title: _____

Home Address: _____

Home Address: _____

Telephone No.: _____

Telephone No.: _____

E-mail address: _____

E-mail address: _____

Percentage of ownership: _____%

Percentage of ownership: _____%

Name: _____

Name: _____

Position/Title: _____

Position/Title: _____

Home Address: _____

Home Address: _____

Telephone No.: _____

Telephone No.: _____

E-mail address: _____

E-mail address: _____

Percentage of ownership: _____%

Percentage of ownership: _____%

Designated Owner

The Designated Owner is _____. A change in the Designated Owner requires Franchisor's advance written consent.

Any notice or information delivered to the Designated Owner by Franchisor shall be deemed delivered or provided to all Owners of the Franchised Business and of Franchisee, if Franchisee is a Business Entity. Franchisee and Owners agree that Franchisor may rely on information, direction and representations made

by such Designated Owner and that such information/direction/representations are authorized by and made on behalf of Franchisee and each Franchise Owner.

Addresses for Notices

The Addresses for Notices are as follows:

Franchisor: Yummy-town USA LLC
1801 Highland Avenue, Unit G
Duarte, California 91010
E-Mail: janice_charles@yummy-town.com

Franchisee: _____

E-Mail: _____

Accepted Location

(Insert Street Address, City, State)

(Signatures on Next Page; to be signed when Accepted Location is identified above.)

IN WITNESS WHEREOF, each of the undersigned has executed this Schedule A on the day and year noted below.

FRANCHISOR:

Yummy-town USA LLC,
a Delaware limited liability company

By: _____
Name:
Title:

Sign here if "Franchisee" is a natural person

FRANCHISEE (Individual[s])

Signature

Signature

Printed Name

Printed Name

Date: _____

Date: _____

Sign here if "Franchisee" is a type of business entity

FRANCHISEE (Corp., LLC or Partnership)

Legal Name of Franchisee Entity

a _____
Jurisdiction of Formation Corporation, LLC or Partnership

By: _____
Print Name

Signature

Title

Date: _____

**SCHEDULE B TO THE FRANCHISE AGREEMENT
GUARANTY AND ASSUMPTION OF OBLIGATIONS**

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS (the “**Guaranty**”) is given this ____ day of _____, 20____, (the “**Effective Date**”) by _____ (individually and collectively, the “**Guarantor**”).

In consideration of, and as an inducement to, the execution of the Franchise Agreement or the consent to transfer of even date with this Guaranty by Yummy-town USA LLC (the “**Franchisor**”), each of the undersigned Guarantors hereby personally and unconditionally (1) guarantees to Franchisor and its successors and assigns, for the term of the Franchise Agreement and thereafter as provided in the Franchise Agreement, that: (Franchisee Name) _____ (the “**Franchisee**”) shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement; and (2) shall personally be bound by, and personally liable for the breach of each and every provision in the Franchise Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities including, without limitation, the provisions of Section 15. Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (1) its direct and immediate liability under this Guaranty shall be joint and several; (2) it shall render any payment or performance required under the Franchise Agreement on demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned on pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, 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 Guaranty, which shall be continuing and irrevocable during the term of the Franchise Agreement (and any extensions), for so long as any performance is or might be owed under the Franchise Agreement by Franchisee/Franchisee’s owners, and for so long as Franchisor has any cause of action against Franchisee or Franchisee’s owner(s).

Guarantors acknowledge having read and understood the Franchise Agreement and the undersigned agree that this Guaranty and all other matters concerning Franchisor and Guarantors and/or their respective rights and obligations will be governed by, and construed and enforced in accordance with the dispute resolution provisions of Sections 29 and 30 of the Franchise Agreement, as though Guarantors were “Franchisee” for purposes of such Sections. Sections 29 and 30 are attached to this Guaranty and incorporated by reference.

IN WITNESS WHEREOF, each of the undersigned has here unto affixed his or her signature on the day and year noted above.

(Signatures on Next Page)

GUARANTOR(S)

PERCENTAGE OF OWNERSHIP OF ENTITY
FRANCHISEE

Signature

_____%

Print Name

Signature

_____%

Print Name

Signature

_____%

Print Name

ENTITY FRANCHISEE (Corp., LLC or Partnership)

Legal Name of Franchisee Entity

a _____
Jurisdiction of Formation Corporation, LLC or Partnership

By: _____
Print Name

Signature

Title

Sections 29 and 30 of the Franchise Agreement (Attachment to Guaranty)

“29. Law and Venue

A. Governing Law. Except to the extent of the applicability of the Federal Arbitration Act and related federal preemption requirements, this Agreement and all other matters concerning Franchisor and Franchisee and/or their respective rights and obligations will be governed by, and construed and enforced in accordance with, the laws of the state of California, without giving effect to any conflict of laws; PROVIDED, (i) the provisions of the California Franchise Relations Act and the California Franchise Investment Law and any other California statute, regulation or law regarding franchise offers and sales, business opportunities, and/or franchise relationships shall not apply unless jurisdictional, definitional and other requirements thereof are met independently of this Section; and (ii) the provisions of Sections 15.A, 15.B and 15.C shall be construed and enforced in accordance with the laws of the state where the claimed breach of such Section(s) occurs.

B. Venue for Disputes. Subject to Section 30, below, and except to the extent prohibited by law or as otherwise provided in any state addenda applicable to Franchisee’s state of residence or of Franchisee’s Franchised Business location, the parties agree that the venue for any litigation arising under or related to this Agreement or the relationship of the parties will be an appropriate state or federal court with jurisdiction in Los Angeles County, California. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision.

30. Dispute Resolution

A. Process. Except as precluded by law, any dispute, controversy, action or proceeding of any type, including any claim for equitable relief and/or for which Franchisee is acting as a “private attorney general,” suing pursuant to a statutory claim or otherwise (individually and collectively, a “**Claim**”) between Franchisor and/or other Franchisor Associates, on the one hand, and Franchisee and/or its Affiliates, Owners and/or any of their respective guarantors, directors, officers, members, shareholders, partners, managers, agents, and/or employees, on the other hand, shall be resolved as provided in this Section 30. Except for a Claim specified in Section 30.D(ii), below, Franchisor and Franchisee agree to mediate any Claim before resorting to arbitration or litigation. Such mediation shall be conducted for a maximum of six (6) hours (unless the parties mutually agree otherwise) before a retired judge with Judicial Arbitration and Mediation Services, Inc. (“**JAMS**”), who shall be jointly selected by the applicable parties. Mediation fees, if any, shall be divided equally between or among the parties involved. If such parties are unable to resolve such Claim(s) through mediation and except as provided in Section 30.D below, such Claim(s) shall be resolved by binding arbitration as provided in this Section 30. Arbitration shall be administered by JAMS, or its successor, in accordance with JAMS’ then prevailing Comprehensive Arbitration Rules and Procedures and conducted by one arbitrator, who must be a lawyer substantially experienced in franchising. In the event of a conflict between the terms of this Agreement and the then prevailing Comprehensive Arbitration Rules and Procedures of JAMS, the terms of this Agreement shall govern. Any award must be in writing and judgment upon any award rendered may be entered in any court having jurisdiction thereof. Upon request by either party, the arbitrator shall provide a reasoned opinion with findings of fact and conclusions of law and the party so requesting shall pay the arbitrator’s fees and costs connected therewith. The parties shall hold arbitration proceedings, awards, and related discussions confidential, except for such disclosure as may be required by law. Claims which would constitute a compulsory counter-claim, if brought in court under the state law provided in Section 29.A must be filed in an arbitration proceeding brought under this Agreement or be barred. The substantive law applied in such arbitration shall be as provided in Section 29.A. The arbitration and the parties’ agreement therefor shall be deemed to be self-executing, and if either party fails to appear at any properly-noticed arbitration

proceeding, an award may be entered against such party despite said failure to appear. The arbitral decision shall be binding and conclusive on the parties.

B. Arbitrator's Authority. The arbitrator shall decide any questions relating in any way to the parties' agreement to arbitrate, including arbitrability, applicability, which, if any, party(ies) are prevailing for purposes of Section 30.G, subject matter, timeliness, scope, remedies, and any alleged fraud in the inducement, or purportedly void or voidable provisions of the Agreement. The arbitrator can issue summary orders disposing of all or part of a Claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, and other relief by any court having jurisdiction. The subpoena powers of the arbitrator with respect to witnesses to appear at the arbitration proceeding shall not be subject to any geographical limitation. No award in arbitration will have any effect of preclusion or collateral estoppel in any other adjudication or arbitration. Arbitrators in any proceeding under this Section 30 will apply all applicable law, and a failure to apply the applicable law in accordance with Section 29 will be deemed an act in excess of authority and reviewable by the courts, and the parties expressly agree that any arbitration award can be reviewed and overturned by a court for legal error.

C. Location. Any arbitration or mediation will be conducted exclusively at a neutral location in Los Angeles County, California. Franchisee and Franchisor agree that the provisions of this Section will control, notwithstanding any language included in Franchisor's franchise disclosure documents due to state requirements suggesting that the provisions of any Section might be unenforceable due to a failure to have a meeting of the minds or otherwise. Neither Franchisee nor Franchisor has any expectation that the provisions of this (or any other) Section will be unenforceable or that they will not be enforced. Franchisee understands and agrees that one effect of this paragraph may be that arbitration and other related costs may be greater, and it may be more difficult for Franchisee to proceed, than if those proceedings took place in a location near Franchisee's residence or business. If this provision is unenforceable for any reason, arbitration will be conducted at a neutral location reasonably near Franchisee's franchised location.

D. Claims Brought in Court Proceedings or Arbitration. Notwithstanding any other provisions of this Agreement or otherwise, (i) either party shall be entitled to seek preliminary or interim injunctive or provisional relief by a court or by arbitration (including, but not limited to, a temporary restraining order and preliminary injunction and injunctive relief concerning rights to real property and possible eviction, all without bond) without showing or proving any actual damage, until such time as a final and binding determination is made by the arbitrator, and (ii) any party to this Agreement is entitled to pursue an action for collection of moneys owed in either a court or arbitration proceeding when the right to payment has not been in dispute prior to the filing of such an action. The foregoing remedies shall be in addition to, and not in lieu of, all other remedies or rights which the parties might otherwise have by virtue of any breach of this Agreement by the other party.

E. Intention to Arbitrate. Franchisee and Franchisor expressly agree that, notwithstanding any contrary provisions of state or other law, and/or any statements in any disclosure document required by a state or other government as a condition to franchise registration or for some other purpose:

(i) all issues relating to arbitration and/or the enforcement of arbitration-related provisions will be decided by the arbitrator and governed only by the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and the federal common law of arbitration;

(ii) all provisions of this Agreement shall be fully enforced, including but not limited to those provisions relating to arbitration, venue, and choice of law; and

(iii) Franchisee and Franchisor intend to rely upon federal preemption under the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and, as a result, the provisions of this Agreement will be enforced only according to their terms.

F. *Survival and Enforcement.* The terms of this Section 30 shall survive termination, expiration or cancellation of this Agreement. If any portion of this Section 30 is deemed to be unenforceable for any reason, it shall be modified or restricted, or severed, so as to comply with applicable law and shall be otherwise enforced according to its terms.

G. *Costs.* Each party shall bear its own costs and expenses incurred in connection with any Claim, including, but not limited to, Attorneys' Fees.

H. *Terms Applicable to All Proceedings; Damages Limitation; Waiver of Class Action.* UNWAIVABLE RIGHTS TO PUNITIVE, EXEMPLARY, MULTIPLE OR SIMILAR DAMAGES FRANCHISEE OR FRANCHISOR MAY HAVE UNDER ANY STATUTE OR REGULATION SHALL BE FULLY EFFECTIVE. OTHERWISE AND TO THE EXTENT PERMITTED BY LAW, ANY RECOVERY ON ANY CLAIM UNDER THIS AGREEMENT SHALL BE LIMITED TO ACTUAL DAMAGES SUSTAINED BY THE INJURED PARTY, WITH ALL PARTIES WAIVING CLAIMS FOR PUNITIVE, EXEMPLARY, MULTIPLE OR SIMILAR DAMAGES. ANY ARBITRATION OR OTHER PROCEEDING BETWEEN FRANCHISOR OR ANY FRANCHISOR ASSOCIATE AND FRANCHISEE AND ANY FRANCHISEE AFFILIATE OR OWNER SHALL BE BROUGHT AS AN INDIVIDUAL CLAIM AND SHALL NOT BE ARBITRATED OR LITIGATED ON A CLASS-WIDE OR CLASS ACTION BASIS TO THE FULLEST EXTENT PERMITTED BY LAW.

CALIFORNIA FRANCHISEES/FRANCHISE OWNERS SUBSTITUTE THE FOLLOWING LANGUAGE FOR SECTION 30.B:

B. *Arbitrator's Authority.* The arbitrator shall decide any questions relating in any way to the parties' agreement to arbitrate, including arbitrability, applicability, which, if any, party(ies) are prevailing for purposes of Section 30.G, subject matter, timeliness, scope, remedies, and any alleged fraud in the inducement, or purportedly void or voidable provisions of the Agreement. The arbitrator can issue summary orders disposing of all or part of a Claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, and other relief by any court having jurisdiction. The subpoena powers of the arbitrator with respect to witnesses to appear at the arbitration proceeding shall not be subject to any geographical limitation. No award in arbitration will have any effect of preclusion or collateral estoppel in any other adjudication or arbitration. Arbitrators in any proceeding under this Section 30 will apply all applicable law, and a failure to apply the applicable law in accordance with Section 29 will be deemed an act in excess of authority and reviewable by the courts, and the parties expressly agree that any arbitration award can be reviewed and overturned by a court for legal error. If required by applicable law for any arbitration provision to be enforceable (for example, to preserve constitutionally or statutorily provided rights), the arbitrator can, as soon as possible, appropriately allocate between Franchisee and Franchisor the fees of the arbitrator(s) and/or his/her related organization, or require an advance of a portion of such fees subject to possible reimbursement, or otherwise address such issues so as to allow the arbitration to proceed and can adjust such allocations appropriately during the arbitration process for such purpose. Either party can in its discretion advance the other party's portion of the initial case filing fees paid to the JAMS, or successor organization, for an arbitration matter pursuant to this Agreement.

**SCHEDULE C TO THE FRANCHISE AGREEMENT
CURRENT FORM OF
RELEASING LANGUAGE
(SUBJECT TO CHANGE BY FRANCHISOR)**

NOT TO BE SIGNED WITH THE FRANCHISE AGREEMENT

Release - General Provisions. The Franchisee(s), together with any Owner of the Franchisee (if the Franchisee(s) are or become a Business Entity), on their own behalf and on behalf of each of their respective Affiliates, shareholders, members, managers, partners, officers, directors, employees, agents, representatives, successors and assigns (collectively, the “**Franchisee Parties**”), hereby release and forever discharge each and all of the Franchisor-Related Persons/Entities (as defined below) of and from any and all causes of action, in law or in equity, suits, debts, liens, defaults under contracts, leases, agreements or promises, liabilities, claims, demands, **damages, losses, costs or expenses, of any nature whatsoever, howsoever arising, known** or unknown, fixed or contingent, past or present, that the Franchisee Parties (or any of them) now has or may hereafter have against any or all of the Franchisor-Related Persons/Entities by reason of any matter, cause or thing whatsoever from the beginning of time to the date hereof (the “**Claims**”), it being the mutual intention of the parties that this release be unqualifiedly general in scope and effect and that any Claims against any of the Franchisor-Related Persons/Entities are hereby forever canceled and forgiven; provided that this Release shall not apply to any Claims arising from representations in any Franchise Disclosure Document received by Franchisee Parties, or any of them, in connection with the acquisition of a HAPPY LEMON Franchise, or any Claims for violations of federal and/or state franchise registration and disclosure laws or state franchise relationship laws, to the extent such a release is precluded by applicable law (individually and collectively, “**Excluded Matters**”).

THE FRANCHISEE PARTIES ACKNOWLEDGE THAT THEY ARE FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM/HER MUST HAVE MATERIALLY AFFECTED HIS/HER SETTLEMENT WITH THE DEBTOR.”

THE FRANCHISEE PARTIES, BEING AWARE OF THIS CODE SECTION, HEREBY EXPRESSLY WAIVE ALL OF THEIR RIGHTS THEREUNDER AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT OF ANY APPLICABLE JURISDICTION, INCLUDING, WITHOUT LIMITATION, CALIFORNIA AND/OR JURISDICTIONS OF FRANCHISEE PARTIES’ RESIDENCE AND THE LOCATION OF FRANCHISED UNIT; EXCEPTING ONLY THOSE CLAIMS SOLELY RELATED TO EXCLUDED MATTERS.

The Franchisee Parties expressly assume the risk of any mistake of fact or fact of which they may be unaware or that the true facts may be other than any facts now known or believed to exist by Franchisee Parties, and it is the Franchisee Parties intention to forever settle, adjust and compromise any and all present and/or future disputes with respect to all matters from the beginning of time to the date of this document finally and forever and without regard to who may or may not have been correct in their understanding of the facts, law or otherwise. All releases given by the Franchisee Parties are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Franchisee Parties represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as the Franchisee Parties, in the Franchisee Parties’ independent judgment, believe necessary or appropriate. The Franchisee Parties have not relied on any statement, promise, representation or otherwise, whether of fact, law or otherwise,

or lack of disclosure of any fact, law or otherwise, by the Franchisor-Related Persons/Entities or anyone else, not expressly set forth herein, in executing this document and/or the related releases.

Franchisee(s) Initials: _____ N/A _____

Franchisee Owner(s) Initials: _____ N/A _____

No Assignment or Transfer of Interest. The Franchisee Parties represent and warrant that there has been, and there will be, no assignment or other transfer of any interest in any Claims that the Franchisee Parties may have against any or all of the Franchisor-Related Persons/Entities, all Claims having been fully and finally extinguished, and the Franchisee Parties agree to forever indemnify and hold the Franchisor-Related Persons/Entities harmless from any liability, claims, demands, damages, losses, costs, expenses or Attorneys' Fees incurred by any of the Franchisor-Related Persons/Entities as a result of any person asserting any interest in any of the Claims and/or any voluntary, involuntary or other assignment or transfer, or any rights or claims under any assignment, transfer or otherwise. It is the intention of the parties that this indemnity does not require payment by any of the Franchisor-Related Persons/Entities as a condition precedent to recovery against the Franchisee Parties under this indemnity.

Attorneys' Fees. If the Franchisee Parties, or anyone acting for, or on behalf of, the Franchisee Parties or claiming to have received, by assignment or otherwise, any interest in any of the Claims, commence, join in, or in any manner seek relief through any suit (or otherwise) arising out of, based upon or relating to any of the Claims released hereunder or in any manner asserts against all or any of the Franchisor-Related Persons/Entities any of the Claims released hereunder, the Franchisee Parties agree to pay all Attorneys' Fees and other costs incurred by any of the Franchisor-Related Persons/Entities in defending or otherwise responding to said suit or assertion directly to the Franchisor-Related Persons/Entities incurring such costs.

"Franchisor-Related Persons/Entities." Yummy-town USA LLC, Yummy Town (Cayman) Holdings Corporation, Xian Zong Lin Food and Beverage Management (Shanghai) Co., Ltd., RBT Holdings Limited, RBT Resources Ltd., RBT Enterprises Limited, Happy Lemon Hong Kong Ltd., Tai Quan Trading (Shanghai) Limited, Happy Lemon California, Inc. and their respective affiliates, and each of their respective predecessors, successors and assigns, and the shareholders, officers, directors, members, managers, partners, agents, employees, attorneys, heirs, executors and representatives of each of the foregoing, whether past, current or future.

Date of Releases, Joint and Several Liability. The releases granted hereunder will be deemed effective as of the date hereof. The liabilities and obligations of each of the Franchisee Parties (and any other person/entity providing releases to the Franchisor-Related Persons/Entities) will be joint and several.

For Washington Franchisees Only. The releases granted hereunder does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

**SCHEDULE D TO THE FRANCHISE AGREEMENT
ADA AND RELATED CERTIFICATIONS**

(To be signed and delivered to Franchisor as a Store pre-opening requirement)

Yummy-town USA LLC ("**Franchisor**") and _____ ("**Franchisee**")
are parties to the Franchise Agreement dated _____, 20__ (the "**Agreement**"), for the operation of a
HAPPY LEMON Store business at _____ (the
"**Store**").

In accordance with Section 3.D of the Agreement, Franchisee certifies to Franchisor that the Store and its adjacent areas comply with all applicable federal, state and local laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act as Amended and all local zoning regulations and building codes. Franchisee acknowledges that it is an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing or operation of the Store. Franchisee acknowledges that Franchisor has relied on the information contained in this certification. Furthermore, Franchisee agrees to defend, indemnify and hold harmless Franchisor and Franchisor Affiliates, and each of their respective predecessors, successors and assigns, and the shareholders, officers, directors, members, managers, partners, agents, employees, attorneys, heirs, executors and representatives of each of the foregoing, whether past, current or future) in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by such indemnified party(ies) as a result of any matters associated with Franchisee's compliance (or failure to comply) with the Americans with Disabilities Act as Amended, all local zoning regulations and building codes and otherwise, as well as the costs, including Attorneys' Fees, related to the same.

Sign here if "Franchisee" is a natural person

FRANCHISEE (Individual[s])

Signature

Signature

Printed Name

Printed Name

Date: _____

Date: _____

Sign here if "Franchisee" is a type of business entity

FRANCHISEE (Corp., LLC or Partnership)

Legal Name of Franchisee Entity

a

Jurisdiction of Formation

Corporation, LLC or Partnership

By:

Print Name

Date:

Signature

Title

SCHEDULE E TO THE FRANCHISE AGREEMENT
OWNER NON-COMPETE, NON-DISCLOSURE AND
CONFIDENTIALITY AGREEMENT

(NOT FOR CALIFORNIA FRANCHISE OWNERS)

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement for the operation of a HAPPY LEMON store ("**Store**"), and any revisions, modifications and amendments thereto, (hereinafter collectively the "**Franchise Agreement**") dated _____, 20____, by and between Yummy-town USA LLC (hereinafter "**Franchisor**") and _____ (hereinafter "**Franchisee**"), the undersigned ("**Owner**") agrees as follows:

1. Non-Solicitation and In Term Non-Competition Covenants. Owner acknowledges that as a result of Owner's equity position in Franchisee, Owner may receive valuable Confidential Information, as that term is defined below, and other proprietary information of Franchisor's or its affiliates. Owner covenants that, during the term of the Franchise Agreement and subject to the post termination provisions contained therein and any applicable addendum to the Agreement, and except as otherwise approved in writing by Franchisor, Owner will not, either directly or indirectly, for himself/herself or through, on behalf of or in conjunction with any Family Members or other person, persons, partners or entity:

i) have any direct or indirect interest anywhere in any Similar Business, or in any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses; or

ii) provide any financial support or perform any services anywhere as an employee, agent, representative, consultant or in any capacity of any kind for any Similar Business, or for any entity granting franchises or licenses or establishing joint ventures to operate Similar Businesses.

For purposes of this Agreement, (i) a "**Similar Business**" is any business or enterprise that markets or sells tea beverages with fresh fruits, milk, salted cheese, boba and other distinctive HAPPY LEMON menu items and such goods comprise more than twenty percent (20%) of sales for such business/enterprise; and (ii) "**Family Members**" include an individual and his/her spouse and/or domestic partner, and their respective mother, father, brother, sister, son, and daughter.

2. Post Term Covenants. Owner covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period commencing upon the expiration or termination of the Franchise Agreement, regardless of the cause for termination, and continuing for two (2) years thereafter, Owner will neither directly nor indirectly, for itself or through, on behalf of or in conjunction with any person, persons, partnership or corporation:

i) have any direct or indirect interest in any Similar Business within a radius of ten (10) miles of Franchisee's HAPPY LEMON Store location or the location of any HAPPY LEMON Store, or

ii) provide any financial support or perform any services as an employee, agent, representative, consultant or in any capacity of any kind for any Similar Business within a radius of ten (10) miles of Franchisee's HAPPY LEMON Store location or the location of any HAPPY LEMON Store; or

iii) have any direct or indirect interest anywhere in, or provide any financial support to, any entity granting franchises or licenses or establishing joint ventures for the operation of Similar

Businesses, or perform any services anywhere as an employee, agent, representative, consultant or in any capacity of any kind for any such entity.

3. Non-Use and Non-disclosure Covenants. Owner agrees to protect as confidential, and not to disclose to any person or entity any Confidential Information, either directly or indirectly, except as may be required for the fulfillment of Owner's and/or Franchisee's obligations under the Franchise Agreement. For purposes of this Agreement, Confidential Information includes in any form current and future:

i) any manuals, techniques, processes, instructional materials and curricula, any proprietary recipes, policies, procedures, systems, data, and know how regarding the establishment, operation and franchising of HAPPY LEMON Stores;

ii) HAPPY LEMON layouts and designs, specifications for any HAPPY LEMON customized products and services, and supplier lists and related agreements, pricing and terms; and

iii) trade secrets and other non-public information regarding the System or HAPPY LEMON Stores, including potential location plans, System statistics, profits, financial data, marketing plans, business strategies, Store performance information, customer lists and related data for all HAPPY LEMON Stores, and other operating data/information.

Owner further agrees:

i. not to utilize any Confidential Information other than for the benefit of the Franchisee and during the term of, and in accordance with the provisions of, the Franchise Agreement;

ii. to take all precautions necessary to ensure that the Confidential Information shall not be disclosed to third parties; and

iii. agrees and acknowledges that all Confidential Information is and shall remain the property of Franchisor or Franchisor's licensor, as applicable, and nothing herein or any course of conduct between Franchisor, Franchisee and Owner shall be deemed to grant Owner any rights in or to all or any portion of the Confidential Information.

4. No Undue Hardship. Owner acknowledges and agrees that the covenants set forth above are fair and reasonable and will not impose any undue hardship on Owner since Owner has other considerable skills, experience and education which afford him/her the opportunity to derive income from other endeavors.

5. Inapplicability of Restrictions. The restrictions described in paragraphs 1 and 2 do not apply to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than three percent (3%) of the outstanding number of shares of that class issued by a Similar Business.

6. Independence of Covenants. Each of the above covenants shall be deemed independent of any other covenant or provision of this Agreement. If any of the restrictions in this Agreement are determined to be unenforceable to an extent because of excessive duration, geographic area, scope of business or otherwise, they will be reduced to the level that provides the greatest protection to Franchisor and the System, but which is still enforceable. If a court of competent jurisdiction deems any provision of this Agreement unreasonable, the court may declare a reasonable modification, and this Agreement shall be valid and enforceable as so modified.

7. Modification of Covenants. Owner understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any of the above covenants without Owner's

consent, effective immediately upon receipt by Owner of written notice thereof, and Owner shall comply with any covenant as so modified.

8. Enforcement of Covenants. Owner expressly agrees that the existence of any claims Owner may have against Franchisor shall not act as a defense to the enforcement by Franchisor of the covenants contained in this Agreement. Owner agrees to pay all costs and expenses (including reasonable Attorneys' Fees) incurred by Franchisor in connection with the enforcement of the covenants set forth in this Agreement.

9. Specific Performance. Owner acknowledges that any breach of Owner's obligations herein may cause Franchisor great and irreparable injury that cannot be adequately compensated by the payment of damages in an action at law. Accordingly and notwithstanding any contrary or inconsistent term of the Franchise Agreement, Franchisor and any Franchisor licensor, as applicable, shall be entitled to the remedies of injunction, specific performance and other equitable relief to redress any breach, or to prevent any threatened breach (and Franchisor and any licensor shall not be required to post any bond or prove special damages) and Owner shall pay any and all costs and expenses (including reasonable Attorneys' Fees and expenses) incurred by Franchisor or any such licensor in enforcing its rights hereunder. Nothing contained in this Agreement shall, however, be construed as a waiver by Franchisor of any other right, including, without limitation, Franchisor's right to damages.

10. Binding. This Agreement shall be binding on and inure to the benefit of the parties and their successors and permitted assigns. Franchisor may assign its rights and obligations under this Agreement to anyone without the consent of Owner. Owner shall not assign any of Owner's rights or obligations under this Agreement.

11. Laws. This Agreement and the parties' respective rights and obligations hereunder will be governed by, and construed and enforced in accordance with, the laws of the state where a claimed breach occurs, PROVIDED, that the provisions of any statute, regulation or law regarding franchises shall not apply unless jurisdictional, definitional and other requirements thereof are met independently of this Section.

12. Survival. Owner's obligations shall survive termination of the Franchise Agreement. Any failure on the part of Franchisor to insist upon the performance of this Agreement in whole or in part shall not constitute a waiver of any right under this Agreement. No waiver of any provision of this Agreement shall be effective unless in writing and executed by the party waiving the right. The parties agree that the covenants included in this Agreement, taken as a whole, are reasonable in duration and scope and necessary to protect Franchisor and the System, and it is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. If in any judicial proceeding a court shall refuse to enforce any of the separate covenants included in this Agreement, then such unenforceable covenant shall be deemed modified so as to be enforceable (or if not subject to modification, then eliminated) to the extent necessary to permit the remaining covenants to be enforced.

13. Defined Terms. Capitalized terms used in this Agreement, unless otherwise defined herein, shall have the meanings ascribed to such terms in the Franchise Agreement. Owner acknowledges having received, reviewed and understood the terms of the Franchise Agreement and having had ample opportunity to consult with independent counsel of Owner's choosing prior to the execution of this Agreement.

IN WITNESS WHEREOF, the undersigned have set their hands as of this ____ day of _____, 20__.

FRANCHISOR:

Yummy-town USA LLC,
a Delaware limited liability company

By: _____
Name:
Title:

OWNERS:

Signature

Printed Name

Signature

Printed Name

Signature

Printed Name

SCHEDULE F TO THE FRANCHISE AGREEMENT

OWNER NON-COMPETE, NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT (For California Franchise Owners)

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement for the operation of a HAPPY LEMON store ("**Store**"), and any revisions, modifications and amendments thereto, (hereinafter collectively the "**Franchise Agreement**") dated _____, 20__ by and between Yummy-town USA LLC (hereinafter "**Franchisor**") and _____ (hereinafter "**Franchisee**"), the undersigned ("**Owner**") agrees as follows:

1. Non-Solicitation and In Term Non-Competition Covenants. Owner acknowledges that as a result of Owner's equity position in Franchisee, Owner may receive valuable Confidential Information, as that term is defined below, and other proprietary information of Franchisor's or Franchisor's Associates. Owner covenants that, during the term of the Franchise Agreement and subject to the post termination provisions contained therein and any applicable addendum to the Agreement, and except as otherwise approved in writing by Franchisor, Owner will not, either directly or indirectly, for himself/herself or through, on behalf of or in conjunction with any Family Members or other person, persons, partners or entity:

(i) have any direct or indirect interest anywhere in any Similar Business (as defined below) or in any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses; or

(ii) provide any financial support or perform any services anywhere as an employee, agent, representative, consultant or in any capacity of any kind for any Similar Business, or for any entity granting franchises or licenses or establishing joint ventures to operate Similar Businesses.

For purposes of this Agreement, (i) a "**Similar Business**" is any business or enterprise that markets or sells tea beverages with fresh fruits, milk, salted cheese, boba and other distinctive HAPPY LEMON menu items and such goods comprise more than twenty percent (20%) of sales for such business/enterprise; and (ii) "**Family Members**" include an individual and his/her spouse and/or domestic partner, and their respective mother, father, brother, sister, son, and daughter.

2. Post Term Covenants. Owner covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period commencing upon the expiration or termination of the Franchise Agreement, regardless of the cause for termination, and continuing for two (2) years thereafter, Owner will neither directly nor indirectly, for itself or through, on behalf of or in conjunction with any person, persons, partnership or corporation:

(i) have any direct or indirect interest in any Similar Business within a radius of ten (10) miles of Franchisee's HAPPY LEMON Store location or the location of any HAPPY LEMON Store if the fulfillment of Owner's duties and responsibilities with respect to such Similar Business would inherently call upon Owner to disclose and/or use Franchisor's or Franchisor Associate's Trade Secrets (as defined in the Franchise Agreement) or other proprietary information;

(ii) provide any financial support or perform any services as an employee, agent, representative, consultant or in any capacity of any kind for any Similar Business within a radius of ten (10) miles of Franchisee's HAPPY LEMON Store location or the location of any HAPPY LEMON Store, if the fulfillment of Owner's duties and responsibilities with respect to such Similar Business would inherently call upon Owner to disclose and/or use Franchisor's or Franchisor Associate's Trade Secrets or other proprietary information; or

(iii) have any direct or indirect interest anywhere in, or provide any financial support to, any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses, or perform any services anywhere as an employee, agent, representative, consultant or in any capacity of any kind for any such entity, if the fulfillment of Owner's duties and responsibilities with respect to such entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses would inherently call upon Owner to disclose and/or use Franchisor's or Franchisor Associate's Trade Secrets or other proprietary information.

3. Non-Use and Non-disclosure Covenants. Owner agrees to protect as confidential, and not to disclose to any person or entity any Confidential Information, either directly or indirectly, except as may be required for the fulfillment of Owner's and/or Franchisee's obligations under the Franchise Agreement. For purposes of this Agreement, Confidential Information includes in any form current and future:

(i) any manuals, techniques, processes, instructional materials and curricula, any proprietary recipes, policies, procedures, systems, data, and know how regarding the establishment, operation and franchising of HAPPY LEMON Stores;

(ii) HAPPY LEMON layouts and designs, specifications for any HAPPY LEMON customized products and services, and supplier lists and related agreements, pricing and terms; and

(iii) trade secrets and other non-public information regarding the System or HAPPY LEMON Stores, including potential location plans, System statistics, profits, financial data, marketing plans, business strategies, Store performance information, customer lists and related data for all HAPPY LEMON Stores, and other operating data/information.

Owner further agrees:

(i) Not to utilize any Confidential Information other than for the benefit of the Franchisee and during the term of, and in accordance with the provisions of, the Franchise Agreement;

(ii) To take all precautions necessary to ensure that the Confidential Information shall not be disclosed to third parties; and

(iii) Acknowledges that all Confidential Information is and shall remain the property of Franchisor or Franchisor's licensor, as applicable, and nothing herein or any course of conduct between Franchisor, Franchisee and Owner shall be deemed to grant Owner any rights in or to all or any portion of the Confidential Information.

4. No Undue Hardship. Owner acknowledges and agrees that the covenants set forth above are fair and reasonable and will not impose any undue hardship on Owner since Owner has other considerable skills, experience and education which afford him/her the opportunity to derive income from other endeavors.

5. Inapplicability of Restrictions. The restrictions described in paragraphs 1 and 2 do not apply to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than three percent (3%) of the outstanding number of shares of that class issued by a Similar Business.

6. Independence of Covenants. Each of the above covenants shall be deemed independent of any other covenant or provision of this Agreement. If any of the restrictions in this Agreement are determined to be unenforceable to an extent because of excessive duration, geographic area, scope of business or otherwise, they will be reduced to the level that provides the greatest protection to Franchisor and the System, but which is still enforceable. If a court of competent jurisdiction deems any provision of

this Agreement unreasonable, the court may declare a reasonable modification, and this Agreement shall be valid and enforceable as so modified.

7. Modification of Covenants. Owner understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any of the above covenants without Owner's consent, effective immediately upon receipt by Owner of written notice thereof, and Owner shall comply with any covenant as so modified.

8. Enforcement of Covenants. Owner expressly agrees that the existence of any claims Owner may have against Franchisor shall not act as a defense to the enforcement by Franchisor of the covenants contained in this Agreement. Owner agrees to pay all costs and expenses (including reasonable Attorneys' Fees) incurred by Franchisor in connection with the enforcement of the covenants set forth in this Agreement.

9. Specific Performance. Owner acknowledges that any breach of Owner's obligations herein may cause Franchisor great and irreparable injury that cannot be adequately compensated by the payment of damages in an action at law. Accordingly and notwithstanding any contrary or inconsistent term of the Franchise Agreement, Franchisor and any Franchisor licensor, as applicable, shall be entitled to the remedies of injunction, specific performance and other equitable relief to redress any breach, or to prevent any threatened breach (and Franchisor and any licensor shall not be required to post any bond or prove special damages) and Owner shall pay any and all costs and expenses (including reasonable Attorneys' Fees and expenses) incurred by Franchisor or any such licensor in enforcing its rights hereunder. Nothing contained in this Agreement shall, however, be construed as a waiver by Franchisor of any other right, including, without limitation, Franchisor's right to damages.

10. Binding. This Agreement shall be binding on and inure to the benefit of the parties and their successors and permitted assigns. Franchisor may assign its rights and obligations under this Agreement to anyone without the consent of Owner. Owner shall not assign any of Owner's rights or obligations under this Agreement.

11. Laws. This Agreement and the parties' respective rights and obligations hereunder will be governed by, and construed and enforced in accordance with, the laws of the state where a claimed breach occurs, PROVIDED, that the provisions of any statute, regulation or law regarding franchises shall not apply unless jurisdictional, definitional and other requirements thereof are met independently of this Section.

12. Survival. Owner's obligations shall survive termination of the Franchise Agreement. Any failure on the part of Franchisor to insist upon the performance of this Agreement in whole or in part shall not constitute a waiver of any right under this Agreement. No waiver of any provision of this Agreement shall be effective unless in writing and executed by the party waiving the right. The parties agree that the covenants included in this Agreement, taken as a whole, are reasonable in duration and scope and necessary to protect Franchisor and the System, and it is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. If in any judicial proceeding a court shall refuse to enforce any of the separate covenants included in this Agreement, then such unenforceable covenant shall be deemed modified so as to be enforceable (or if not subject to modification, then eliminated) to the extent necessary to permit the remaining covenants to be enforced.

13. Defined Terms. Capitalized terms used in this Agreement, unless otherwise defined herein, shall have the meanings ascribed to such terms in the Franchise Agreement. Owner acknowledges having received, reviewed and understood the terms of the Franchise Agreement and having had ample opportunity to consult with independent counsel of Owner's choosing prior to the execution of this Agreement.

IN WITNESS WHEREOF, the undersigned have set their hands as of this _____ day of _____, 20____.

FRANCHISOR:

Yummy-town USA LLC,
a Delaware limited liability company

By: _____

Name:

Title:

OWNERS:

Signature

Printed Name

Signature

Printed Name

Signature

Printed Name

EXHIBIT C TO THE DISCLOSURE DOCUMENT

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EXHIBIT D TO THE DISCLOSURE DOCUMENT**LISTS OF CURRENT AND FORMER FRANCHISEES****Current Franchisees:**

State	City	Address	Contact Name	Phone Number
Arizona	Tucson	4594 East Broadway Boulevard, Tucson, Arizona 85711	Chor-Yee Dion	520-981-2888
California	Alameda	2321 Santa Clara Avenue, Alameda, CA 94501	Zhongmin He	415-309-6871
California	Alhambra	1411 S. Garfield Avenue, Unit 101, Alhambra, CA 91801	Zach Lam	408-650-2106
California	Arcadia	1019 South Baldwin Ave., Arcadia, CA 91007	Eddie Hsu	909-979-4232
California	Belmont	850 Emmett Ave., Suite A, Belmont, CA 94002	Lawrence Lam	310-383-9394
California	Berkeley	2106 Shattuck Ave., Berkeley, CA 94704	Goldie Van der Kooij	650-930-0070
California	Brentwood	2440 Sand Creek Rd, Suite E8, Brentwood, CA 94513	Don Franco Pacia	925-664-5288
California	Burlingame	1419 Burlingame Ave, Burlingame, CA 94010	Hui Zhang	650-787-7189
California	Carlsbad	2525 El Camino Real, Store #216, Carlsbad, CA 92008	Heather Centeno	608-957-1947
California	Castro Valley	3805 E. Castro Valley Blvd., Castro Valley, CA 94552	Zhongmin He	415-309-6871
California	Daly City	3 Serramonte Center, Suite118A, Daly City, CA 94015	Lingke Xie	650-235-6007
California	Danville	3450 Camino Tassajara Road, Danville, CA 94506	Weihaio Zhou	925-963-6963
California	Elk Grove	8106 Sheldon Road, Suite 103, Elk Grove, CA 95758	Greg Wong	408-821-6626
California	Fremont	46873 Warm Springs Blvd., Fremont, CA 94539	Hongyan Gu	669-228-1678
California	Fresno	6759 N. Cedar Avenue, Fresno, CA 93710	Mei Chen	559-320-5816
California	Garden Grove	8261 Garden Grove Blvd., Garden Grove, CA 92944	Luan Vo	714-989-0096
California	Gilroy	8155 Arroyo Circle, A002, Gilroy CA 95020	Maurice Chin	510-508-6666
California	Manteca	1338 E. Yosemite Ave., Manteca, CA 95336	Dat Nguyen	650-307-3031
California	Mountain View	742 Villa Street, Mountain View, CA 94041	Wu Weimin	408-728-1048
California	National City	3030 Plaza Bonita Road, Suite 2438, National City, CA 91950	Matt Lo	818-324-6677
California	Newark	39151 Cedar Blvd., Newark, CA 94560	Howie Chin	281-636-2168
California	Oakland	4214 Piedmont Ave, Oakland, CA 94611	Zhongmin He	415-309-6871
California	Pleasant Hill	712 B Contra Costa Blvd., Pleasant Hill, CA 94523	Tina Nguyen	510-282-9091
California	Pleasanton	2701 Stoneridge Drive, Unit 101, Pleasanton CA 94588	Mike Lee	408-813-7564

California	Redwood City	851 Middlefield Rd., Redwood City CA 94063	Jessica Yuan	510-415-4030
California	Richmond	3288 Pierce St., #D103, Richmond, CA 94804	Victor Gao	415-722-3139
California	Sacramento	3660 Crocker Drive, Suite 110, Sacramento, CA 95818	Jessica Yuan	510-415-4030
California	San Diego	4545 La Jolla Village Drive, Suite 9034, San Diego, CA 92122	Matt Lo	818-324-6677
California	San Diego	4633 Convoy Street, Suite 107, San Diego, CA 92111	Matt Lo	818-324-6677
California	San Francisco	1320 4th Street, San Francisco, CA 94158	Jessica Chan	415-680-0655
California	San Francisco	425 Mission St, Suite 105, San Francisco, CA 94105	Jasmine Chin	650-787-7783
California	San Jose	3005 Silver Creek Road, San Jose, CA 95121	Thang Nguyen	408-649-1548
California	San Jose	311 N. Capitol Avenue, Suite C, San Jose, CA 95133	Thang Nguyen	408-649-1548
California	San Jose	5379 Prospect Road, San Jose, CA 95129	Jasmine Chin	650-787-7783
California	San Jose	567 Coleman Ave., Suite 10, San Jose, CA 95110	Edward Hsiao	650-753-9168
California	San Jose	630 Blossom Hill Road, Suite 30, San Jose, CA 95123	Jessica Yuan	510-415-4030
California	San Jose	919 Story Rd, Suite 1148, San Jose, CA 95122	Jessica Yuan	510-415-4030
California*	San Jose	TBD	Karla Valencia Hernandez	323-243-9359
California	San Leandro	699 Lewelling Blvd Suite 35 San Leandro CA 94579	Zhongmin He	415-309-6871
California	San Ramon	3110 Crow Canyon Place, Suite B-1, San Ramon, CA 94583	Lingke Xie	650-235-6007
California*	Santa Ana	5103 W. 16 th Street, Santa Ana, CA 92703	Duke Nguyen	714-867-8402
California	Santa Rosa	2101 Santa Rosa Plaza, Santa Rosa, CA 95401	Danny Liu	415-823-6886
California	Stockton	6349 Pacific Avenue, Stockton, CA 95207	Navdeep Bains	408-966-0788
California	Sunnyvale	520 Lawrence Expy., Sunnyvale, CA 94085	Wu Weimin	408-728-1048
California	Tulare	1208 E. Prosperity Ave., Tulare, CA 93274	Eder Cervantes Alcala	559-682-7689
California	Vacaville	2042 Nut Tree Road, Vacaville, CA 95687	Damian Valer Ocampo	707-631-0218
Colorado	Brighton	2325 Prairie Center Parkway, Unit C, Brighton, CO 80601	Tuan Vo	721-238-5954
Colorado	Centennial	7562-7592 S. University Blvd., Centennial, CO 80122	Madhuri Maharaj	904-248-9449
Colorado	Edgewater	1931-Q Sheridan Blvd. Edgewater, CO 80214	Madhuri Maharaj	904-248-9449
Colorado	Greenwood Village	9686 East Arapahoe Dr., Greenwood Village, CO 80112	Madhuri Maharaj	904-248-9449
Colorado	Westminster	1001 W. 120th Ave, Ste 105, Westminster, CO 80234	Madhuri Maharaj	904-248-9449
Florida	Orlando	11565 University Blvd., Suite 2, Orlando, FL 32817	Thanh Binh Tran	561-927-5779

Florida	Orlando	2100 Colonial Drive, Unit D, Orlando, FL 32803	Bao Huynh	407-432-3676
Georgia	Atlanta	230 N. Finley St., Suite C, Athens, GA 30601	Anthony Tran	404-791-9943
Hawaii	Honolulu	1200 Ala Moana Blvd., Honolulu, HI 96814	I Wen Hsiao	650-741-8888
Hawaii	Honolulu	1450 Ala Moana Blvd., Honolulu, HI 96814	I Wen Hsiao	650-741-8888
Hawaii	Honolulu	98-1005 Moanalua Road, Room 881, Aiea, HI 96701	Kathy Daotay	808-349-4487
Massachusetts	Boston	417 Washington Street, Boston, MA 02108	Xi Qiao Liu	646-262-1130
Massachusetts	Jamaica Plain	3139 Washington St, Jamaica Plain, MA 02130	Xi Qiao Liu	646-262-1130
Nevada	Las Vegas	3635 S Las Vegas Blvd, Las Vegas, NV 89109	Yu Tang	607-379-5669
Nevada	Las Vegas	3785 S Las Vegas Blvd., Suite 205, Las Vegas, NV 89109	Yu Tang	607-379-5669
New York	Flushing	133-35 Roosevelt Avenue, Flushing, NY 11354	Patrick Chu	646-280-9008
Oklahoma	Edmond	68 E 33rd Street, Edmond, OK 73013	Minh T. Nguyen	405-496-7616
Oregon	Beaverton	4130 SW 117th Street, Beaverton, OR 97005	Tao Huang	541-602-7454
Oregon	Corvallis	2501 SW Jefferson Way, Corvallis, OR 97331	Tao Huang	541-602-7454
Oregon	Portland	2850 S.E. 82 nd Ave., Suite #8, Portland, OR 97266*	Nghi Thai	971-227-6422
Oregon	Tigard	7319 SW Bridgeport Rd, Tigard, OR 97224	Tao Huang	541-602-7454
Oregon	Tigard	Space #Y16 in Washington Square Shopping Center in Tigard, OR	Tao Huang	541-602-7454
Texas	Arlington	1818 E. Pioneer Parkway, Suite 166-168, Arlington, TX 76010	Joohun Lee	469-978-2637
Texas	Austin	2501 Parmer Lane, Suite 650A, Austin, TX 75758	Minyi Pan	832-284-2606
Texas	Austin	6406 N. Interstate Highway 35, Suite 1301, Austin, TX 78752	Dang Nguyen	408-904-9272
Texas	Carrollton	2225 Old Denton Road, Building 3, Suite 315, Carrollton, TX 75007	Wendy Tam	415-613-2038
Texas	Cedar Park	1310 E. Whitestone Blvd., #530, Cedar Park, TX 78613	Priyatham Anisetty	503-333-4963
Texas	Cypress	11930 Barker Cypress Rd., #700, Cypress, TX 77433	Hieu Nguyen	832-513-5941
Texas	Fort Worth	1019 Foch Street, Fort Worth, TX 76017	Lydia Nguyen	707-953-6643
Texas	Houston	9938 Bellaire Blvd, Suite E, Houston, TX 77036	Mary Dinh	817-507-6471
Texas	Houston	14248 Bellaire Blvd., Suite 100, Houston, TX, 77083	Mary Dinh	817-507-6471
Texas	Hurst	1101 Melbourne Rd., #VC02, Hurst, TX 76053	Joo Hun Lee	469-978-2637
Texas	Katy	23119 Colonial Parkway, C10, Katy, TX 77449	Ken Wynn	479-461-8537
Texas	Mansfield	2301 E Broad St.,	Lydia Nguyen	707-953-6643

		Mansfield, TX 76063		
Texas	Plano	301 Parker Rd., Plano, TX 75023	Chin Wai Chan	972-816-8398
Texas	Richardson	169 N. Plano Road, Richardson, TX 75081	Shawn Choe	469-328-6871
Texas	Sugarland	16200 Kensington Drive, Unit 500, Sugarland, TX 77479	Hieu Vulang	346-988-9112
Texas	Tyler	4925 S. Broadway Avenue, Tyler, TX 75703	Hanh D. Tran	408-623-4378
Virginia	Lynchburg	110 Morning Glory Ct, Suite F, Lynchburg, VA 24502	Quyen Ho	434-363-0939
Washington	Auburn	4220 A St., SE, Auburn, WA 98002	David Hong	253-310-3295
Washington	Bellingham	1155 E. Sunset Drive, #105, Bellingham, WA 98226	Huong Do	206-688-9522
Washington	Bonney Lake	9812 205 th Ave. E, Suite B, Bonney Lake, WA 98391	Hang Tran	253-327-9427
Washington	Bothell	21225 Bothell Everett Hwy, #105, Bothell, WA 98021	Chia-Shih Huang	971-477-7363
Washington	Covington	17307 SE 272nd Street, Suite 118, Covington, WA 98042	Aaron Parr	425-941-3319
Washington	Edmonds	22001 Hwy 99 Foyer, Edmonds, WA 98026	Yu Tang	607-379-5669
Washington	Everett	8530 Evergreen Way, Suite #4, Everett, WA 98208	Pradsanee Tipyasothi	425-260-2991
Washington	Federal Way	2002 Commons C2, Federal Way, WA 98003	Dinh Truong	206-383-2756
Washington	Kent	10216 SE 256th Street, Suite 106, Kent, WA 98030	Tien Hoang	253-326-2292
Washington	Kirkland	320 4th Street, Kirkland, WA 98033	Joseph Blanco	702-858-2411
Washington	Lake Stevens	303 91st Ave., NE, Unit A103, Lake Stevens, WA 98258	Linh Tran	206-412-8292
Washington	Lynnwood	18415 33rd Ave W, Suite Q, Lynnwood, WA 98037	Ting Yang	425-677-4162
Washington	Olympia	2615 Capital Mall Dr., SW, Olympia, WA 98502	Hoa Huynh	206-330-6221
Washington*	Puyallup	12314 S Meridian, Suite A1, Puyallup, WA 98373	Hoa Huynh	206-330-6221
Washington	Redmond	17181 Redmond Way, Suite A08, Redmond, WA, 98052	Bhargavi Vupalanchi	425-443-0467
Washington	Renton	4250 NE 4 th Street E, Renton, WA 98059	Ting Yang	425-677-4162
Washington	Seattle	2245 8th Ave, R1-1A, Seattle, WA 98121	Ting Yang	425-677-4162
Washington	Seattle	2630 NE University Village Lane, Seattle, WA 98105	Ting Yang	425-677-4162
Washington	Seattle	6014 Martin Luther King Jr. Way S., Seattle, WA 98118	Thi Huynh	206-883-3402
Washington	Seattle	9025 25th Avenue SW, Seattle, WA 98106	Thi Huynh	206-881-3826
Washington	Seattle	2718 Alki Ave SW, Seattle, WA 98116	Thomas Katsaros	253-329-3972
Washington	Silverdale	2966 NW Bucklin Hill Rd., #11, Silverdale, WA 98383	Daniel Nguyen	360-731-9888

Washington	Tacoma	2505 S. 38th St., Suite A-114, Tacoma, WA 98409	Daniel Nguyen	360-731-9888
Washington	Vancouver	14015 NE 10th Ave, Suite 508, Vancouver, WA, 98685	Surapha Nelson	360-369-9235

* As of December 31, 2025, these franchisees have executed a franchise agreement but have not opened for business.

Former Franchisees:

State	City	Name	Phone
California	Chula Vista National City San Diego San Marcos	Jessica Gao	858-900-7618
California	Cupertino	Si Yao Li	415-813-0195
California	Elk Grove	Richard Li	916-607-3268
California	San Francisco	Jimmy Liu	650-922-5249
Illinois	Champaign Evanston	Thinh Le	408-582-8710
Texas	Conroe	Ha Pham	832-545-8726
Texas	Richardson	Chin Wai Chan	972-816-8398
Texas	Sugarland	Henry Le	832-858-7222
Washington	Federal Way	Ny Le	206-653-5815
Washington	Tukwila	Yu Tang	607-379-5669

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

EXHIBIT E TO THE DISCLOSURE DOCUMENT

STATE FRANCHISE LAW ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

[see attached]

STATE FRANCHISE LAW ADMINISTRATORS

California:

Department of Financial Protection and Innovation
One Sansome Street, Suite 600
San Francisco, CA 94104

320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

651 Bannon Street, Suite 300
Sacramento, CA 95811

1455 Frazee Road, Suite 315
San Diego, CA 92108

www.dfpi.ca.gov

(866) 275-2677

Ask.DFPI@dfpi.ca.gov

Hawaii:

Department of Commerce and
Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813

Illinois:

Office of the Attorney General
500 South Second Street
Springfield, IL 62706

Indiana:

Indiana Securities Division
Secretary of State
302 West Washington Street, Room E-111
Indianapolis, IN 46204

Maryland:

Office of the Attorney General
Division of Securities
200 Saint Paul Place
Baltimore, MD 21202-2020

Michigan:

Michigan Attorney General's Office
Consumer Protection Division
Franchise Section
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, MI 48913

Minnesota:

Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101

New York:

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8222

North Dakota:

North Dakota Securities Department
600 East Boulevard, 5th Floor
Bismarck, ND 58505

Oregon

Director
Department of Consumer & Business Services
Division of Finance & Corporate Securities
P.O. Box 14480
Salem, Oregon 97309-0405
(503) 378-4140

Rhode Island:

Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex, Building 69-1
Cranston, RI 02920-4407

South Dakota:

Department of Labor and Regulation
Division of Securities
124 S. Euclid, Suite 104
Pierre, SD 57501

Virginia:

State Corporation Commission
Division of Securities and
Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219

Washington:

Washington Department of Financial Institutions
Securities Division
P. O. Box 41200
Olympia, WA 98504-1200

Wisconsin:

State of Wisconsin
Office of the Commissioner of Securities
201 W. Washington Ave.
Madison, WI 53703

AGENTS FOR SERVICE OF PROCESS

The Franchisor has not appointed the agent identified below unless it has registered in that state, as noted in Exhibit H.

California:

Department of Financial Protection and
Innovation
1 Sansome Street, Suite 600
San Francisco, California 94104

Hawaii:

Commissioner of Securities
Department of Commerce and
Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

Illinois:

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana:

Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204

Maryland:

Securities Commissioner
200 Saint Paul Place
Baltimore, Maryland 21202-2020

Michigan:

Department of Attorney General's Office
Consumer Protection Division
670 Law Building
Lansing, Michigan 48913

Minnesota:

Commissioner of Commerce
85 7th Place E.
St. Paul, MN 55101

New York:

Secretary of State
99 Washington Avenue
Albany, New York 12231

North Dakota:

Commissioner of Securities
600 East Blvd., 5th Floor
Bismarck, North Dakota 58505

Rhode Island:

Director of Business Regulation
Division of Securities
John O. Pastore Complex 69-1
1511 Pontiac Avenue
Cranston, RI 02920

South Dakota:

Director
Securities Division
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

Virginia:

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

Washington:

Director
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, WA 98501

Wisconsin:

Administrator
Department of Financial Institutions
Division of Securities
201 W. Washington Ave.
Madison, Wisconsin 53703

EXHIBIT F TO THE DISCLOSURE DOCUMENT

STATE SPECIFIC ADDENDUM

[see attached]

**ADDENDUM TO THE YUMMY-TOWN USA LLC
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF CALIFORNIA**

1. **The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the Commissioner.**
2. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.
3. 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 contains provisions that are inconsistent with the law, the law will control.
4. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).
5. Both the governing law and choice of law for franchisees operating outlets located in California, will be the California Franchise Investment Law and the California Franchise Relations Act regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the franchise agreement or amendment to or any agreement to the contrary is superseded by this condition.
6. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.
7. Section 31125 of the California Corporation Code requires the franchisor to provide you with a Disclosure Document before asking you to agree to a material modification of an existing franchise.
8. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
9. You must sign a general release if you renew or transfer your franchise agreement. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
10. The franchise agreement requires mediation and, if necessary, binding arbitration. The mediation and arbitration will occur in Los Angeles County, California with each party bearing its own costs. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California. Business and Professions Code Section 20040.5 relating to forum selection

clauses restricting venue outside the state of California or arbitration may be preempted by the Federal Arbitration Act. Section 20040.5 may still apply to any provision relating to judicial proceedings. A binding arbitration provision may not be enforceable under generally applicable contract defenses, such as fraud, duress, or unconscionability.

11. OUR WEBSITE, www.happylemonusa.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.
12. You will not receive an exclusive territory. You may face competition from other franchisees, from other outlets that we own, or from other channels of distribution or competitive brands that we control.
13. The highest interest rate allowed by law in California for late payments is 10% annually.
14. 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.
15. You must comply with the requirements of the Fast Food Franchisor Responsibility Act, also known as "AB 1228." AB 1228 increases the minimum wage for fast food employees to \$20 per hour, beginning April 1, 2024. AB 1228 authorizes the Fast-Food Council to set fast-food restaurant standards for minimum wage and develop minimum standards on working hours and other working conditions, including health and safety standards and training.

**WASHINGTON ADDENDUM
TO THE
FRANCHISE DISCLOSURE DOCUMENT,
FRANCHISE AGREEMENT AND RELATED AGREEMENTS**

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

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the

term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

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

provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise. The undersigned does hereby acknowledge receipt of this addendum.
19. **Surety Bond.** A surety bond in the amount of \$100,000 has been obtained by the Franchisor. The Washington Securities Division has made the issuance of the franchisor's permit contingent upon the Franchisor maintaining surety bond coverage acceptable to the Administrator until (a) all Washington Franchisees have (i) received all initial training that they are entitled to under the franchise agreement or offering circular, and (ii) are open for business; or (b) the Administrator issues written authorization to the contrary..

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this ____ day of _____. 20__.

FRANCHISOR:

YUMMY-TOWN USA LLC

FRANCHISEE:

Franchisee's Signature

By: _____

Name: _____

Title: _____

Franchisee's Printed Name

**ILLINOIS ADDENDUM
TO YUMMY-TOWN USA LLC
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

The Initial Training Program will be conducted at franchisor's training facilities in the United States (as designated by franchisor).

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.

Dated: _____

FRANCHISOR:

YUMMY-TOWN USA LLC

FRANCHISEE:

Franchisee's Signature

By: _____

Name: _____

Title: _____

Franchisee's Printed Name

**NEW YORK ADDENDUM
TO YUMMY-TOWN USA LLC
FRANCHISE DISCLOSURE DOCUMENT**

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT E OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

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

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

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

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

expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

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

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

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

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

**VIRGINIA ADDENDUM
TO YUMMY-TOWN USA LLC
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1- 574 applies, the terms of this Addendum apply.

Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et. seq.).

According to Section 13.1 – 564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

**NOTICE TO FRANCHISEES
IN THE
STATE OF HAWAII**

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process: Commission of Securities of the State of Hawaii.

EXHIBIT G TO THE DISCLOSURE DOCUMENT

CURRENT FORM OF ADDENDUM TO FRANCHISE AGREEMENT
EXECUTIVE ORDER 13224 AND RELATED CERTIFICATIONS

[see attached]

CURRENT FORM OF ADDENDUM TO FRANCHISE AGREEMENT
EXECUTIVE ORDER 13224 AND RELATED CERTIFICATIONS

TO BE COMPLETED WHEN THE FRANCHISE AGREEMENT IS SIGNED

If the Franchisee is an individual or individuals, the Franchisee certifies that he/she/they are not, nor to my/our best knowledge have I/us been designated, a terrorist and/or a suspected terrorist, nor am I/us associated and/or affiliated in any way with any terrorist and/or suspected terrorist person and/or organization, as defined in U.S. Executive Order 13224 and/or otherwise.

If the Franchisee is a company, the person(s) signing on behalf of the Franchisee certify(ies) that, to the Franchisee's and such person's best knowledge, neither the Franchisee, such person, and/or any owners, officers, board members, similar individuals and/or affiliates/associates of the Franchisee have been designated, a terrorist and/or a suspected terrorist, nor is the Franchisee or any such persons and/or affiliates/associates owned, controlled, associated and/or affiliated in any way with any terrorist and/or a suspected terrorist person and/or organization, as defined in U.S. Executive Order 13224 and/or otherwise.

Franchisee agrees to fully comply and/or assist Franchisor in its compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to antiterrorist activities, including without limitation the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations, including properly performing any currency reporting and other obligations, whether relating to the Franchise or otherwise, and/or required under applicable law. The indemnification responsibilities provided in the Franchise Agreement cover the Franchisee's obligations hereunder.

FRANCHISEE (ENTITY):

FRANCHISEE (INDIVIDUALS):

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Date: _____

Date: _____

By: _____

Printed Name: _____

Date: _____

By: _____

Printed Name: _____

Date: _____

EXHIBIT H TO THE DISCLOSURE DOCUMENT

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	[TBD]
Hawaii	[TBD]
Illinois	[TBD]
Indiana	[TBD]
New York	[TBD]
Virginia	[TBD]
Washington	[TBD]
Wisconsin	[TBD]

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 I TO THE DISCLOSURE DOCUMENT

RECEIPTS

[see attached]

RECEIPT

(RETURN THIS COPY TO US)

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 Yummy-town USA LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, except as noted below.

The state laws of New York and Rhode Island require that Yummy-town USA LLC give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

The state laws of Michigan require that Yummy-town USA LLC give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Yummy-town USA LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit E.

The franchisor is Yummy-town USA LLC, located at 1801 Highland Avenue, Unit G, Duarte, California 91010. Its telephone number is (909) 334-1038.

Issuance date: March 9, 2026

The franchise seller for this offering is:

Yummy-town USA LLC authorizes the agents listed in Exhibit E to receive service of process for it, where applicable.

I have received a Disclosure Document dated March 9, 2026*, that included the following Exhibits:

- A. Financial Statements
- B. Franchise Agreement and Schedules
 - A. Franchisee Owners, Designated Owner and Accepted Location
 - B. Guaranty and Assumption of Obligations
 - C. Current Form of Releasing Language
 - D. ADA and Related Certifications
 - E. Owner Non-Compete, Non-Disclosure and Confidentiality Agreement (Non-California Franchisees)
 - F. Owner Non-Compete, Non-Disclosure and Confidentiality Agreement (California Franchisees)
- C. Table of Contents of Manual
- D. List of Current and Former Franchisees

- E. Lists of State Administrators and Agents for Service of Process
- F. State Specific Addendum
- G. Current Form of Addendum to the Franchise Agreement - Executive Order 13224 and Related Certifications
- H. State Effective Dates
- I. Receipts

*The effective date of this Disclosure Document may be different in your state. Please refer to Exhibit I of this Disclosure Document for a list of effective dates.

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Please return this signed and dated receipt to:

Yummy-town USA LLC
1801 Highland Avenue, Unit G
Duarte, California 91010
Attention: Janice Charles
janice_charles@yummy-town.com

RECEIPT

(KEEP THIS COPY FOR YOUR RECORDS)

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 Yummy-town USA LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, except as noted below.

The state laws of New York and Rhode Island require that Yummy-town USA LLC give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

The state laws of Michigan require that Yummy-town USA LLC give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Yummy-town USA LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit E.

The franchisor is Yummy-town USA LLC, located at 1801 Highland Avenue, Unit G, Duarte, California 91010. Its telephone number is (909) 334-1038.

Issuance date: March 9, 2026

The franchise seller for this offering is:

Yummy-town USA LLC authorizes the agents listed in Exhibit E to receive service of process for it, where applicable.

I have received a Disclosure Document dated March 9, 2026*, that included the following Exhibits:

- A. Financial Statements
- B. Franchise Agreement and Schedules
 - A. Franchisee Owners, Designated Owner and Accepted Location
 - B. Guaranty and Assumption of Obligations
 - C. Current Form of Releasing Language
 - D. ADA and Related Certifications
 - E. Owner Non-Compete, Non-Disclosure and Confidentiality Agreement (Non-California Franchisees)
 - F. Owner Non-Compete, Non-Disclosure and Confidentiality Agreement (California Franchisees)

- C. Table of Contents of Manual
- D. List of Current and Former Franchisees
- E. Lists of State Administrators and Agents for Service of Process
- F. State Specific Addendum
- G. Current Form of Addendum to the Franchise Agreement - Executive Order 13224 and Related Certifications
- H. State Effective Dates
- I. Receipts

*The effective date of this Disclosure Document may be different in your state. Please refer to Exhibit I of this Disclosure Document for a list of effective dates.

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Please return this signed and dated receipt to:

Yummy-town USA LLC
1801 Highland Avenue, Unit G
Duarte, California 91010
Attention: Janice Charles
janice_charles@yummy-town.com