

FRANCHISE DISCLOSURE DOCUMENT



MILKSHOP JAPAN INC.
A Japanese Company limited by Shares
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The franchise offered is to own and operate a food service establishment offering tea, milk, and coffee beverages, iced desserts, bakery desserts, and other desserts, beverages, products, and accessories under the Milksha® name and marks. The total investment necessary to begin operation of a Milksha Tea Shop ranges from \$532,300 to \$951,200. This includes \$127,500 to \$134,500 that must be paid to franchisor or its affiliates. If we grant you area development rights, the total investment necessary to acquire these rights ranges from \$32,500 to \$81,000 for 2 to 5 tea shops. This includes \$30,000 to \$75,000 that must be paid to franchisor or its affiliates.

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 Milkshop Japan Inc., at Blink Roppongi, 3-1-6 Motoazabu, Minato City, Tokyo, Japan, and +81-368239989, Attn: George Chang.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, 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: June 24, 2024

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits D-1 and D-2.
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 E-1 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 Milksha® 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 Milksha® franchisee?	Item 20 or Exhibits D-1 and D-2 lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

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

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

THE FOLLOWING APPLY TO TRANSACTIONS GOVERNED BY
MICHIGAN FRANCHISE INVESTMENT LAW ONLY

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement or area development agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement or area development agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attn: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48933
Telephone Number: (517) 373-7117

Note: We believe that paragraph (f) is preempted by federal law and cannot preclude us from enforcing these arbitration provisions. We will seek to enforce this section as written.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

TABLE OF CONTENTS

ITEM	Page
ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES.....	1
ITEM 2 BUSINESS EXPERIENCE	4
ITEM 3 LITIGATION	4
ITEM 4 BANKRUPTCY	4
ITEM 5 INITIAL FEES	4
ITEM 6 OTHER FEES	6
ITEM 7 ESTIMATED INITIAL INVESTMENT	10
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	14
ITEM 9 FRANCHISEE’S OBLIGATIONS	16
ITEM 10 FINANCING	18
ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	18
ITEM 12 TERRITORY	24
ITEM 13 TRADEMARKS	27
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	29
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	31
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	31
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	32
ITEM 18 PUBLIC FIGURES	38
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS.....	38
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION.....	38
ITEM 21 FINANCIAL STATEMENTS	41
ITEM 22 CONTRACTS	41
ITEM 23 RECEIPTS	41

EXHIBITS

EXHIBIT A	State Administrators/Agents for Service of Process
EXHIBIT B-1	Franchise Agreement
EXHIBIT B-2	Area Development Agreement
EXHIBIT B-3	Purchase and Supply Agreement
EXHIBIT B-4	Representations Statement
EXHIBIT B-5	Sample General Release
EXHIBIT C	Table of Contents to Manual
EXHIBIT D-1	List of Current Franchisees
EXHIBIT D-2	List of Former Franchisees
EXHIBIT E-1	Financial Statements
EXHIBIT E-2	Parent Guarantee
EXHIBIT F	State Addenda and Riders
EXHIBIT G	Receipts

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

The Franchisor.

To simplify the language in this franchise disclosure document (this “Disclosure Document”), “Franchisor,” “we,” “us,” or “our” means Milkshop Japan, Inc., the franchisor. “You” means the person or entity who buys the franchise from us. If you are a corporation, partnership, limited liability company, or other business entity, your owners will have to guarantee your obligations and be bound by the provisions of the Franchise Agreement or the Area Development Agreement (each as defined below), as applicable, and other agreements as described in this Disclosure Document.

We were formed as a company limited by shares in Japan and began offering franchises of the type described in this Disclosure Document in June 2024. We do business under our corporate name and as “Milksha”. Our principal business address is Blink Roppongi, 3-1-6 Motoazabu, Minato City, Tokyo, Japan. We previously owned and operated Milksha Tea Shops (defined below) in Japan, though we no longer do so. We do not offer franchises in any other lines of business. We do not conduct any business activities other than described in this Disclosure Document. We do not have any predecessors.

Our Parent and Affiliates.

Our direct parent is Milkshop International Co., Ltd (“Milkshop Taiwan”), which has the principal business address of 7F-8, No.271, Sec.4, Ximen Rd., North Dist., Tainan City, Taiwan, R.O.C. Milkshop Taiwan owns the Marks (defined below) and certain other components of the intellectual property of the Milksha[®] system. Milkshop Taiwan licenses the Marks and other intellectual property rights to us. Milkshop Taiwan does not directly own or operate any Milksha Tea Shops, though certain of its affiliates do. Milkshop Taiwan is also an international franchisor of the “Milksha” brand. Milkshop Taiwan has been offering franchises for tea shops in Taiwan since 2012 and using the “Milksha” name for franchising tea shops since 2018. As of December 31, 2023, 436 franchised Milksha Tea Shops locations operated outside of the U.S. Milkshop Taiwan does not offer franchises in any other line of business. Milkshop Taiwan does not conduct any material business other than as described herein for the “Milksha” brand.

Milkshop Taiwan is majority-owned by Jollibee Worldwide Pte. Ltd. (“Jollibee Worldwide”), which is in turn wholly-owned by Jollibee Foods Corporation (“Jollibee Corporation”). Jollibee Worldwide and Jollibee Corporation share the principal business address 33rd Floor, Jollibee Plaza, 10 F. Ortigas Jr. Avenue, Pasig City, 1605 Philippines. Neither Jollibee Worldwide or Jollibee Corporation own or operate any Milksha Tea Shops. Neither Jollibee Worldwide or Jollibee Corporation offer franchises in the United States for any line of business, though certain of their affiliates do (see below for a description of affiliated franchise brands offered).

Our affiliate Yaxiang Enterprise Co., Ltd. has the principal business address of Rm. 6, 7 F., No. 271, Sec. 4, Ximen Rd., North Dist., Tainan City 70465, Taiwan (“Yaxiang”). Yaxiang sells certain proprietary and consumable inventory, including boba and tea leaves, to franchisees. Yaxiang does not directly own or operate any Milksha Tea Shops or offer franchises in any line of business. You must also sign a purchase and supply agreement with Yaxiang in the form attached as Exhibit B-3 to this Disclosure Document to acquire the proprietary inventory from Yaxiang.

Affiliated Franchise Programs.

As a result of our ultimate ownership and control by Jollibee Corporation, we are now under common control with other entities offering franchises:

- 1.

Multiple affiliates offer franchises under the name Jollibee® for restaurants featuring fried chicken, spaghetti, hamburgers, chicken sandwiches, desserts, assorted sides and beverages, and other products and services, including: (1) Jollibee Corporation began offering Jollibee® franchises in the Philippines in 1979, and as of December 31, 2023, 802 franchised Jollibee® restaurants were operating in the Philippines; (2) JBM LLC began offering Jollibee® franchises in the United States in April 2024, and 1 franchised Jollibee® restaurant is currently operating in the U.S. under contract with JBM LLC; and (3) Jollibee Worldwide began offering Jollibee® franchises worldwide in 1985, and as of December 31, 2023, 102 franchised Jollibee® restaurants were operating worldwide outside of the Philippines and the U.S. JBM LLC has a principal business address of 3900 East Mexico Avenue, Suite 1200, Denver, Colorado 80210. The principal business address of Jollibee Corporate and Jollibee Worldwide is 33rd Floor, Jollibee Plaza, 10 F. Ortigas Jr. Avenue, Pasig City, 1605 Philippines.

Super Magnificent Coffee Company (“SMCC Ireland”) has offered franchises for a café concept under the name “The Coffee Bean & Tea Leaf” in the United States since October 2019. “The Coffee Bean & Tea Leaf” locations feature premium coffee beverages, espresso drinks, premium teas, prepackaged coffees, roasted coffee beans and blends, prepackaged teas, baked goods, snacks and other food items. As of December 31, 2023, 77 franchised “The Coffee Bean & Tea Leaf” locations operated in the United States. SMCC Ireland has the principal business address Unit 14, Gray Office Park, Galway Retail Park, Headford Road, Galway, Ireland. SMCC Ireland is also party to a subfranchise agreement with its affiliate CBTL Franchising, LLC (“CBTL”), granting CBTL the right to offer “The Coffee Bean & Tea Leaf” franchises outside of the United States. CBTL has offered “The Coffee Bean & Tea Leaf” franchise internationally since 2001. As of December 31, 2023, 711 franchised “The Coffee Bean & Tea Leaf” locations operate internationally. CBTL has the principal business address 550 S. Hope Street, Suite 2100, Los Angeles, CA 90071.

Smashburger Franchising LLC has offered franchises for a quick-service restaurant concept under the name Smashburger® since 2008, which offer hamburgers, sandwiches, salads, and other food items and beverages. As of December 31, 2023, 77 franchised Smashburger® locations operated in the U.S. and 26 franchised Smashburger® locations operated internationally. Smashburger Franchising LLC has a principal business address of 3900 East Mexico Avenue, Suite 1200, Denver, Colorado 80210.

Other than as described in this Item 1, neither we nor any of our affiliates offers franchises for any other concept in the United States, though they may do so in the future. None of the affiliated franchise companies described above have owned, operated or offered franchises for Milksha Tea Shops.

Agents for Service of Process.

Our agent for service of process in our jurisdiction of organization is our Global Development Department at our principal business address. Please see [Exhibit A](#) to this Disclosure Document for a list of the names and addresses of our agents for service of process in certain other states.

The Franchises We Offer.

We offer and grant franchises in the United States to operate food service establishment offering tea, milk, and coffee beverages, iced desserts, bakery desserts, and other desserts, beverages, products, and accessories (each, a “Milksha Tea Shop”). Milksha Tea Shops operate under the name Milksha® and other trademarks, service marks, logos, and commercial symbols we periodically authorize (the “Marks”). Milksha Tea Shops also operate using distinctive and proprietary business formats, methods, procedures, designs, layouts, standards, and specifications, all of which we may improve, substitute,

further develop, or modify periodically (together, the “System”). We call the Milksha Tea Shop that you will operate “your Tea Shop.” You must comply with all of the mandatory standards, specifications, operating procedures, and rules that we periodically prescribe for operating a Milksha Tea Shop (“System Standards”).

You must sign a franchise agreement with us to acquire the right to develop, own and operate a Milksha Tea Shop (the “Franchise Agreement”) using the Marks and the System at a site selected by you and approved by us (the “Premises”). Our current form of Franchise Agreement is attached to this Disclosure Document as Exhibit B-1. If you wish to obtain certain territorial rights for future development of Milksha Tea Shops, we may also approve you to sign an area development agreement if you meet our then-current criteria (including, for example, relevant business experience, financial resources, the geographic market, and other factors). Our current form of area development agreement is attached to this Disclosure Document as Exhibit B-2 (the “Area Development Agreement”). The Area Development Agreement grants certain territorial protections, if you agree to satisfy a specified development schedule. The Area Development Agreement does not guarantee you any rights to develop specific Milksha Tea Shop(s). You must submit all proposed development to us for approval, and if we approve the development, you must sign our then-current Franchise Agreement to acquire the franchise rights for that Milksha Tea Shop, which may have terms that are materially different than the Franchise Agreement that is attached to this Disclosure Document as Exhibit B-1.

Market Competition.

Your Tea Shop(s) will offer products and services to the general public throughout the year and compete with other beverage and food product service businesses. The market for tea-based beverages, caffeinated beverages, iced dessert beverages, and the other products offered by Milksha Tea Shops is well-established and highly competitive. You can expect to compete in your market with locally-owned businesses, national and regional chains that sell similar products, including shops and cafes that serve tea and coffee beverages and/or desserts. You will also compete with other Milksha Tea Shops. Your competition may also include other shops, cafes, selling coffee, tea, and food items, grocery stores, convenience stores, and specialty coffee shops. You will compete on the basis of factors such as price, service, location, convenience, food quality and variety, presentation, location, and advertising. You will be competing with other businesses both for customers and for real estate locations. Your business may also be affected by other factors, such as changes in consumer taste, economic conditions, population, and travel patterns. Milksha Tea Shops are typically not seasonal.

Laws and Regulations.

Certain aspects of a food service business are heavily regulated by federal, state and local laws, rules and ordinances. The U.S. Food and Drug Administration, the U.S. Department of Agriculture, and various state and local departments of health and other agencies have laws and regulations concerning the preparation of food, display of nutrition facts, minimum wage, and health and safety conditions. State and local agencies routinely conduct inspections for compliance. You must also comply with laws applicable to businesses in your area generally, including compensation of employees, business licensure, zoning, real estate and occupational permitting, construction permitting, accessibility for persons with disabilities, sales and use tax, health and safety, and emergency orders related to public health or safety. There may be other laws applicable to your business.

ITEM 2
BUSINESS EXPERIENCE

Tony Tan Caktiong - Chairman of Parent

Mr. Caktiong has management authority over our franchise system due to his role as Chairman of the Board of Milkshop Taiwan, which position he has held since February 2022. Mr. Caktiong has also served as Chairman of the Board of Jollibee Foods Corporation since 1978. All positions with Milkshop Taiwan and Jollibee Foods Corporation have been held from Manila, Philippines.

Peter Huang – Director and Chief Executive Officer

Mr. Huang has been a member of our board of directors and our Chief Executive Officer since April 2019. Mr. Huang has also served on the board of directors and as Chief Executive Officer of Milkshop Taiwan since March 2008. All positions with us and Milkshop Taiwan have been held from Tainan City, Taiwan, R.O.C.

George Chang – Director and Chief Operating Officer

Mr. Chang has served as our Chief Operating Officer since May 2020 and on our board of directors since November 2021. Mr. Chang has also served as Global Development Officer Concurrent Head of Corporate Legal of our parent Milkshop Taiwan since May 2020. All positions with us and Milkshop Taiwan have been held from Tokyo, Japan. From December 2015 to April 2020, Mr. Chang served as Chief Executive Officer of Artes Liberales Educare in Suzhou, China.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Initial Franchise Fee

You must pay us an initial franchisee fee of \$30,000 in lump-sum when you sign your Franchise Agreement. The initial franchise fee is uniformly imposed, fully earned when paid, and is non-refundable under any circumstances.

Area Development Fee

If you are signing an Area Development Agreement, you must pay an area development fee equal to \$15,000 multiplied by the number of Tea Shops that you agree to develop at the time the Area Development Agreement is signed. The amount of your area development fee per Tea Shop will be credited to your initial franchise fee for that Tea Shop. The area development fee is uniformly imposed, fully earned when paid, and is non-refundable under any circumstances. We estimate an area development fee of \$30,000 to \$75,000 based on a development schedule of 2 to 5 Milksha Tea Shops.

Design Review Fee.

You must engage your own architect to design the schematics and plans for your Tea Shop and submit such schematics and plans to us for our approval before you begin any construction. You must pay us a design review fee of \$2,000 when you submit the plans and schematics to us for our review. The design review fee is uniformly imposed, fully earned when paid, and is non-refundable.

Lease Review Fee.

You are solely responsible for securing an approved Premises for your Tea Shop and negotiating the terms of the lease, sublease, or other document to secure its possession (the “Lease”). You must submit your proposed Lease to us for our approval before you sign it. You must pay us a lease review fee of \$1,500 when you submit the Lease to us for our review. The lease review fee is uniformly imposed, fully earned when paid, and is non-refundable.

Opening Consultation Fee.

If you are developing your first Milksha Tea Shop, we will provide you with certain consultants to assist you, and you must pay us an associated fee, as follows: (1) \$6,000 for two consultants to provide assistance relating to brand specifications and menu development, and (2) \$10,000 for two consultants to provide general assistance relating to business and operations matters for your Tea Shop. You must also reimburse our out-of-pocket costs for providing consultants to you, including travel and living expenses (estimated \$3,000 to \$5,000). We will determine the identity of all consultants that we assign to your Tea Shop and the schedule for all consultation, which may be before and/or after your Opening Date. All fees you pay us for opening consultation are uniformly imposed, fully earned when paid, and non-refundable under any circumstances. We do not provide opening consultation for your second or subsequent Milksha Tea Shop and/or charge any associated fees.

Security Deposit.

You must pay a security deposit of \$50,000 per Milksha Tea Shop to our affiliate Yaxiang to establish supply chain for certain proprietary and consumable inventory (the “Security Deposit”). Yaxiang may apply the Security Deposit to any amounts that remain unpaid as of the due date during the term of your Franchise Agreement. If Yaxiang applies the Security Deposit to any amounts owed, you must replenish the balance of the Security Deposit within 10 business days, such that the Security Deposit held during the term of your Franchise Agreement is at not less than \$50,000. The outstanding balance of the Security Deposit, after any applicable deductions, will be returned to you by Yaxiang within 15 business days of the date that your Franchise Agreement expires or is terminated.

Initial Inventory.

As described further in Item 8, you must purchase certain inventory from our affiliate Yaxiang, including tea leaves and other proprietary products. We estimate that the cost of initial inventory that you must purchase from Yaxiang prior to opening your Tea Shop will range from \$25,000 to \$30,000. The amount that you spend on initial inventory will depend on factors such as the size and specifications of your Tea Shop, the cost of taxes and shipping in your area, and similar market conditions. The amount you pay Yaxiang is fully earned when paid and is non-refundable.

ITEM 6
OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty	6% of Gross Sales, subject to a minimum of \$1,200 per month (adjusted periodically based on CPI)	Monthly (currently on the 15 th of each month for the preceding month)	“Gross Sales” is defined in the notes to this table disclosed below.
Marketing Fund Contribution	2% of Gross Sales (subject to change)	Monthly	The amount of your Marketing Fund Contribution (defined in Item 11) may be modified from time to time, but the aggregate amount of such contribution together with your local marketing requirement will not exceed 6% of your Tea Shop’s Gross Sales.
Security Deposit	Amount applied by Yaxiang to amounts owed.	As incurred	If Yaxiang applies the Security Deposit to any amounts owed, you must replenish the balance within 10 business days, such that the Security Deposit held during the term of your Franchise Agreement is at not less than \$50,000.
Technology Fee	Not currently charged but may be imposed in the future (subject to change)	Monthly	If imposed, you must pay our-then current technology fee each month.
Local Advertising Expenditure	Not currently charged, but may be imposed in the future (subject to change)	Monthly	If imposed, you must spend an amount that we designate from time to time to advertise and promote your Tea Shop. We may change the amount of your local advertising expenditure with notice to you, provided that the aggregate amount of such expenditure requirement together with your required contribution to the Marketing Fund does not exceed 6% of your Tea Shop’s Gross Sales. We may require you to pay this amount to us or our affiliates.
Interest on Late Payment	5% per month or the maximum rate allowed by applicable state law, whichever is lower.	As incurred	Interest owed on past-due amounts.
Insufficient Funds Fee	\$200 per occurrence, or highest amount permitted by applicable law, whichever is lower.	As incurred	You must pay this fee if any of your checks are returned to us due to insufficient funds or if there are insufficient funds in the business account you designate to cover our withdrawals.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Training Fee	\$200 per attendee per day, plus reimbursement of our direct costs and expenses (subject to change).	As incurred	You must pay our then-current training fee if: (a) you request training for any persons other than your Mandatory Trainees (defined in Item 11), (b) you engage any new Principal Operators (defined in Item 16), or (c) you request or we require any other additional or special guidance.
Printed Manual	Not currently charged, but may be imposed in the future	As incurred	We do not currently provide printed copies of our Manual. If you request one (and we elect to provide it in such format) we may require you to pay us a fee to provide a printed copy.
Product or supplier testing	Our direct costs (subject to change).	As incurred	We may charge you a fee if you ask us to evaluate any vendors or products that we have not approved in our Manual.
Insurance	Costs and premiums, plus an administrative fee of 10% of the insurance premium.	As incurred	If you fail or refuse to obtain and maintain the insurance we specify, we may (but are not required to) obtain such insurance for you and your Tea Shop on your behalf, and you must pay us a reasonable fee we determine, plus our direct costs.
Re-Inspection Fees	Reimbursement of our direct costs and expenses.	As incurred	If any inspection of your Tea Shop reveals violations of System Standards or we are unable to complete an inspection because we are not granted proper access to your Tea Shop or your personnel refuse to cooperate with our inspection staff, you must reimburse our costs for all subsequent re-inspections and/or follow-up visits, including vendor fees, travel expenses, room and board, and compensation of our employees.
Mystery Shoppers	Reimbursement of our direct costs and expenses.	As incurred	You must reimburse us for the cost of any mystery shoppers that we engage to inspect your Tea Shop from time to time.
Audit Fee	Reimbursement of our direct costs and expenses.	Within 15 days of report receipt	If any audit of your Gross Sales is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals an understatement exceeding 2% of the amount that you actually reported to us for the period examined, you must reimburse us for the costs of the audit, including fees of attorneys and accountants and the travel expenses, room and board, and compensation of our employees.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Transfer Fee	\$10,000	As incurred	You must pay this fee as one of the conditions of transferring any Tea Shop, and/or your rights under any Franchise Agreement or Area Development Agreement (except that no transfer fee is due if the transfer is from an individual to a wholly-owned and controlled entity, or if the transfer is from a deceased owner to a surviving spouse; provided in each case, other conditions may apply and you must still reimburse us for our direct costs of processing the transfer, including legal fees).
Renewal Fee	50% of then-current initial franchise fee	Upon renewal	You must pay this fee as one of the conditions of obtaining a successor franchise upon the expiration of any Franchise Agreement.
Interim Operations Fee	10% of Gross Sales, plus reimbursement of our direct costs and expenses (subject to change).	As incurred	Due if we operate your Tea Shop on an interim basis because you abandon or fail to actively operate your Tea Shop, or your Franchise Agreement expires or is terminated, and we are evaluating whether to purchase your Tea Shop using our buyback right.
Appraisal Fees	50% of the cost of the appraiser	As incurred	You must pay half the costs of an independent accredited appraiser if we exercise our option to purchase of your Tea Shop when your Franchise Agreement expires or is terminated, and you and we are not able to agree on the purchase price.
Deficiency Correction	Reimbursement of our direct costs and expenses.	As incurred	If you fail to comply with your Franchise Agreement for de-identification of your Tea Shop after termination or expiration, we may cure the deficiencies, and you must reimburse us for all costs and expenses we incur.
Development Defaults	\$800 per month, per location	As incurred	If you fail to comply with your development schedule under your Area Development Agreement, in addition to our rights to terminate or modify your Development Area, we may charge you a fee for each month and each location that you failed to develop and open by the applicable deadline, until such Milksha Tea Shop has properly opened for business.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us and our affiliates, if any of us is held liable for claims related to your operations. We may also require you to advance the funds to defend indemnifiable claims.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	If we are the prevailing party in any dispute proceeding between you and us, you must pay our costs and fees, including attorneys' fees.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Tax Reimbursement	Reimbursement of our direct costs and expenses.	As incurred	You are responsible for paying all taxes for your Tea shop and must reimburse us for any taxes that we must pay to any state taxing authority on account of your operation or payments that you make to us.
Lost Revenue Damages	The net present value of the balance of your Royalty and Marketing Fund payments, from the date of termination until the earlier of (i) 2 years from the date of termination, or (ii) the scheduled expiration date of your Franchise Agreement.	Within 15 days after termination	If we terminate your Franchise Agreement because of your default or you terminate without cause, you must pay us lost revenue damages, which will be calculated based on your average monthly Gross Sales during the preceding 12 months, or if you have been operating your Tea Shop for less than 12 months, on the average monthly Gross Sales of all Milksha Tea Shops during our previous fiscal year.

Explanatory Notes

1. Except as described in this Item 6, all fees are imposed and collected by and payable to us, though we may transfer these rights to our affiliates. These fees are not refundable. Not all our fees are uniformly imposed due to individual negotiated terms with certain franchisees. All amounts payable by you to us or our affiliates must be in United States Dollars (\$USD).
2. You must pay us all amounts in the manner we periodically prescribe. Currently, we send franchisees invoices and require all payments to be made through wire transfer or other electronic payment to a business account that we designate on or before their due dates or the next business day if the due date is a national holiday or a weekend day. You must ensure that funds are available in your designated account to cover our withdrawals. If the amounts that we debit from your account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your business account on the next payment due date. We may require you to make payments through any other method at any time, and you must comply with our payment instructions. We may change the timing and intervals of your payments with 30 days prior notice to you. We may also direct you to make some or all of the payments under your agreements to a designee of ours.
3. “Gross Sales” means all revenue that you derive from operating your Tea Shop (whether or not in compliance with your Franchise Agreement), whether from cash, check, student meal cards and dining/meal plan vouchers, tickets, tokens or other comparable forms of payment, credit and debit card, barter exchange, trade credit, or other credit transactions, but (1) excluding all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority and (2) reduced by the amount of any documented refunds, credits and discounts your Tea Shop in good faith gives to customers and your employees. We include gift certificate, gift card or similar program payments in Gross Sales when the gift certificate, gift card, other instrument or applicable credit is redeemed. Gross Sales also include all insurance proceeds you receive for loss of business and loss of revenue, due to a casualty to or similar event at your Tea Shop.
4. If you fail to report Gross Sales, we cease to have access to your Computer System (defined in Item 11), or your Tea Shop is closed without our authorization for any period of time (other than as a result of a casualty event such as fire, natural disaster, or act of god, which you are using good faith efforts to cure), then for any fees under your Franchise Agreement which are

calculated based on Gross Sales, we may debit your account for 110% of the average Gross Sales for the last 3 months of operations of your Tea Shop. If the amounts that we debit from your account on the basis of any understatement are less than the amounts you actually owe us once we have determined the true and correct Gross Sales, we will debit your account for the balance on the day we specify. If the amounts that we debit from your account on the basis of any understatement are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your account during the following period.

- If you sign an Area Development Agreement, you will be required to sign our then-current form of Franchise Agreement for the Milksha Tea Shops that you develop, which may contain fees that are different than those disclosed above.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT
(AREA DEVELOPMENT AGREEMENT)

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT ¹	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
Area Development Fee ²	\$30,000	\$75,000	Lump Sum	On Execution	Us
Professional Fees ³	\$2,000	\$5,000	As arranged	When Invoiced	Service Providers
Additional Funds – 3 months ⁴	\$500	\$1,000	As arranged	When Invoiced	Third-Party Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT ^{5,6}	\$32,500	\$81,000			

Explanatory Notes

1. Except as otherwise provided, none of the amounts payable to us or our affiliates in this table are refundable under any circumstances. All amounts payable to third parties will be paid under the terms of your agreement with these respective third parties.

2. Your area development fee will be \$15,000 multiplied by the number of Milksha Tea Shops you agree to develop. Currently, we estimate that a new area developer would develop between 2 and 5 Milksha Tea Shops under a new Area Development Agreement, the development fee above for 2 to 5 Milksha Tea Shops is estimated to be \$30,000 to \$75,000.

3. We recommend that you consult with an attorney and accountant to advise you in connection with forming an entity to act as the area developer, acquiring the area development rights from us, and developing a business plan for development of Milksha Tea Shops. However, the amount of professional fees you incur, will vary based on the number of representatives you engage, the experience and sophistication of those representatives, and your geographic market.

4. We do not currently estimate that you will incur additional start-up expenses in connection with your area development business. This estimate includes the cost of certain office supplies and other miscellaneous expenses.

5. As described further in Item 1, the Area Development Agreement affords you certain territorial protections if you satisfy your obligations, but it does not guarantee you any specific rights to develop a Milksha Tea Shop. You must submit all proposed development to us for approval, and if we approve the development, you must sign our then-current Franchise Agreement to acquire the franchise rights for that Milksha. You must incur the costs associated with developing a Milksha Tea Shop under the terms of that Franchise Agreement (as described below). The estimate provided above does not include an estimate of any costs incurred under the terms of any Franchise Agreement.

6. The estimated initial investment figures shown above are based on the experience of us and our affiliates. The estimated initial investment figures provided in this chart assume that you (or your Managing Owner) are not paid any salary or wages, and do not include an estimate of such amounts or any other associated payroll costs for you (or your Managing Owner). We do not offer financing directly or indirectly for any part of the initial investment.

**YOUR ESTIMATED INITIAL INVESTMENT
(FRANCHISE AGREEMENT)**

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT ¹	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
Initial Franchise Fee	\$30,000	\$30,000	Lump sum	When you sign Franchise Agreement	Us
Design Review Fee	\$2,000	\$2,000	Lump sum	Before you open your Tea Shop	Us
Lease Review Fee	\$1,500	\$1,500	Lump sum	Before you open your Tea Shop	Us
Opening Consultation Fee	\$19,000	\$21,000	Lump sum	Before you open your Tea Shop	Us
Real Estate Costs – 3 Month’s Rent + 1 Month’s Deposit ²	\$25,000	\$75,000	As incurred	As incurred	Landlord
Permit Fees and Utility Deposits ³	\$1,000	\$5,000	As incurred	As incurred	Third-Parties
Leasehold Improvements ⁴	\$200,000	\$420,000	As incurred	Before you open your Tea Shop	Third-Parties
Computer System ⁵	\$17,800	\$45,200	As incurred	Before you open your Tea Shop	Third-Parties

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT ¹	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Low	High			
Inventory Security Deposit	\$50,000	\$50,000	Lump sum	Before you open your Tea Shop	Yaxiang
Proprietary Initial Inventory	\$25,000	\$30,000	As incurred	Before you open your Tea Shop	Yaxiang
Other Initial Inventory ⁶	\$10,000	\$15,000	As incurred	Before you open your Tea Shop	Third-Parties
Furniture, Fixtures, Equipment, Signage, and Smallwares ⁷	\$100,000	\$150,000	As incurred	Before you open your Tea Shop	Third-Parties
Office Supplies ⁸	\$1,500	\$1,500	As incurred	Before you open your Tea Shop	Third-Parties
Insurance ⁹	\$5,000	\$25,000	As incurred	As incurred	Insurance Companies
Personnel Training ¹⁰	\$2,500	\$5,000	As incurred	Before you open your Tea Shop	Third-Party Suppliers
Grand Opening Advertising ¹¹	\$20,000	\$20,000	As incurred	Before you open your Tea Shop	Third-Party Suppliers
Professional Fees ¹²	\$2,000	\$5,000	As incurred	As incurred	Third-Party Suppliers
Additional Funds – 3 months ¹³	\$20,000	\$50,000	As incurred	As incurred	Third-Party Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT ¹⁴	\$532,300	\$951,200			

Explanatory Notes

1. Except as otherwise provided, none of the amounts payable to us or our affiliates in this table are refundable under any circumstances. All amounts payable to third parties will be paid under the terms of your agreement with these respective third parties.

2. The estimate above is for three months of rent and a one-month security deposit. The cost of leasing or acquiring your Premises will depend upon the market in which the proposed site is located. The range above reflects our estimate of the triple-net real estate costs for the lease of a typical site that we would accept. A suitable space for a Milksha Tea Shop will be approximately 750 to 1,500 square feet. Local market conditions, changes in the economy and inflation will also contribute to your occupancy costs. The location of the parcel of real property, its relationship to and the nature of any adjoining uses, and its accessibility will affect both its size and price. We must accept your Premises

and approve any Lease (as defined in Item 11) that you wish to sign to secure the Premises. You may also incur other costs and expenses, which we cannot predict, under the terms of your lease with the landlord of the Premises. Lease agreements usually require the lessee to pay (in addition to rent) for maintenance, insurance, taxes and any other charges or expenses for the land and building or they may require that the lessee reimburse the lessor for its proportionate share of these payments (plus interest). This estimate also includes three months of additional off-site storage (approximately \$5,000 per month) for supplies.

3. The fees and deposits that you are required to spend to obtain licenses, permits and utility services for your Tea Shop will vary depending upon the state, county, municipality, or other political subdivision in which your Tea Shop is located.

4. Leasehold improvements include electrical, plumbing, HVAC systems, carpentry, masonry, flooring, walls and ceiling, lighting, paving and striping, water detention and retention, landscaping, signage, grading, general construction and administration costs as well as other costs associated with initial construction and site improvements of your Premises. Depending on the terms you negotiate with your landlord, the landlord may contribute to your leasehold improvements, and your costs will depend on the level of contribution of the landlord. The cost of your leasehold improvements will also depend on the brands purchased, local market conditions, the condition of your Premises, the extent of remodeling required, and other factors.

5. The cost of your Computer System will depend on whether you already own any components that must be purchased, freight and installation costs, the cost of internet and connectivity services in your area, applicable state and local taxes and other factors.

6. The cost of initial inventory will depend on shipping and freight prices, the cost of raw materials, your geographic market, and similar factors.

7. This estimate includes the cost of furniture, fixtures, equipment, signage, and other similar supplies for your Tea Shop, other than your Computer System (see footnote 5 above), including coolers and refrigeration equipment, preparation tables, serving counters, customer tables, coffee equipment, tea equipment, seating, stereo, televisions, various trade dress and décor items, small wares, and employee uniforms. This cost will depend on the brands purchased, local market conditions, the size of your Tea Shop and other factors. The amount that you spend on uniforms will also depend on the number of employees you hire.

8. The cost of office supplies will depend on the brands purchased, local market conditions, and the manner in which you prefer to operate your back-office functions.

9. You must obtain and maintain certain types and amounts of insurance. (See Item 8) Insurance costs depend on policy limits, types of policies, nature and value of physical assets, Gross Sales, number of employees, wages paid, square footage, location, business contents, and other factors bearing on risk exposure. Insurance providers may require either an annual payment or semi-annual installments. Your insurance costs will depend on the location of your Tea Shop, the specifications of the Premises, the number of employees you hire and your own background. You should review the rates in the state in which your Tea Shop will operate for an estimate of premiums. The amounts listed above estimate the cost of your premiums for the first 3 months of operations.

10. In addition to the opening consultation fees described above, you must pay for the transportation, food, lodging, and other expenses that you will incur for your Mandatory Trainees to

attend our training program. These expenses may vary based on the distance travelled and the standard of living your attendees desire. If you wish to obtain training for any additional employees, or that is beyond the scope of our training program, additional fees may apply. The figure provided above assumes that we are not providing any such additional training. You are responsible for all costs your personnel incur in attending training provided by us or by you. The estimate above assumes all training by us is virtual and does not include any estimate of travel or lodging for attending in-person training. The amount that you spend on pre-opening personnel training will depend on the location of your Tea Shop and the number of employees you hire.

11. The Franchise Agreement requires you to spend at least \$20,000 for a grand opening marketing program for your Tea Shop to take place on the dates we designate. You must spend this amount in addition to all other amounts you must spend on advertising specified in your Franchise Agreement. However, you may elect to spend more than the minimum amount on your grand opening marketing program. The amount you spend will depend on several factors, including the local market conditions and the amount of competition in your area, and other factors.

12. We recommend that you consult with an attorney and accountant to advise you in connection with forming a franchisee entity, entering into a franchise relationship with us, developing a business plan for your operation of your Tea Shop. However, the amount of professional fees you incur, will depend on the number of representatives you engage, the experience and sophistication of those representatives, and the geographic market in which you operate.

13. This item estimates your initial start-up expenses (other than the items identified separately in the table) for your Tea Shop's first 3 months of operation, including wages, utilities, payroll taxes, advertising, promotion, outside services, operating supplies, maintenance and repair, office supplies, cash shortages, as well as additional opening capital for other variable costs.

14. The estimated initial investment figures shown above are based on the experience of us and our affiliates. The estimated initial investment figures provided in this chart assume that you (or your Managing Owner) are not paid any salary or wages. The estimate does not include the costs and fees associated with any financing you obtain. We do not offer financing directly or indirectly for any part of the initial investment.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Specifications for Products, Services and Suppliers

We have developed and may continue to develop System Standards for types, models and brands of required fixtures, furniture, equipment, components of the Computer System, furnishings, and signs, and other products, materials, supplies and services to be used at your Tea Shop (the "Operating Assets"). We may require you to purchase and use only the products and services meeting our System Standards for Operating Assets. We may also require you purchase the Operating Assets only from suppliers that we have designated or approved (or that otherwise meet our System Standards). We may designate certain suppliers as the exclusive supplier of certain Operating Assets. We or our affiliates may be an exclusive or approved supplier of certain Operating Assets, or otherwise be a party to these transactions.

We may condition our approval of a product or supplier on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service or other criteria. We may elect not to issue to you or any of our approved suppliers (except as we deem necessary for purposes of production)

these standards and specifications. Our standards and specifications for products and services and criteria for suppliers are not currently issued to franchisees or approved suppliers.

If you would like us to consider approving a vendor that is not an approved vendor, you must submit your request in writing before purchasing any items or services from that vendor. We will make all determinations about whether to approve an alternative vendor based on our then-current criteria, which may change periodically. Currently, we estimate that we would provide notice of our decision to approve or disapprove an alternative supplier within 60 days of receiving the request. We may also refuse to consider and/or approve any alternative vendor for any reason whatsoever. We may charge you a fee if you ask us to evaluate any proposed alternative vendors (currently, our direct out costs). We may revoke our approval of any vendor at any time with notice to you.

Currently, you must purchase (i) certain proprietary and consumable inventory, including boba and tea leaves, from our affiliate Yaxiang, and (ii) the Computer System, fixtures, furnishings, equipment, interior signage and supplies, including coolers and refrigeration equipment, preparation tables, serving counters, customer tables, coffee equipment, tea equipment, seating, stereo, televisions, various trade dress and décor items, small wares, and other fixtures, furnishings and equipment from third-party suppliers we approve. We may add, remove, and/or otherwise modify our designated and approved suppliers at any time. No direct revenue was collected by us or our affiliates from the sale of products or services to our franchisees in our most recently completed fiscal year. Other than as described in this Item 8, neither we nor our affiliates are suppliers of any required products or services to franchisees, though we may be in the future.

Collectively, the purchases you obtain according to our specifications or from approved or designated suppliers represent approximately 60% to 80% of your total purchases to establish your Tea Shop and 60% to 80% of your total purchases to operate your Tea Shop.

Insurance

You must maintain in force at your sole expense insurance policies for your Tea Shop as required under applicable law and in minimum types and amounts of coverage we require. Currently, our requirements include (i) commercial general liability insurance in minimum amounts of \$2,000,000; (ii) All Risk property damage insurance; (iii) plate glass insurance and boiler insurance (if applicable); and (iv) employment practices liability insurance with a limit of not less than \$1,000,000 per occurrence and \$1,000,000 aggregate. You also must maintain workers' compensation insurance for your employees in accordance with laws applicable in the state in which the Tea Shop is operated.

We may periodically change the minimum amounts of coverage required under these insurance policies or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. These insurance policies must be purchased from licensed insurers having a rating of "A/VIII" or higher by the then-current edition of Best Insurance Reports published by A.M. Best Company (or other similar publication or criteria we designate). These insurance policies must name us and any affiliates we designate as additional named insureds, using a form of endorsement that we have approved, and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration. Each insurance policy for liability coverage must name us and any of our affiliates or other designees that we specify as additional named insureds, using a form of endorsement that we have approved, and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration. Each insurance policy must contain a waiver of all subrogation rights against us and any of our affiliates or other designees we specify. You must routinely furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums.

Purchase Arrangements, Material Benefits and Revenue

We may periodically negotiate purchase arrangements with suppliers of products and services to franchisees, including price terms, though we have not currently done so. In the future, you may be required to purchase products or services at a price or on other terms we have negotiated in advance. We do not currently provide material benefits to franchisees for purchasing particular products or services or using particular suppliers.

We and/or our affiliates may derive revenue in the form of rebates, vendor promotions, or other consideration from suppliers based on your purchases and leases of certain products and services, though currently neither we nor our affiliates do so. In our most recently completed fiscal year, neither we nor our affiliates received any consideration from suppliers based on franchisees' purchase of required goods and services.

As of the issuance date of this Disclosure Document, none of our officers own any interest in any of the approved suppliers, other than in our affiliates such as Yaxiang. As of the issuance date of this Disclosure Document, we have not established purchasing or distribution cooperatives.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN AGREEMENTS	DISCLOSURE DOCUMENT ITEM
(a) Site selection and acquisition/lease	Sections 2A and 2B in Franchise Agreement Section 2 in Area Development Agreement	Item 11
(b) Pre-opening purchases/leases	Sections 2B and 2C in Franchise Agreement	Item 5, 7, 8, and 11
(c) Site development and other pre-opening requirements	Section 2 in Franchise Agreement Section 2 in Area Development Agreement	Items 7, 8, and 11
(d) Initial and ongoing training	Section 4 in Franchise Agreement	Items 6, 7, and 11
(e) Opening	Sections 2C in Franchise Agreement	Item 11
(f) Fees	Section 3 in Franchise Agreement Section 2A in Area Development Agreement	Items 5, 6, 7, and 11
(g) Compliance with standards and policies/operating manual	Sections 4C, 4D and 8 in Franchise Agreement	Items 8, 11, and 16

OBLIGATION	SECTION IN AGREEMENTS	DISCLOSURE DOCUMENT ITEM
(h) Trademarks and proprietary information	Sections 5 and 6 in Franchise Agreement Section 3A in Area Development Agreement	Items 13 and 14
(i) Restrictions on products/services offered	Sections 8C, 8E and 8F in Franchise Agreement	Items 8, 11, 12, and 16
(j) Warranty and customer service requirements	Section 8G in Franchise Agreement	Item 11
(k) Territorial development and sales quotas	Section 1E in Franchise Agreement Section 1D in Area Development Agreement	Item 1
(l) On-going product/service purchases	Sections 8C, 8E, and 8F in Franchise Agreement	Items 6 and 8
(m) Maintenance, appearance and remodeling requirements	Sections 8A and 8B in Franchise Agreement	Items 6, 8, 11, and 17
(n) Insurance	Section 8H in Franchise Agreement	Items 7 and 8
(o) Advertising	Section 9 in Franchise Agreement	Items 6, 7, 8, and 11
(p) Indemnification	Sections 16D in Franchise Agreement Sections 6C in Area Development Agreement	Item 6
(q) Owner's participation/management/staffing	Sections 1C, 8D and 8L in Franchise Agreement Section 1C in Area Development Agreement	Items 11 and 15
(r) Records and reports	Section 10 in Franchise Agreement Section 2E in Area Development Agreement	Item 6
(s) Inspections and audits	Section 11 in Franchise Agreement	Items 6 and 11
(t) Transfer	Section 12 in Franchise Agreement Section 4 in Area Development Agreement	Item 17
(u) Renewal	Section 13 in Franchise Agreement	Item 17
(v) Post-termination obligations	Section 15 in Franchise Agreement Section 5 in Area Development Agreement	Item 17

OBLIGATION	SECTION IN AGREEMENTS	DISCLOSURE DOCUMENT ITEM
(w) Non-competition covenants	Sections 7A and 15D in Franchise Agreement Section 3B and 5D in Area Development Agreement	Item 17
(x) Dispute resolution	Section 17 in Franchise Agreement Section 7 in Area Development Agreement	Item 17
(y) Other: Guaranty and assumption of obligations	Section 1C in Franchise Agreement Section 1C in Area Development Agreement	

ITEM 10
FINANCING

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

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

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

Assistance to Begin Operation of a Milksha Tea Shop

Before you begin operation of your Tea Shop, we or our designees will:

1. Provide training program to your Mandatory Trainees (Franchise Agreement – Section 4A)
2. Make our Manual available to you. (Franchise Agreement – Section 4D)
3. Review and either accept or reject a proposed site for your Tea Shop. (Franchise Agreement – Section 2A; Area Development Agreement – Section 2C)
4. Review and either approve or disapprove your Lease. (Franchise Agreement – Section 2B)
5. Review and approve or disapprove the architectural plans and design schematics for your Tea Shop that you obtain for your Milksha Tea Shop. We do not directly provide, deliver, or install any equipment, signs, fixtures, opening inventory, and supplies for our franchisees (Franchise Agreement – Sections 3B)
6. If you are developing your first Milksha Tea Shop, provide (1) two consultants to provide assistance relating to brand specifications and menu development for a period of up to 15 days, and (2) two consultants to provide general assistance relating to business and operations matters for your Tea Shop for up to 22 days. (Franchise Agreement – Section 4B)

7. Review and either approve or disapprove your Tea Shop to open for business and use by customers. (Franchise Agreement – Section 2C)

Site Selection

If you have not yet located a site for the Premises when you sign your Franchise Agreement, then you must select a suitable site for your Premises and obtain our approval of that site as your Premises. Neither we nor our affiliates generally own the sites for Milksha Tea Shops and lease those sites to franchisees. You must send us all of the information we require for the proposed site. We will make all determinations about whether to accept a site based on our then-current criteria, which may change periodically. Currently, we estimate that we would provide notice of our decision to accept or reject of a proposed site within 30 days of receiving the request. The criteria we use to evaluate the selected site include visibility, size, layout, adjacent uses, parking, demographics, local competition, and other factors we determine periodically.

Lease of Premises

After you obtain our approval of a site for your Premises, you must execute a Lease that we approve. The Lease must contain certain provisions we require, including collateral assignment of lease, under the form of lease rider attached as Exhibit D to the Franchise Agreement (“Lease Rider”). It is your sole responsibility to obtain a fully-executed Lease Rider in connection with your Lease. We may reject any request for modifications to the Lease Rider for any reason. You must obtain our acceptance of a site that will be your Premises, secure possession of that site under the terms of a Lease we have approved, and deliver executed copies of that approved Lease and the Lease Rider, each within 180 days after you sign your Franchise Agreement, otherwise we may terminate your Franchise Agreement.

Opening Requirements

We estimate that you will begin operating your Tea Shop by the earlier of: (i) 180 days after the Lease is executed, or (ii) the first anniversary of the date you sign your Franchise Agreement. We may terminate the Franchise Agreement if you fail to open your Tea Shop by the preceding deadlines. The date that you open your Tea Shop for business (your “Opening Date”) will depend on when your Mandatory Trainees complete our training program to our satisfaction, secure an accepted site and lease, secure approval of design plans, acquire the required insurance policies, install all Operating Assets, and meet all of our other criteria to begin operating your Tea Shop to our satisfaction.

Assistance During the Operation of Your Tea Shop

During your operation of your Tea Shop, we or our designees will:

1. Subject to limitations on scheduling, availability, and similar resources, we will provide periodic advice regarding the operation of your Tea Shop. (Franchise Agreement – Section 4C)
2. Continue to make our Manual available to you. (Franchise Agreement – Section 4D)
3. Let you use our Marks and certain copyrighted and copyrightable materials. (Franchise Agreement – Section 5)
4. Administer the Marketing Fund until such time as it may be terminated. (Franchise Agreement – Section 9B)

5. We may periodically set a maximum or minimum price that you may charge for products and services offered by your Tea Shop. We may also require you to comply with an advertising policy which will prohibit you from advertising any price for a product or service that is different than our suggested retail price. (Franchise Agreement – Section 7K) (See Item 16)

Manual

We will make our System Standards and other suggested specifications, standards and procedures, and information for the operation of Milksha Tea Shops available to you during the term of the Franchise Agreement, which may include one or more separate manuals, as well as electronic files and software, information available on an internet site, and other media, bulletins and/or other written materials (collectively, the “Manual”). The current table of contents of the Manual is attached to this Disclosure Document as Exhibit C. There are currently 120 pages in our Manual.

Advertising and Promotion

Grand Opening Advertising. If you are developing your first Milksha Tea Shop, you must spend at least \$20,000 for a grand opening marketing program for your Tea Shop to take place on the dates we designate before and after your Tea Shop opens. You must spend this amount in addition to all other amounts you must spend on advertising specified in your Franchise Agreement. The amount you spend on grand opening advertising will not count towards your local marketing expenditure or aggregate cap on marketing of 6% described below. You must use the media, materials, programs, and strategies we develop or approve in connection with the grand opening advertising program.

Marketing Fund. We have established a marketing fund that will be used to promote the awareness of the Milksha® brand and Milksha Tea Shops generally (the “Marketing Fund”). Contributions to the Marketing Fund will be in amounts we specify periodically, and will be payable in the same manner as the Royalty. Currently, franchisees must contribute 2% of Gross Sales to the Marketing Fund. We have the right, at any time and on notice to you, to change the amount you must contribute to the Marketing Fund, but we cannot require that your required Marketing Fund contribution, together with the local marketing requirement below, collectively exceed 6% of your Tea Shop’s Gross Sales.

We will have exclusive control over all programs and services administered by the Marketing Fund, with sole discretion over the creative concepts, materials, and campaigns and their geographic market, media placement and allocation. The Marketing Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining any website, domain name, email address, social media account, user name, other online presence or presence on any electronic, virtual, or digital medium of any kind (“Online Presence”) or other software or applications; administering advertising and marketing campaigns; administering regional and multi-regional marketing and advertising programs; using advertising, promotion, and marketing agencies and other advisors to provide assistance; supporting public relations, market research, and other advertising, promotion, and marketing strategy or implementation activities; and/or any other expenditures that are directly or indirectly related to promoting the Marks, the System, the brand, and/or Milksha Tea Shops. We may also use the Marketing Fund to pay for the Marketing Fund’s other administrative and overhead costs, including the reasonable salaries and benefits of personnel who manage and administer the Marketing Fund, and any other expenses that we or our affiliates incur that are related to administering or directing the Marketing Fund and its programs. We may modify Marketing Fund programs, services, or expenditures at any time in our sole discretion.

We will account for the Marketing Fund separately from our other funds. However, neither we nor any of our affiliates has any fiduciary obligation to you or any other person for administering the Marketing Fund or for any other reason. The Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund Contributions in that year, borrow from us or others (paying reasonable interest)

to cover deficits, or invest any surplus for future use. We will prepare an annual, unaudited statement of Marketing Fund collections and expenses and give you the statement on written request, within 120 days after the end of each fiscal year, but not less than 30 days' notice from you of such request. We may have the Marketing Fund audited annually, at the Marketing Fund's expense, by an independent chartered accountant. We may also administer the Marketing Fund through a separate entity whenever we deem appropriate, and such entity will have all of the same rights and duties.

The purpose of the Marketing Fund is to promote the Marks, the System, the Milksha® brand, and Milksha Tea Shops generally. There is no guarantee that you or your Tea Shop will benefit from Marketing Fund expenditures directly or in proportion to your Marketing Fund Contribution.

We may at any time, on 30 days' prior written notice to you, reduce or suspend Marketing Fund Contributions and/or operations of the Marketing Fund for one or more periods of any length and terminate (and, if terminated, reinstate) the Marketing Fund and associated Marketing Fund Contributions. If we terminate the Marketing Fund, we will spend the remaining balance of the monies in the Marketing Fund until such amounts are exhausted. We may elect to maintain multiple Marketing Funds, whether determined by geographic region, country, or otherwise, or consolidate or merge multiple Marketing Funds, in each case provided that each such Marketing Fund will otherwise remain subject to the terms of your Franchise Agreement.

In our prior fiscal year we did not collect any Marketing Fund Contributions or spend any amounts from any Marketing Fund on media production, media placement, administration, or to solicit new franchise sales. Currently there are no corporate or affiliate operated Milksha Tea Shops in the United States, and therefore no contributions from such outlets to the Marketing Fund.

Local Advertising Expenditure. You are solely responsible for conducting all local advertising for your Tea Shop. You must advertise and market your Tea Shop in any advertising medium we determine, using forms of advertisement we approve. You must also list your Tea Shop with the online directories and subscriptions we periodically prescribe, and/or establish any other Online Presence (defined below) we require. You must comply with all of System Standards for all advertising for your Tea Shop. You must spend an amount that we designate periodically to advertise and promote your Tea Shop, in addition to your marketing obligations under your Franchise Agreement. We may require you to pay part or all of the Local Advertising Expenditure to us or our designee. We may change the amount of your local advertising expenditure with notice to you, but the aggregate expenditure together with your required contribution to the Marketing Fund will not exceed 6% of your Tea Shop's Gross Sales. Within 30 days after the end of each calendar quarter, you must send us an accounting of your expenditures for local advertising and promotion during the preceding calendar quarter.

Your advertising, promotion, and marketing must be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe. At least 20 days before you use them, you must send us for approval samples of all advertising, promotional, and marketing materials which we have not prepared or previously approved. If you do not receive written disapproval within 10 days after we receive the materials, they are deemed to be disapproved. Once we approve the materials, you are permitted to use them. But we may withdraw our approval at any time and for any reason. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved.

Online Presences. We may establish and develop Online Presences (defined in Item 13) to advertise, market, and promote Milksha Tea Shops, the products and services that they offer and sell, or the Milksha Tea Shop franchise opportunity (each a "System Website"). We may, but are not obligated to, provide you with a webpage or other Online Presence that references your Tea Shop on any System Website. If we provide you with a webpage or other Online Presence on any System Website, you must: (i) provide us the information and materials we request to develop, update, and modify the

information about your Tea Shop on the System Website; and (ii) notify us whenever any information on the System Website about your Tea Shop is not accurate.

Except as provided above, or as approved by us in writing or in the Manual, you may not develop, maintain, or authorize any Online Presence that mentions your Tea Shop, links to any System Website, or displays any of the Marks. You may also not engage in any promotional or similar activities, or sell any products or services, whether directly or indirectly, through any Online Presence, without our prior written approval. If we approve the use of any such Online Presence in the operation of your Tea Shop, you will develop and maintain such Online Presence only in accordance with our guidelines, including our guidelines for posting any messages or commentary on third-party websites and/or maintaining an online privacy policy. Unless we specify otherwise, we will own the rights to each such Online Presence. At our request, you must grant us access to each such Online Presence, and to take whatever action (including signing assignment or other documents) we request to evidence our ownership of such Online Presence, or to help us obtain exclusive rights in such Online Presence

Franchise Advisory Council. We do not have a franchisee advisory council that advises us on advertising policies, though we may establish such a council in the future.

Computer Software

You must obtain and install the computer hardware, software, and point-of-sale system that we approve for Milksha Tea Shops (collectively, the “Computer System”). We may modify System Standards for the Computer System periodically, including the designated or approved suppliers for the Computer System, and you must update your Computer System to comply with the modified System Standards promptly after you receive notice. There are no contractual limitations on the frequency and cost of this obligation, and we are not required to reimburse you for these costs. Currently, the Computer System is comprised of the following components:

- NCR/Aloha POS (POS, KDS, printers)
- NCR Back Office server
- Windows operating system
- Anti-virus software
- Firewall
- Network hardware
- KDS monitors
- Terminals
- EMV readers
- Cash drawers
- Power conditioners
- Digital Menu Boards
- Internet access
- Associated cables and ancillary components

We estimate the cost of acquiring and installing the Computer System will be approximately \$17,800 to \$45,200. Currently, we estimate the ongoing cost of maintaining and upgrading the Computer System to meet the then-current System Standards to be approximately \$0 to \$4,000 per year. This amount does not include any license or subscription fees that you must pay third-parties for continued use of components of your Computer System, including that you must currently pay \$1,861 per year for the software of the point-of-sale system, and \$1,765 per year for IT help desk services and hardware programs, although these amounts may change. We also have the right to charge you a technology fee

as described in Item 6. Neither we nor our affiliates have any obligation to provide ongoing maintenance, repairs, upgrades, or updates to your Computer System.

You must use the Computer System to maintain certain sales data, customer information and other information. We will have independent access to your Computer System at all times and you must ensure that we and our designees, will have the right to collect and retain from the Computer System any and all data concerning your Tea Shop.

Training Program

Initial Training. Prior to your Opening Date, you (or if you operate as a legal business entity, your Managing Owner, as defined in Item 15), your Principal Operators (as defined in Item 15) if applicable, and up to three other employees of yours that you select, and we approve (the “Mandatory Trainees”) must complete an initial training program on the material aspects of operating a Milksha Tea Shop. We will control the substance and duration of our initial training program, which will be held at location and in a format of our choice, which may be virtual (currently, all classroom training is conducted virtually, and all on-the-job training is conducted in China). We may vary the contents or duration of the initial training among your Mandatory Trainees, based on their experience, role, and other factors. All of the Mandatory Trainees must complete initial training to our satisfaction prior to operating your Tea Shop. Scheduling of the training is based on the Mandatory Trainees’ availability, availability of space in the program, training facility availability and the projected opening date for your Tea Shop which is finally determined by us. If we determine that the Mandatory Trainees cannot successfully complete initial training to our satisfaction, we may terminate your Franchise Agreement.

If you request additional training for any Mandatory Trainees that have completed the initial training program (including any Mandatory Trainees that may have completed initial training in connection with your development of a previous Milksha Tea Shop), you must pay our per diem charge for any such training that we agree to provide you (currently, \$200 per day, per attendee, plus expenses). If the Mandatory Trainees complete our initial training program to our satisfaction, then you and they will be deemed to have been trained sufficiently to operate a Milksha Tea Shop, even if you request additional training at any time thereafter.

We may require that your Mandatory Trainees attend and satisfactorily complete various training courses that we periodically choose to provide at the times and locations that we designate, including courses and programs provided by third-parties we designate. Besides attending these courses, we may require you (or if you operate as a legal business entity, your Managing Owner) and/or your Principal Operators (if applicable) to attend an annual meeting of all Milksha Tea Shop franchise owners at a location we designate, if we host such a conference (which we are not obligated to do) which may be virtual. If you engage any new Principal Operators during the term of your Franchise Agreement, such person(s) must satisfactorily complete our then-current initial training program, and we may charge reasonable fees for such training (currently, \$200 per day, per attendee, plus expenses).

You must pay all travel and living expenses (including, wages, transportation, food, lodging, and workers’ compensation insurance) that you and your Mandatory Trainees or any other employee incurs during any and all meetings and/or training courses and programs. You are also responsible for the travel and living expenses and out-of-pocket costs we incur in sending our trainer(s) to your Tea Shop to conduct training that you request or that we require, including food, lodging and transportation.

As of the date of this Disclosure Document, the initial training program that we provide new Milksha Tea Shop franchisees is comprised of the following components:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Milksha Brand Culture	24	0	Virtual
Brewing Tea	48	0	Virtual
Beverage Making	48	0	Virtual
Mix Practices, Store Management and Examination	32	24	Virtual & Training Facility in China
TOTAL	152	24	

Our training team is overseen by George Chang our Chief Operating Officer. Mr. Chang has 8 years of experience with the subject matters being taught and 3 years of experience with us and our affiliates.

Opening Consultation. If you are developing your first Milksha Tea Shop, we will provide you with certain consultants to assist you, and you must pay us the associated fee, as follows: (1) \$6,000 for two consultants to provide assistance relating to brand specifications and menu development for a period of up to 15 days, and (2) \$10,000 for two consultants to provide general assistance relating to business and operations matters for your Tea Shop for up to 22 days. We will determine the identity of all consultants that we assign to your Tea Shop and the schedule for all consultation (which may be before and/or after your Opening Date). You must also reimburse all of our out-of-pocket costs for providing consultants to you, including travel and living expenses. If you are developing your second or subsequent Milksha Tea Shop, we are not required to provide you any pre-opening consultants. However, if you request such support, you must pay our then-current charge for any support we agree to provide you, plus reimbursement of the travel and living expenses and out-of-pocket costs we incur. We may provide some or all of the pre-opening consultation by phone or virtually.

General Guidance. Subject to scheduling, availability, and similar resources, we will provide you periodic advice regarding the operation of your Tea Shop. If you request, and we agree to provide, additional or special guidance, assistance, or training, we may charge you our then applicable fee (currently, \$200 per day, per attendee, plus expenses). We will not be required to send any of our personnel and/or representatives to your Tea Shop to provide any services in-person if, in our sole determination, it is unsafe to do so. We may also elect to conduct any or all support, inspections, training, or other services virtually. We may discontinue or modify any and all ongoing training or advice we provide during the term of your Franchise Agreement.

ITEM 12 **TERRITORY**

Area Development Agreement

You will not receive an exclusive territory under the Area Development Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, subject to your continued compliance with your Area Development Agreement, and the exclusions and limitations described below, neither we nor any of our affiliates will establish or operate or authorize any other person to establish or operate a Milksha Tea Shop in your Development Area. Otherwise, you have no territorial protection and we and our affiliates retain all rights to conduct business activities of any kind, including, the right to:

(1) establish and operate, and allow others to establish and operate, other Milksha Tea Shops using the Marks and the System, at any location outside the Development Area, on such terms and conditions we deem appropriate;

(2) establish and operate, and allow others to establish and operate, any other type business, including any business that may offer products and services which are identical to, similar to, or competitive with products and services offered by Milksha Tea Shops, under trade names, trademarks, service marks and commercial symbols other than the Marks, anywhere in the world, including in the Development Area;

(3) establish, and allow others to establish businesses and distribution channels other than a Milksha Tea Shop (including selling products at retail or through the internet, catalog sales, telemarketing, direct marketing, e-commerce, product lines in other businesses, or through any other Online Presence), wherever located or operating, including in your Development Area, regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, including businesses that operate under trade names, trademarks, service marks or commercial symbols that are similar to, the same, or competitive with the Marks, and/or that sell products or services that are similar to, the same, or competitive with, those that Milksha Tea Shops customarily sell;

(4) establish and operate, and allow others to establish and operate, any Milksha Tea Shop, or other business using the Marks and/or the System, and/or offering and selling any of the products or services that are similar to, the same, or competitive with those products or services offered by Milksha Tea Shops, at or through any nontraditional venues, including, temporary or seasonal facilities, recreation parks or facilities, or business operated within any larger venue or closed market such as an airport, transportation center, gas station, stadium or entertainment center, at any location in the world, including in the Development Area;

(5) be acquired by or acquire (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), any other business, including businesses that operate or allow others to establish and operate businesses similar to, the same, or competitive with Milksha Tea Shops, at any location in the world, including in the Protected Territory (and in the event of such an acquisition, the acquirer and its affiliates will have the right to continue to establish and operate, and authorize others to establish and operate, such businesses, at any location in the world, including in the Development Area); and

(6) engage in all other activities not expressly prohibited by your Area Development Agreement, at any location in the world, including in the Development Area.

The size of your Development Area will depend on the number of Milksha Tea Shops you agree to develop, the geography and demographics of the region, traffic patterns, competition, site availability, your experience, and other factors we establish periodically. You will know the size of the Development Area before you sign the Area Development Agreement.

If you fail to comply with the Development Schedule, in addition to our other remedies under the Area Development Agreement, we may terminate or reduce the size of your Development Area, and/or terminate the territorial protections that you have in some or all of your Development Area. Otherwise, continuation of your territorial rights under the Area Development Agreement does not depend on your achieving a certain sales volume, market penetration, or other contingency.

We are not required to pay you if we exercise any of the rights specified in this Item 12.

Franchise Agreement

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own or from other channels of distribution or competitive brands that we control. However, subject to your continued compliance with your Franchise Agreement, and the exclusions and limitations described below, neither we nor any of our affiliates will establish or operate or authorize any other person to establish or operate a Milksha Tea Shop in the territory described in your Franchise Agreement (the “Protected Territory”). If you have not selected a site for your Tea Shop as of the date you sign your Franchise Agreement, we may define your Protected Territory at the time the Premises is approved by us. Otherwise, you have no territorial protection and we and our affiliates retain all rights to conduct business activities of any kind, including, the right to:

(1) establish and operate, and allow others to establish and operate, other Milksha Tea Shops using the Marks and the System, at any location outside the Protected Territory, on such terms and conditions we deem appropriate;

(2) establish and operate, and allow others to establish and operate, any other type business, including any business that may offer products and services which are identical to, similar to, or competitive with products and services offered by Milksha Tea Shops, under trade names, trademarks, service marks and commercial symbols other than the Marks, anywhere in the world, including in the Protected Territory;

(3) establish, and allow others to establish businesses and distribution channels other than a Milksha Tea Shop (including selling products at retail or through the internet, catalog sales, telemarketing, direct marketing, e-commerce, product lines in other businesses, or through any other Online Presence), wherever located or operating, including in your Protected Territory, regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, including businesses that operate under trade names, trademarks, service marks or commercial symbols that are similar to, the same, or competitive with the Marks, and/or that sell products or services that are similar to, the same, or competitive with, those that Milksha Tea Shops customarily sell;

(4) establish and operate, and allow others to establish and operate, any Milksha Tea Shop, or other business using the Marks and/or the System, and/or offering and selling any of the products or services that are similar to, the same, or competitive with those products or services offered by Milksha Tea Shops, at or through any nontraditional venues, including, temporary or seasonal facilities, recreation parks or facilities, or business operated within any larger venue or closed market such as an airport, transportation center, stadium or entertainment center, at any location in the world, including in the Protected Territory;

(5) be acquired by or acquire (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), any other business, including businesses that operate or allow others to establish and operate businesses similar to, the same, or competitive with Milksha Tea Shops, at any location in the world, including in the Protected Territory (and in the event of such an acquisition, the acquirer and its affiliates will have the right to continue to establish and operate, and authorize others to establish and operate, such businesses, at any location in the world, including in the Protected Territory); and

(6) engage in all other activities not expressly prohibited by your Franchise Agreement, at any location in the world, including in the Protected Territory.

We may offer and sell and grant others the right to offer and sell goods and services to customers located anywhere, including in your Protected Territory. There are no limitations on your ability to solicit customers in any location. However, you may not engage in any promotional or similar activities, whether directly or indirectly, through any Online Presence. You may not sell any product or service associated with the Marks and/or offered by Milksha Tea Shops through any alternative channel of distribution, (including selling products at retail or through the internet, catalog sales, telemarketing, direct marketing, e-commerce, product lines in other businesses, or through any other Online Presence).

We are not required to pay you if we exercise any of the rights specified in this Item 12. Continuation of your territorial protection under the Franchise Agreement does not depend on your achieving a certain sales volume, market penetration, or other contingency.

You may only operate your Tea Shop at the Premises and you may not use your Premises for any operations other than the operation of your Tea Shop. You may not relocate your Tea Shop to a location other than the Premises without our approval. Our approval will depend on our then-current criteria for relocations, which may change periodically, including the prospects of obtaining a favorable replacement site, the real estate market in your area, your compliance with System Standards, the financial performance of your Tea Shop, and other factors we determine. You may not conduct delivery, catering or other off-site services except as authorized by us.


Affiliated Brands

As described further in Item 1, we have certain other affiliates that offer franchises in the United States, including: (i) JBM LLC offers franchises for the “Jollibee” concept, (ii) Smashburger Franchising LLC offers franchises for the “Smashburger” concept, and (iii) International Coffee & Tea, LLC offers franchises for the “The Coffee Bean & Tea Leaf” concept. Each of these affiliates may periodically offer products and services that are similar to those offered by Milksha Tea Shops, or which may be competitive with Milksha Tea Shops. In particular, “The Coffee Bean & Tea Leaf” locations offer tea and coffee based beverages and bakery items. These affiliated restaurants may operate, or solicit or accept orders at any location, including within your Development Area or Protected Territory. If a conflict should arise between any Milksha Tea Shop and any other restaurant operated or franchised by an affiliate of ours, we will analyze the conflict and take any action or no action as we deem appropriate. The principal business addresses of JBM LLC, Smashburger Franchising LLC, and International Coffee & Tea, LLC are each described in Item 1. Each of these affiliated brands currently operates from corporate offices and training facilities that are separate from the offices and facilities used by us and our affiliates for the Milksha® concept. Certain of our affiliates also offer franchises for concepts outside of the United States; however, we do not expect any conflict to arise between any such international concept and a Milksha Tea Shop in the U.S.

ITEM 13 TRADEMARKS

Principal Marks

Milksha Taiwan owns the following Marks, which have been registered or have been applied for on the Principal Register of the U.S. Patent and Trademark Office:

Mark	Registration Number	Registration Date
MILKSHA	6061606	May 26, 2020
	6098661	July 14, 2020
迷客夏	7129157	August 8, 2023

All required affidavits of use and renewals will be filed in a timely manner. There is presently no effective determination of the U.S. Patent and Trademark Office, the Trademark Trial & Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding or any pending material litigation involving our principal Marks.

Your Use of the Marks and System

You will be granted a limited, non-exclusive license to use the Marks and the System for the term of your Franchise Agreement, strictly to operate your Tea Shop in compliance with the terms of the Franchise Agreement and the System Standards. You will have no right to sublicense or assign your right to use the Marks and the System. You will be required to give notices of registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law. You have no right to use any of the Marks under the Area Development Agreement. You must use and display the Marks in the manner we describe in the Manual. You may not use any other trademarks, service marks, commercial symbols, other than the Marks, to identify or operate your Tea Shop.

If we decide to modify or discontinue the use of any component of the Marks or the System, you must, at your expense, comply with our directions to modify or otherwise discontinue the use of the Marks or the System, within a reasonable time after our notice to you. We are not required to reimburse you for any costs or expenses associated with making such changes or promoting a modified or substitute Mark, or for any loss of revenue due to any modified or discontinued Mark.

Licenses and Restrictions on Our Use

Milkshop Taiwan licenses the Marks and the other intellectual property of the System to us pursuant to a License Agreement dated June 27, 2022, with an initial term expiring on June 30, 2034, and one renewal option of 10 years. The License Agreement may be terminated: (i) by mutual agreement of the parties; (ii) by either party if the other party breaches and does not cure the breach within 60 days; (iii) by Milkshop Taiwan if we seek to invalidate its rights to the Marks, or (iv) by Milkshop Taiwan if a force majeure event which it from performing its obligations. Upon termination or expiration of the License Agreement, we will have the right to honor our franchise obligations to franchisees, but only as it relates to existing Milksha Tea Shops, and not the grant of new franchises for Milksha Tea Shops. This License Agreement may be amended only with the written consent of the parties.

Ownership, Infringement and Claims

Your use of the Marks and the System and any goodwill established by that use are exclusively for the benefit of us and Milkshop Taiwan (as applicable), or our respective affiliates. Your Franchise Agreement does not confer any goodwill or other interests in the Marks or the System upon you, other than the right to operate your Tea Shop under your Franchise Agreement. Your unauthorized use of the Marks and the System would be a breach of your Franchise Agreement and an infringement on the intellectual property rights of us and Milkshop Taiwan. You will be prohibited during and after the term of your Franchise Agreement from contesting or assisting any other person in contesting the validity of any registration for the Marks or the System, and/or the rights to the Marks and the System of us and Milkshop Taiwan (as applicable) or any of our respective affiliates.

You will be required to notify us immediately of any apparent infringement or challenge to your use of the Marks or the System, or of any person's claim of any rights in the Marks or the System, and not to communicate with any person other than us, our affiliates and our and their attorneys, and your attorneys, regarding any infringement, challenge, or claim. We and our affiliates may take the action we deem appropriate (including no action) and control exclusively any litigation or other legal or administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning the Marks or the System. You must sign any documents and take any other reasonable action that, in the opinion of our and our affiliates' attorneys, are necessary or advisable to protect and maintain our and our affiliates' (as applicable) interests or otherwise to protect and maintain our and our affiliates' interests in the Marks and the System. We will reimburse you for your costs of taking any action that we or our affiliates have asked you to take. Neither we nor our affiliates will have any obligation to defend the Marks or the System from valid claims of prior use or of lawful concurrent use by others.

We will reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of the Marks under your Franchise Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding. At our option, we and our affiliates may control the defense of any proceeding arising from your use of the Marks under your Franchise Agreement. If we or our affiliates choose to control the defense of any such proceeding, such person may choose its own legal counsel and other similar representatives, and it will not be liable to you or any of your affiliates or representatives for any costs or expenses incurred on the basis of any additional or separate legal counsel or similar representatives you or they retain.

There is presently no effective determination of the US. Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, nor any pending infringement, opposition or cancellation proceeding or any material litigation involving the Marks.

Other than as stated above, we do not know of any superior rights or infringing uses that could materially affect your use of the Marks in this state or in any state where your Tea Shop is to be located.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any patents that are material to the franchise. We have not filed any patent applications that are material to the franchise.

We and/or our affiliates claim copyrights in the Manual, System Websites, advertising materials, any or all of the design elements contained within the Marks, and other advertising or marketing materials used in operating Milksha Tea Shops and the System. We have not registered these copyrights with the United States Copyright Office. You may use the copyrighted works only as we specify while operating your Tea Shop (and must stop using them if we so direct you). There currently are no effective adverse determinations regarding the copyrighted materials. We know of no infringing uses

of our copyrighted works which could materially affect your using the copyrighted works. We need not protect or defend our copyrighted works. We may control any action involving the copyrighted works, even if you voluntarily bring the matter to our attention. We need not participate in your defense nor indemnify you for damages or expenses in a proceeding involving the copyrighted works.

The License Agreement between Milkshop Taiwan and us will govern the use of all copyrighted works, confidential information, trade secrets and other components of the System that constitute protectable intellectual property. All such intellectual property is owned by Milkshop Taiwan. You and your owners will not acquire any interest in such intellectual property other than the right to use it in operating your Milksha Tea Shop in compliance with your Franchise Agreement.

In connection with your franchise, you and your owners and personnel may from time to time be provided and/or have access to non-public information about the System and the operation of Milksha Tea Shops, including information arising from your Tea Shop (the “Confidential Information”), including: (1) site selection criteria; (2) training and operations materials and manuals, including recipes and the Manual; (3) the System Standards and other methods, formats, specifications, standards, systems, procedures, techniques, sales and marketing techniques, knowledge, and experience used in developing, promoting and operating Milksha Tea Shops; (4) market research, promotional, marketing and advertising programs for Milksha Tea Shops; (5) specifications for vendors, Operating Assets and other products and supplies; (6) any computer software or similar technology which is proprietary to the System, including any login credentials for, source code of, and data, reports, and other printed materials generated by, the software or similar technology; (7) knowledge of the operating results and financial performance of any Milksha Tea Shops; (8) customer data, including personal information, analytic data regarding customer behavior, and opt-in/opt-out preferences; and (9) any other information designated as confidential or proprietary.

All Confidential Information is exclusively owned by us or our affiliates and is proprietary to our System (other than certain personally identifiable information relating to your employees and personnel, and/or certain other data that we do not have access to or are otherwise designated or restricted by us). You must and must cause your representatives to: (a) process, retain, use, collect, and disclose our Confidential Information strictly to the limited extent, and in such a manner, as necessary for the development and operation of your Tea Shop in accordance with your Franchise Agreement, (b) process, retain, use, collect, and disclose our Confidential Information strictly in accordance with the privacy policies and System Standards we establish, and our and our representative’s instructions; (c) keep confidential and not disclose, sell, distribute, or trade our Confidential Information to any person other than those of your employees and representatives who need to know such Confidential Information for the purpose of assisting you in operating your Tea Shop in accordance with your Franchise Agreement (you will be responsible for any violation of this requirement by any of your representatives or employees); (d) not make unauthorized copies of any of our Confidential Information; (e) adopt and maintain administrative, physical and technical safeguards to prevent unauthorized use or disclosure of any of our Confidential Information, including by establishing reasonable security and access measures, restricting its disclosure to key personnel, and/or by requiring persons who have access to such Confidential Information to be bound by contractual obligations to protect such Confidential Information and preserve our rights and controls in such Confidential Information, in each case that are no less protective or beneficial to us than the terms of the Franchise Agreement (and we may designate or approve the form of confidentiality agreement that you will use); and (f) at our request, destroy or return any of the Confidential Information. Confidential Information does not include information, knowledge, or know-how, which is lawfully known to the public without violation of applicable law or an obligation to us or our affiliates.

As it relates to any “personally identifiable information” that constitutes part of our Confidential Information, you must also: (a) process, retain, use, collect, and disclose all such personally identifiable

information only in strict accordance with all applicable laws, regulations, orders, the guidance and codes issued by industry or regulatory agencies, and the privacy policies and terms and conditions of any applicable Online Presence; (b) assist us with meeting our compliance obligations under all applicable laws and regulations relating to such personally identifiable information, including the guidance and codes of practice issued by industry or regulatory agencies; and (c) promptly notify us of any communication or request from any customer or other data subject to access, correct, delete opt-out of, or limit activities relating to any such personally identifiable information.

All improvements, developments, derivative works, enhancements, or modifications to any component of the franchise system, including any new or modified systems of operation, and any information or materials made or created by you, your employees or your contractors, whether developed separately or in conjunction with us, will become part of the System and be owned by Milkshop Taiwan or us. If you, your employees or your contractors are deemed to have any interest in such intellectual property, you must assign all right, title and interest in and to such innovations to us.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must identify one of your owners who is a natural person with at least 25% ownership interest and voting power in you and who will have the authority of a chief executive officer (the “Managing Owner”) to supervise the business you conduct under your Area Development Agreement and Franchise Agreement(s). You must obtain our written consent prior to changing the Managing Owner. Your Managing Owner must be authorized to deal with us in respect of all matters whatsoever which may arise in respect of your Area Development Agreement or Franchise Agreement.

You are solely responsible for the management, direction, and control of your Tea Shop. You (or your Managing Owner) must supervise the management and operation of your Tea Shop and continuously exert best efforts to promote and enhance your Tea Shop. However, you (or your Managing Owner) may elect not to supervise your Tea Shop on a full-time basis, provided that you appoint one or more managers who have completed our then-current initial training program to work full-time at your Tea Shop (your “Principal Operators”). Your Principal Operators must work full-time at your Tea Shop, to supervise the day-to-day operations of your Tea Shop.

If you are a legal business entity, each of your direct and indirect owners must execute a guaranty in the form personally to be bound, jointly and severally, by all provisions of your Area Development Agreement, Franchise Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached as Exhibit C to the Franchise Agreement. If any owner is an individual, his or her spouse must consent in writing to that owner’s execution of the guaranty.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell from your Tea Shop all of the products and services that we periodically specify. You may not offer or sell at your Tea Shop, the Premises or any other location any products or services we have not authorized. You must discontinue selling and offering for sale any products or services that we at any time disapprove. You must offer for sale and sell at your Tea Shop authorized products and services only in the manner (including, days and hours of operation) and at the locations we have prescribed and will not sell any products or services wholesale or through alternative channels of distribution, including through any Online Presence. We may authorize one or more Milksha Tea Shops to offer additional, different, or modified products or services, and we are under no obligation to authorize every Milksha Tea Shop to offer the same products or services. We may condition our

approval for any such products or services on our then-current criteria, and/or additional terms and conditions that we establish. If we modify any System Standards for the products and services that we require your Tea Shop to offer and sell, you must immediately bring your Tea Shop into compliance with System Standards for such products or services, including by purchasing or leasing any necessary Operating Assets, making any required changes to signage and advertising materials, and updating your Computers System to include any software, hardware or other equipment necessary to offer such products services through an online and/or automated system.

If we at any time require or permit you to offer delivery, catering and/or any other off-site products or services, we may limit the geographic area in which you may offer such services, and we may modify that geographic area periodically based on factors we determine.

Unless prohibited by applicable law, we may periodically set a maximum or minimum price that you may charge for products and services offered by Milksha Tea Shops. If we impose such a maximum or minimum price for any product or service, you may charge any price for the product or service up to and including our designated maximum price or down to and including our designated minimum price. The designated maximum and minimum prices for the same product or service may, at our option, be the same. For any product or service for which we do not impose a maximum or minimum price, we may require you to comply with an advertising policy adopted by us which will prohibit you from advertising any price for a product or service that is different than our suggested retail price. Although you must comply with any advertising policy we adopt, you will not be prohibited from selling any product or service at a price above or below the suggested retail price unless we impose a maximum price or minimum price for such product or service.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN AGREEMENT	SUMMARY
(a) Length of the franchise term	Section 1B in Franchise Agreement Section 1B in Area Development Agreement	Term of Franchise Agreement is 5 years from the date it is signed. Term of Area Development Agreement will be equal to the Development Schedule.
(b) Renewal or extension of the term	Section 13 in Franchise Agreement Area Development Agreement	If you are in satisfy the conditions in your Franchise Agreement, you may renew your franchise for one successive term of 5 years. Not Applicable.
(c) Requirements for franchisee to renew or extend	Section 13 in Franchise Agreement	The following conditions must be met to qualify for a renewal: (i) you give us notice 180 to 270 days before expiration; (ii) you have substantially complied with the Franchise Agreement during its term, (iii) you maintain possession of and agree to remodel and/or expand your Premises, add or replace improvements and Operating Assets, and otherwise modify your Tea Shop as we require to comply with System Standards then applicable for new Milksha Tea Shops; (iv)

PROVISION	SECTION IN AGREEMENT	SUMMARY
	Area Development Agreement	you pay a renewal fee; (v) you are in full compliance with the Franchise Agreement and all System Standards; (vi) you sign our then-current Franchise Agreement, which may contain terms and conditions that are materially different from your current Franchise Agreement; and (vii) you and your owners sign general releases, subject to state law. Not Applicable.
(d) Termination by franchisee	Section 14B in Franchise Agreement Section 5A in Area Development Agreement	You may terminate the Franchise Agreement or Area Development Agreement if you are in full compliance with the applicable agreement and we materially breach the Agreement and do not cure the default within 30 days after notice from you, or, if we cannot correct the failure within 30 days, we fail to give you reasonable evidence of our effort to correct the failure within 30 days after your notice (subject to state law). Termination is effective an additional 30 days after you deliver to us written notice of termination.
(e) Termination by franchisor without cause	Not applicable	We may not terminate the Franchise Agreement or Area Development without cause.
(f) Termination by franchisor with cause	Section 14C in Franchise Agreement Section 5B in Area Development Agreement	We may terminate the Franchise Agreement or Area Development Agreement if you or your owners commit one of several violations.
(g) “Cause” defined — curable defaults	Section 14C in Franchise Agreement Section 5B in Area Development Agreement	You have 10 days to pay past due amounts owed to us; applicable cure period to pay past due amounts owed third-parties; 72 hours to cure violations of law, ordinance, rule or regulation of a governmental agency; 10 days to cure any insurance requirements; 30 days to cure an attachment, seizure, warrant, writ, or levy on your Tea Shop, or vacate any order appointing a receiver, trustee, or liquidator on your property; 15 days to cure failures identified in quality assurance audit; and 30 days to cure a breach of any other provision or obligation under the Franchise Agreement or any agreement between you (and your affiliates) and us (and our affiliates). You have 30 days to cure an attachment, seizure, writ, or levy on your Tea Shop, or any order appointing a receiver, trustee, or liquidator on a substantial part of your property; 72 hours to cure any violations of law, ordinance, rule, or regulation of a governmental agency; 10 days to cure failure to make required payments; and 30 days to cure a breach of any other provision or obligation under the Area Development Agreement or any agreement between you (and your affiliates) and us (and our affiliates).
(h) “Cause” defined — non-curable defaults	Section 14C in Franchise Agreement	Non-curable defaults under the Franchise Agreement: material misrepresentations or omissions; failure to satisfy development obligations; failure to obtain lawful possession of a Premises we have approved, or failure to sign Lease by the applicable deadlines;

PROVISION	SECTION IN AGREEMENT	SUMMARY
		System Standards and all applicable laws; and pay all amounts owing to us up to the date of termination.
(j) Assignment of contract by franchisor	Section 12A in Franchise Agreement Section 4A in Area Development Agreement	There is no restriction on our right to assign.
(k) “Transfer” by franchisee — defined	Section 12B in Franchise Agreement Section 4B in Area Development Agreement	A transfer includes any voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, including transfer by reason of merger, consolidation, issuance of additional securities, death, disability, divorce, insolvency, encumbrance, foreclosure, surrender or by operation of law of: (i) your Franchise Agreement or Area Development Agreement, or any rights under those agreements (ii) any of your Tea Shops; or (iii) any direct or indirect ownership interest in you, if you operate as an entity.
(l) Franchisor approval of transfer by franchisee	Section 12C and 12D in Franchise Agreement Sections 4C and 4D in Area Development Agreement	You may not transfer the Franchise Agreement or Area Development Agreement without our prior written approval in accordance with the standards provided in the Agreements.
(m) Conditions for franchisor approval of transfer	Sections 12C and 12D in Franchise Agreement Section 4C and 4D in Area Development Agreement	You submit an application for transfer and provide all information we request; the transfer and transferee must satisfy our criteria; you and your owners must be in compliance with your agreements with us; you provide us the documents we request about the transfer; you must execute all documents we require, including a general release (subject to state law); transferee and its personnel complete the training program; all necessary actions under the Lease are completed; you correct existing deficiencies of your Tea Shop; transferee signs our then-current franchise agreement and other documents, provisions of which may differ materially from those contained in your Franchise Agreement; you pay a transfer fee (unless transferee is surviving spouse of transferor); you provide evidence of appropriate transfer of operations, including insurance and permits for transferee. You submit an application for transfer and provide all information we request; the transfer and transferee must satisfy our criteria; you and your owners must be in compliance with your agreements with us; you provide us the documents we request about the transfer; you must execute all documents we require, including a general release (subject to state law); you are transferring all Franchise Agreements concurrently, and have satisfied your transfer conditions for such transfers under the terms of the Franchise Agreements; transferee signs our then-current area development agreement and other documents, provisions of which may differ materially from those contained in your Area Development Agreement; you pay a transfer

PROVISION	SECTION IN AGREEMENT	SUMMARY
		fee (unless transferee is surviving spouse of transferor); you provide evidence of appropriate transfer of operations, including insurance and permits for transferee.
(n) Franchisor's right of first refusal to acquire franchisee's business	Section 12E in Franchise Agreement Section 4E in Area Development Agreement	If you or any of your owners wish to conduct any transfer that would require our approval, as described above, you must obtain a copy of a bona fide, executed written offer for the transfer and we will have the right of first refusal to obtain the transferred interest(s) on the same terms; provided: we notify you of intend to purchase within 60 days after we receive a copy of the offer and all other information we request; we may substitute cash for any form of payment proposed in the offer; we are offered the same terms for any promissory notes or other deferred payments as those offered by the proposed transferee; we have an additional 90 days to prepare for closing after notifying you of our election to purchase; and we receive all customary representations and warranties given by the seller of the assets of a business or the ownership interests in any legal business entity. If the sale is not complete within 60 days after notice of intent to not exercise right of first refusal, or there is a material change in terms, we will have an additional right of first refusal.
(o) Franchisor's option to purchase franchisee's business	Section 15E in Franchise Agreement Area Development Agreement	We may purchase any or all of the assets of your Tea Shop (including your premises) upon the termination or expiration of the Franchise Agreement. The purchase price will be based upon the net realizable value of the tangible assets in accordance with the liquidation basis of accounting. We may exercise this right by giving you written notice of our election within 30 days after the termination or expiration. If challenged, the purchase price shall be determined by an appraiser designed by us, with costs and fees shared equally by both parties. Not Applicable
(p) Death or disability of franchisee	Section 12C in Franchise Agreement Section 4C in Area Development Agreement	Our approval of a transfer of ownership interest as a result of the death or incapacity of the proposed transferor will not be unreasonably withheld or delayed so long as at least one Managing Owner continues to be the Managing Owner. If, as a result of the death or incapacity of the transferor, a transfer is proposed to be made to the transferor's spouse, and if we do not approve the transfer, the trustee or administrator of the transferor's estate will have 9 months after our refusal to consent to the transfer to the transferor's spouse within which to transfer the transferor's interests to another party whom we approve in accordance with the Franchise Agreement.
(q) Non-competition covenants during the term of the franchise	Section 7A in Franchise Agreement Section 3B of Area Development Agreement	Neither you, nor any of your owners, may have any involvement, directly or indirectly, in a "Competitive Business" during the term of your Franchise Agreement and/or Area Development Agreement. "Competitive Business" means any business operating or granting franchises or licenses to others to operate any business: (1) for which tea, milk, and/or coffee-based beverages, and/or iced, bakery or other desserts represent more than 30% of the total gross revenue of such

PROVISION	SECTION IN AGREEMENT	SUMMARY
		business; or (2) whose menu or concept is otherwise substantially similar to Milksha Tea Shops. (subject to state law).
(r) Non-competition covenants after the franchise is terminated or expires	Section 15D in Franchise Agreement Section 5D in Area Development Agreement	For 2 years beginning on the effective date of termination expiration of the Franchise Agreement and/or Area Development Agreement (or after transfers, for the transferor) or the date you and your owners begin to comply, you and your owners may not have any direct or indirect interest in a Competitive Business; lease or sublease the premises to a Competitive Business; or perform services for a Competitive Business which is located or operating (a) at the Premises or within a 5-mile radius of the Premises, or (b) within a 5-mile radius of any other Milksha Tea Shop (subject to state law).
(s) Modification of the agreement	Section 17L in Franchise Agreement Section 7K in Area Development Agreement	No modification unless by written agreement of both parties, but Manual and System Standards are subject to change by us at any time.
(t) Integration/merger clause	Section 17O in Franchise Agreement Section 7N in Area Development Agreement	Only the written terms of the Franchise Agreement and Area Development and other related written agreements are binding (subject to state law). Any representations or promises outside the Disclosure Document, Franchise Agreement and Area Development Agreement may not be enforceable; provided, nothing is intended to disclaim the representations we made in this Disclosure Document.
(u) Dispute resolution by arbitration or mediation	Section 17G in Franchise Agreement Section 7F in Area Development Agreement	All controversies, disputes or claims between us must be submitted for binding arbitration to the American Arbitration Association on demand of either party. We and you must arbitrate all disputes at a suitable location chosen by the arbitrator in Delaware (subject to state law, if applicable). However, arbitration may not be conducted on a class-wide level; consolidated with any other proceeding; joined with any separate claim of an unaffiliated third party; or brought on your behalf by an association or agent (subject to state law).
(v) Choice of forum	Section 17I in Franchise Agreement Section 7H in Area Development Agreement	Subject to obligation to arbitrate, you must commence actions arising under the Franchise Agreement or Area Development Agreement in the state of Delaware (subject to state law).
(w) Choice of law	Section 17H in Franchise Agreement Section 7G in Area Development Agreement	Except for the Federal Arbitration Act and other federal law, the law of the State of Delaware governs, except that: (i) any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section; and (ii) the enforceability of provisions which relate to restrictions on you and your owners' competitive activities will be governed by the laws of the state in which your Tea Shop is located (subject to state law).

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet.

If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting George Chang, Chief Operating Officer (business address: Blink Roppongi, 3-1-6 Motoazabu, Minato City, Tokyo, Japan; phone: +81-368239989; email: georgechang@milksha.com), the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEMWIDE TEA SHOP SUMMARY
FOR YEARS 2021 TO 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Company-Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Total	2021	0	0	0
	2022	0	0	0
	2023	0	0	0

**TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO
NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE)
FOR YEARS 2021 TO 2023**

State	Year	Number of Transfers
All States	2021	0
	2022	0
	2023	0
Totals	2021	0
	2022	0
	2023	0

**TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
All States	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Totals	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

**TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
All States	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Totals	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

**TABLE NO. 5
PROJECTED OPENINGS
FOR THE 2024 FISCAL YEAR**

State	Franchise Agreements Signed But Not Opened	Projected New Franchised in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	1	0
Totals	0	1	0

The numbers in the Tables 1-4 above are as of December 31, 2023, December 31, 2022, and December 31, 2021. The projections in Table 5 are made as of the issuance date of this Disclosure Document.

Exhibit D-1 contains a list of the names, addresses and telephone numbers of our current franchisees as of December 31, 2023; and Exhibit D-2 contains a list of the names and last known address and telephone number of each franchisee who had a Franchise Agreement terminated, cancelled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or who had not communicated with us within 10 weeks of the issuance date of this franchise disclosure document. If you buy this franchise, your contact information may be disclosed to buyers when you leave the franchise system.

We have not sold any franchises as of the date of this franchise disclosure document. Therefore, within the last three years, no franchisees have signed confidentiality clauses. In some instances, however, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with our franchise system. You may wish to speak with current and former franchisee but be aware that not all such franchisees will be able to communicate with you.

As of the date this franchise disclosure document was issued, there were no trademark-specific franchisee organizations or area developer organizations that were created, sponsored, or endorsed by us and there were no trademark-specific franchisee organizations or area developer organizations that requested to be included in this franchise disclosure document.

ITEM 21
FINANCIAL STATEMENTS

Attached to this franchise disclosure document as Exhibit E-1 are the following consolidated financial statements of our parent Milkshop Taiwan: (1) audited balance sheet as of December 31, 2023 and December 31, 2022, and statement of operations, shareholders' equity, and cash flow for each of the years ended December 31, 2023, December 31, 2022, and December 31, 2021; and (2) unaudited balance sheet as of March 31, 2024, and statement of operations, shareholders equity, and cash flow, for the fiscal quarter then-ended. Attached to this franchise disclosure document as Exhibit E-2 is a guarantee of Milkshop Taiwan of our obligations under Franchise Agreements.

Our fiscal year ends December 31.

ITEM 22
CONTRACTS

The following contracts are attached as exhibits to this Disclosure Document:

- EXHIBIT B-1 Franchise Agreement
- EXHIBIT B-2 Area Development Agreement
- EXHIBIT B-3 Purchase and Supply Agreement
- EXHIBIT B-4 Representations Statement
- EXHIBIT B-5 Sample General Release
- EXHIBIT F – State Addenda and Agreement Riders

ITEM 23
RECEIPTS

Exhibit G contains detachable documents acknowledging your receipt of this Disclosure Document.

EXHIBIT A

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents appointed in some of these states.

CALIFORNIA

Department of Financial Protection &
Innovation:
Toll Free: 1 (866) 275-2677

Los Angeles

Commissioner of Financial Protection &
Innovation
320 West 4th Street
Suite 750
Los Angeles, California 90013
(213) 576-7505

Sacramento

Commissioner of Financial Protection &
Innovation
2101 Arena Blvd.
Sacramento, CA 95834
(916) 445-7205

San Diego

Commissioner of Financial Protection &
Innovation
1455 Frazee Road, Suite 315
San Diego, California 92108
(619) 610-2093

San Francisco

Commissioner of Financial Protection &
Innovation
One Sansome Street, Suite 600
San Francisco, California 94104-4428
(415) 972-8559

HAWAII

Business Registration Division
Securities Compliance Branch
Department of Commerce
and Consumer Affairs
P.O. Box 40
Honolulu, Hawaii 96810
(808) 586-2727

ILLINOIS

Franchise Bureau
Office of the Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

Indiana Secretary of State
Securities Division, E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

MARYLAND

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6300

MICHIGAN

(state administrator)

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building
525 West Ottawa Street
Lansing, Michigan 48909
(517) 373-7117

(agent for service of process)

Michigan Department of Commerce,
Corporations, Securities, and Commercial
Licensing Bureau
P.O. Box 30018
Lansing, Michigan 48909

MINNESOTA

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

NEW YORK

NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st Fl
New York, NY 10005
(212) 416-8222

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol - Fourteenth Floor
Bismarck, North Dakota 58505-0510
(701) 328-4712

OREGON

Department of Business Services
Division of Financial Regulation
350 Winter Street, NE, Room 410

Salem, Oregon 97310-3881
(503) 378-4387

RHODE ISLAND

Department of Business Regulation
Division of Securities
John O. Pastore Complex Building 69-1
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9645

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Second Floor
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

WASHINGTON

Department of Financial Institutions
Securities Division
P.O. Box 41200
Olympia, Washington 98504-1200
(360) 902-8760

WISCONSIN

(state administrator)

Securities and Franchise Registration
Wisconsin Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-0448

(agent for service of process)

Office of the Secretary
Wisconsin Department of Financial Institutions
P.O. Box 8861
Madison, Wisconsin 53708-8861
(608) 261-9555

EXHIBIT B - 1

FRANCHISE AGREEMENT



MILKSHOP JAPAN, INC.
FRANCHISE AGREEMENT

Franchisee: _____

Tea Shop Number: _____

Tea Shop Address: _____

TABLE OF CONTENTS

	<u>Page</u>
1. GRANT OF A FRANCHISE.....	1
A. BACKGROUND.....	1
B. GRANT AND TERM OF FRANCHISE.....	1
C. IF YOU ARE AN ENTITY.....	1
D. PREMISES OF TEA SHOP.....	2
E. PROTECTED TERRITORY.....	2
2. DEVELOPMENT AND OPENING OF YOUR TEA SHOP.....	3
A. SITE SELECTION.....	3
B. LEASE OF PREMISES.....	4
C. DEVELOPMENT OF YOUR TEA SHOP.....	4
3. FEES.....	5
A. INITIAL FRANCHISE FEE.....	5
B. DESIGN REVIEW FEE.....	5
C. LEASE REVIEW FEE.....	5
D. ROYALTY FEE.....	6
E. DEFINITION OF “GROSS SALES”.....	6
F. TECHNOLOGY FEE.....	6
G. INTEREST ON LATE PAYMENTS.....	6
H. APPLICATION OF PAYMENTS.....	6
I. METHOD OF PAYMENT.....	7
J. CURRENCY AND WITHHOLDING.....	7
4. TRAINING AND ASSISTANCE.....	8
A. INITIAL TRAINING.....	8
B. OPENING CONSULTATION.....	9
C. OTHER GENERAL GUIDANCE.....	9
D. MANUAL.....	9
E. DELEGATION OF PERFORMANCE.....	10
5. INTELLECTUAL PROPERTY.....	10
A. OWNERSHIP AND GOODWILL.....	10
B. USE OF MARKS AND SYSTEM.....	10
C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.....	11
D. CHANGES TO MARKS AND SYSTEM.....	11
E. INDEMNIFICATION FOR USE OF MARKS.....	11
F. NON-DISPARAGEMENT.....	12
6. CONFIDENTIAL INFORMATION.....	12
7. EXCLUSIVE RELATIONSHIP DURING TERM.....	14
A. COVENANTS AGAINST COMPETITION.....	14
B. NON-INTERFERENCE.....	14
8. BUSINESS OPERATIONS AND SYSTEM STANDARDS.....	14

A.	SYSTEM STANDARDS.....	14
B.	CONDITION OF YOUR TEA SHOP.....	16
C.	PRODUCTS AND SERVICES YOUR TEA SHOP OFFERS.....	16
D.	MANAGEMENT OF YOUR TEA SHOP.....	17
E.	APPROVED PRODUCTS AND SERVICES.....	17
F.	APPROVED VENDORS.....	17
G.	COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.....	18
H.	INSURANCE.....	18
I.	PRICING.....	19
J.	CONTACT INFORMATION.....	19
K.	INFORMATION SECURITY.....	20
L.	EMPLOYEES, AGENTS AND INDEPENDENT CONTRACTORS.....	20
9.	MARKETING.....	21
A.	GRAND OPENING ADVERTISING.....	21
B.	MARKETING FUND.....	21
C.	LOCAL MARKETING EXPENDITURES.....	22
D.	SYSTEM WEBSITES & ONLINE PRESENCES.....	23
10.	RECORDS, REPORTS, AND FINANCIAL STATEMENTS.....	24
11.	INSPECTIONS AND AUDITS.....	24
A.	OUR RIGHT TO INSPECT YOUR TEA SHOP.....	24
B.	OUR RIGHT TO AUDIT.....	25
12.	TRANSFER.....	25
A.	BY US.....	25
B.	BY YOU.....	25
C.	CONDITIONS FOR APPROVAL OF TRANSFER.....	26
D.	TRANSFER TO A WHOLLY-OWNED ENTITY.....	27
E.	OUR RIGHT OF FIRST REFUSAL.....	28
13.	RENEWAL OF YOUR FRANCHISE.....	29
A.	YOUR RIGHT TO RENEW YOUR FRANCHISE.....	29
B.	ACQUIRING A RENEWAL FRANCHISE.....	29
14.	TERMINATION OF AGREEMENT.....	30
A.	AUTOMATIC.....	30
B.	BY YOU.....	30
C.	BY US.....	30
15.	RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION.....	32
A.	ASSUMPTION OF MANAGEMENT.....	32
B.	PAYMENT OF AMOUNTS OWED TO US.....	32
C.	DE-IDENTIFICATION.....	33
D.	COVENANT NOT TO COMPETE.....	34
E.	OUR RIGHT TO PURCHASE YOUR TEA SHOP.....	34
F.	LOST REVENUE DAMAGES.....	35

G.	CONTINUING OBLIGATIONS.....	35
16.	RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.....	36
A.	INDEPENDENT CONTRACTORS.....	36
B.	NO LIABILITY TO OR FOR ACTS OF OTHER PARTY.....	36
C.	TAXES.....	36
D.	INDEMNIFICATION.....	36
17.	ENFORCEMENT.....	37
A.	SECURITY INTEREST.....	37
B.	SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.....	37
C.	WAIVER OF OBLIGATIONS.....	38
D.	COSTS AND ATTORNEYS' FEES.....	38
E.	YOU MAY NOT WITHHOLD PAYMENTS DUE TO US.....	38
F.	RIGHTS OF PARTIES ARE CUMULATIVE.....	39
G.	ARBITRATION.....	39
H.	GOVERNING LAW.....	40
I.	CONSENT TO JURISDICTION.....	40
J.	WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.....	40
K.	INJUNCTIVE RELIEF.....	41
L.	BINDING EFFECT.....	41
M.	LIMITATIONS OF CLAIMS.....	41
N.	AGREEMENT EFFECTIVENESS.....	42
O.	CONSTRUCTION.....	42
P.	LAWFUL ATTORNEY.....	43
18.	NOTICES AND PAYMENTS.....	43
19.	PROHIBITED PARTIES.....	43
20.	COUNTERPARTS.....	44
	EXHIBIT A Entity Information	
	EXHIBIT B Premises and Protected Territory	
	EXHIBIT C Guaranty and Assumption of Obligations	
	EXHIBIT D Lease Addendum	

MILKSHOP JAPAN, INC.
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “**Agreement**”) is made and entered into by and between **MILKSHOP JAPAN, INC.**, a Japanese corporation with its principal business address at Blink Roppongi, 3-1-6 Motoazabu, Minato City, Tokyo, Japan (“**we**”), and _____, whose principal business address is _____ (“**you**”), as of the date signed by us and set forth below our signature on this Agreement (the “**Effective Date**”).

1. **GRANT OF A FRANCHISE.**

A. **BACKGROUND.**

(1) We have developed and/or otherwise acquired the rights to a system for the operation of shops offering tea, milk, and coffee beverages, iced desserts, bakery desserts, and other desserts, beverages, products, and accessories authorized by us from time to time (each a “**Milksha Tea Shop**”). Milksha Tea Shops are developed and operated using certain specified and distinct business formats, methods, procedures, designs, layouts, standards, and specifications, all of which may be improved, further developed, or otherwise modified from time to time (the “**System**”).

(2) We and our affiliates own, use, promote, and license others the right to use and promote certain trademarks, service marks, trade dress, and other commercial symbols and indicia for Milksha Tea Shops, including the Milksha[®] mark, and may create, use, and license other trademarks, service marks, and commercial symbols to identify Milksha Tea Shops and the products and services offered by Milksha Tea Shops in the future (collectively, the “**Marks**”).

(3) We grant franchises for Milksha Tea Shops to persons who we determine satisfactorily meet our qualifications, and who confirm their willingness to undertake the investment and effort, to own and operate a Milksha Tea Shop using the Marks and the System.

B. **GRANT AND TERM OF FRANCHISE.**

Subject to the terms of this Agreement, we hereby grant you a franchise to develop, own and operate a Milksha Tea Shop (your “**Tea Shop**”) for a term that will begin on the Effective Date and will expire 5 years from the Effective Date, unless sooner terminated under Section 14 (the “**Term**”). You agree to, at all times, faithfully, honestly, and diligently perform your obligations under this Agreement and to use your best efforts to promote your Tea Shop and the Milksha[®] brand.

C. **IF YOU ARE AN ENTITY.**

If you are at any time a corporation, limited liability company, or partnership (each, an “**Entity**”), you agree and represent that you will have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed and are and will, throughout this Term, remain validly existing and in good standing under the laws of the state of your formation. You agree to maintain organizational documents, operating agreement, or partnership agreement, as applicable, that reflect the restrictions on issuance and transfer of any ownership interests in you described in this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to this Agreement’s restrictions.

You agree and represent that **Exhibit A** to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date. Each of your direct and indirect owners must execute a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached herein as **Exhibit C**. We confirm that a spouse who signs **Exhibit C** solely in his or her capacity as a spouse (and not as an owner) is signing that agreement merely to acknowledge and consent to the execution of the guaranty by his or her spouse and to bind the assets of the marital estate as described therein and for no other purpose (including, without limitation, to bind the spouse's own separate property). Subject to our rights and your obligations under Section 12, you and your owners agree to sign and deliver to us revised **Exhibit A** to reflect any permitted changes in the information that **Exhibit A** now contains.

You must identify on **Exhibit A** one of your owners who is a natural person with at least 25% ownership interest and voting power in you and who will have the authority of a chief executive officer (the "**Managing Owner**"). You must obtain our written consent prior to changing the Managing Owner and agree to deliver to us a revised **Exhibit A** to accurately identify the Managing Owner should the identity of that person change during the Term as permitted hereunder. You agree that the Managing Owner is authorized, on your behalf, to deal with us in respect of all matters whatsoever which may arise in respect of this Agreement. Any decision made by the Managing Owner will be final and binding upon you, and we will be entitled to rely solely upon the decision of the Managing Owner in any such dealings without the necessity of any discussions with any other party named in this Agreement, and we will not be held liable for any actions taken by you or otherwise, based upon any decision or actions of the Managing Owner. You represent and agree that the person acting as your Managing Owner has full power and authority to enter into this Agreement and any other documents to which you are a party, and to make binding decisions on your behalf.

D. PREMISES OF TEA SHOP.

You may operate your Tea Shop only at the specific location identified on **Exhibit B** (the "**Premises**"). If the Premises have not been approved when you sign this Agreement, site selection will be subject to Section 2.A of this Agreement, and we will revise **Exhibit B** to identify the Premises once approved. You agree to use the Premises only for your Tea Shop and, once it opens for business, to continuously operate your Tea Shop in accordance with this Agreement for the duration of the Term. You agree not to conduct the business of your Tea Shop at any location other than the Premises. You may not conduct delivery, catering or other off-site services except as authorized by us.

E. PROTECTED TERRITORY.

Subject to your continued compliance with this Agreement, and the reserved rights described below, during the Term, neither we nor any of our affiliates will establish or operate or authorize any other person to establish or operate a Milksha Tea Shop in the area described in **Exhibit B** (the "**Protected Territory**"). If you have not selected a site for your Tea Shop as of the Effective Date, we reserve the right to define or modify your Protected Territory at the time the Premises is identified and approved by us. Other than your Protected Territory, you have no territorial protection and we and our affiliates retain all rights to conduct business activities of any kind, including, the right to:

- (1) establish and operate, and allow others to establish and operate, other Milksha Tea Shops using the Marks and the System, at any location outside the Protected Territory, on such terms and conditions we deem appropriate;

(2) establish and operate, and allow others to establish and operate, any other type of business, including any business that may offer products and services which are identical to, similar to, or competitive with products and services offered by Milksha Tea Shops, under trade names, trademarks, service marks and commercial symbols other than the Marks, anywhere in the world, including in the Protected Territory;

(3) establish, and allow others to establish businesses and distribution channels other than a Milksha Tea Shop (including, selling products at retail or through any Online Presence, as defined in Section 5A), wherever located or operating, including in your Protected Territory, regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, including businesses that operate under trade names, trademarks, service marks or commercial symbols that are similar to, the same, or competitive with the Marks, and/or that sell products or services that are similar to, the same, or competitive with, those that Milksha Tea Shops customarily sell;

(4) establish and operate, and allow others to establish and operate, any Milksha Tea Shop, or other business using the Marks and/or the System, and/or offering and selling any of the products or services that are similar to, the same, or competitive with those products or services offered by Milksha Tea Shops, at or through any nontraditional venues, including, temporary or seasonal facilities, recreation parks or facilities, or business operated within any larger venue or closed market such as an airport, transportation center, stadium or entertainment center, at any location in the world, including in the Protected Territory;

(5) be acquired by or acquire (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), any other business, including businesses that operate or allow others to establish and operate businesses similar to, the same, or competitive with Milksha Tea Shops, at any location in the world, including in the Protected Territory (and in the event of such an acquisition, the acquirer and its affiliates will have the right to continue to establish and operate, and authorize others to establish and operate, such businesses, at any location in the world, including in the Protected Territory); and

(6) engage in all other activities not expressly prohibited by this Agreement, at any location in the world, including in the Protected Territory.

2. **DEVELOPMENT AND OPENING OF YOUR TEA SHOP.**

A. **SITE SELECTION.**

If you have not yet located a site for the Premises as of the Effective Date, then you must obtain our approval of a site for your Premises, and secure occupancy rights to such Premises, within 180 days of the Effective Date. We have the right to approve the site of your Tea Shop before you sign any lease, sublease or other document to secure its occupancy rights (the “**Lease**”). You agree to send us all of the information we require for the proposed site. We will make all determinations about whether to accept or reject a site based on our then-current criteria, which may change periodically. You may not relocate your Tea Shop to a location other than the Premises without our prior approval.

If we recommend or give you information regarding a site for the Premises, that is not a representation or warranty of any kind, express or implied, of the site’s suitability for a Milksha Tea Shop or any other purpose. Our recommendation indicates only that we believe that the site meets our

then acceptable criteria which have been established for our own purposes and are not intended to be relied on by you as an indicator of likely success. Applying criteria that have appeared effective with other sites and premises might not accurately reflect the potential for all sites and premises, and demographic or other factors included in or excluded from our criteria could change, even after our approval of the Premises or your development of your Tea Shop, altering the potential of a site and premises. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site and premises we recommend fail to meet your expectations. You acknowledge and agree that your acceptance of the rights granted by this Agreement and selection of the Premises are based on your own independent investigation of the site's suitability for the Premises.

B. LEASE OF PREMISES.

We have the right to approve the terms of any Lease before you sign it. Our approval may be conditioned on the lessor's agreement to include certain provisions we require from time to time to protect our interests. Our current requirements are reflected in our form of lease addendum attached as **Exhibit D**. It is your sole responsibility to obtain a fully executed lease addendum in our current form, without modification or negotiation, executed by you and the landlord. The lease addendum is intended to provide us certain protections under your Lease and may not benefit you or the landlord. We may reject any request for modifications to the lease addendum for any reason.

You acknowledge and agree that you have the sole responsibility to negotiate and execute your Lease. You acknowledge and agree that any of our involvement in the Lease review and approval is for our sole benefit. You agree that you are not relying on our Lease review and approval for your benefit. You further acknowledge that you have been advised to obtain the advice of your own professional advisors before you sign a Lease. If you do not agree with the Lease provisions that we have approved, you may elect not to sign the Lease, but you would have to find another suitable site for the Premises and secure its possession by signing a Lease we have approved for such site. You must deliver an executed copy of your Lease and lease addendum to us within 10 days after execution.

C. DEVELOPMENT OF YOUR TEA SHOP.

We will provide you our then-current prototypical plans showing the standard layout and specifications for a Milksha Tea Shop in our Manual. You agree at your expense to do all things necessary to develop and prepare your Tea Shop for opening in accordance with this Agreement and our System Standards (defined in Section 4.D) including that you must:

(1) obtain and submit to us for approval detailed construction plans and specifications and space plans for your Tea Shop that comply with any design specifications or prototypical plans provided by us and all applicable ordinances, building codes, permit requirements, and lease requirements and restrictions, including those arising under the Americans with Disabilities Act or similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and lease requirements and restrictions;

(2) obtain all required zoning changes, planning consents, building, utility, sign and business permits and licenses, and any other consents, permits and licenses necessary to lawfully open and operate your Tea Shop;

(3) construct all required improvements in compliance with construction plans and specifications approved by us;

(4) obtain and install the operating assets we designate from time to time as meeting our System Standards for quality, design, appearance, function, and performance (collectively, the “**Operating Assets**”), including: (i) the computer hardware, software, and point-of-sale system (collectively, the “**Computer System**”), and (ii) all other fixtures, furniture, equipment, furnishings, and signage and other products and services that that we approve for Milksha Tea Shops (if we designate or approve certain brands, types, and models of Operating Assets, you agree to purchase or lease only Operating Assets meeting the specifications we have designated or approved);

(5) obtain all customary contractors’ sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services; and

(6) obtain all certificates of insurance to demonstrate to us your compliance with our insurance requirements.

You must satisfy all of our System Standards for developing and opening your Tea Shop, and open your Tea Shop for business by the earlier of: (i) 180 days after you sign the Lease, or (ii) the first anniversary of the Effective Date. We must approve the date that you open your Tea Shop for business (the “**Opening Date**”), and you will not open your Tea Shop without a written notice of approval.

3. **FEES.**

A. **INITIAL FRANCHISE FEE.**

You must pay us an initial franchisee fee of \$30,000 in lump-sum when you sign this Agreement. The initial franchise fee is due, and fully earned by us, when you sign this Agreement and not refundable to you after it is paid.

B. **DESIGN REVIEW FEE.**

You must engage an architect to design the schematics and plans for your Tea Shop and submit such schematics and plans to us for our approval before you begin any construction. You must pay us a design review fee of \$2,000 when you submit the plans and schematics to us for our review. The design review fee must be paid when invoiced by us and is non-refundable after paid.

You understand that our or our designee’s approval of the plans and schematics for your Tea Shop, or any assistance regarding such plans and schematics, is strictly to ensure that they comply with our System Standards. It is your sole responsibility to ensure that such plans and schematics satisfy all applicable laws, ordinances and regulations in your jurisdiction and the terms of your Lease.

C. **LEASE REVIEW FEE.**

You must pay us a lease review fee of \$1,500 when you submit your Lease to us for our review. The lease review fee must be paid when invoiced by us and is non-refundable after paid.

D. **ROYALTY FEE.**

On or before the 15th of each calendar month during the Term, you agree to pay us a monthly royalty fee (the “**Royalty**”) equal to **six percent (6%)** of the Gross Sales (defined in Section 3.G below) of your Tea Shop during the preceding month; provided, that if the total amount of the Royalty that you pay us under this Agreement is less than One Thousand Two Hundred and 00/100 (\$1,200) in any calendar month, you must pay us the deficit upon demand. We may increase the foregoing minimum Royalty amount periodically based upon the Consumer Price Index.

E. **DEFINITION OF “GROSS SALES”.**

As used in this Agreement, the term “**Gross Sales**” means all revenue that you derive from operating your Tea Shop (whether or not in compliance with this Agreement), whether from cash, check, student meal cards and dining/meal plan vouchers, tickets, tokens or other comparable forms of payment, credit and debit card, barter exchange, trade credit, or other credit transactions, but (1) excluding all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority and (2) reduced by the amount of any documented refunds, credits and discounts your Tea Shop in good faith gives to customers and your employees. We include gift certificate, gift card or similar program payments in Gross Sales when the gift certificate, gift card, other instrument or applicable credit is redeemed. Gross Sales also include all insurance proceeds you receive for loss of business and loss of revenue, due to a casualty to or similar event at your Tea Shop.

F. **TECHNOLOGY FEE.**

You must pay us a technology fee each month in the amount we designate in the Manual. We may spend the amounts from your Technology Fee in our discretion, including on website or email hosting, help desk support, software or website development, training programs for our personnel or Milksha Tea Shop owners, enterprise solutions and other services to us, our affiliates, the franchise system, or our Milksha Tea Shop owners (your “**Technology Fee**”). We may also direct you to pay any or all of your Technology Fee directly to our designees or Vendors of associated products or services, which may be our affiliates. The Technology Fee is in addition to all direct out-of-pocket costs you must otherwise incur under the terms of this Agreement or the Manual to acquire, maintain, or service your Computer System. You must pay the Technology Fee at the times, and in the manner, designated by the provider of such services. We may require you to enter into a written agreement with the provider of any technology services, with terms and conditions we approve or require.

G. **INTEREST ON LATE PAYMENTS.**

All amounts which you owe us for any reason will bear interest accruing as of their due date at 5% per month or the highest commercial contract interest rate the law allows, whichever is less. We will charge a service fee of \$200 per occurrence, or the highest amount permitted by applicable law, for checks returned to us due to insufficient funds or in the event there are insufficient funds in the business account you designate to cover our withdrawals.

H. **APPLICATION OF PAYMENTS.**

Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us. We and our affiliates may set off any amounts you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners.

I. **METHOD OF PAYMENT.**

You must make all payments due under this Agreement in the manner we designate from time to time and you agree to comply with all of our payment instructions. We may also direct you to make some or all of the payments under this Agreement to a designee or affiliate of ours. You authorize us to debit your checking, savings or other account automatically for all amounts due to us or our affiliates (the “**EFT Authorization**”). You agree to sign and deliver to us any documents we require for such EFT Authorization. Such EFT Authorization shall remain in full force and effect during the Term. We will debit the account you designate for these amounts on their due dates (or the subsequent business day if the due date is a national holiday or a weekend day). You agree to ensure that funds are available in your designated account to cover our withdrawals. If the amounts that we debit from your account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your business account on the next payment due date. We may change the timing, frequency, and intervals of any payments from time to time, but with no less than 30 days’ prior written notice to you.

If you fail to report Gross Sales, we cease to have access to your Computer System, or your Tea Shop is closed without our authorization for any period of time (other than as a result of a casualty event such as fire, natural disaster, or act of god, which you are using good faith efforts to cure), then for any fees under this Agreement which are calculated based on Gross Sales, we may debit your account for 110% of the average Gross Sales for the last three months of operations of your Tea Shop. If the amounts that we debit from your account on the basis of any understatement are less than the amounts you actually owe us once we have determined the true and correct Gross Sales, we will debit your account for the balance on the day we specify. If the amounts that we debit from your account on the basis of any understatement are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your account during the following week.

If a law is enacted during the Term which prohibits or restricts in any way your ability to pay and our ability to collect any amounts based on Gross Sales, then we reserve the right to modify your payment obligations to us under this Agreement and revise the applicable provisions hereunder in order to provide the same basic economic effect to both us and you as currently provided in this Agreement. In such event, you agree to execute the appropriate document(s) in the form we prescribe to give effect to or take account of such revisions. If we determine in good faith that the effect of any law enacted hereafter will be materially detrimental to our interests, we may also terminate this Agreement by delivering written notice thereof to you.

J. **CURRENCY AND WITHHOLDING.**

All payments made by you or your owners under this Agreement must be made in U.S. Dollars or, at our option and on 30 days’ notice to you, in another currency designated by us. All currency conversions associated with payments that you or your owners make to us will be made at the rate announced by the international lending institutions that we periodically designate. You will use your best efforts to obtain any consents or authorizations which may be necessary in order to permit timely payments of all amounts under this Agreement in U.S. Dollars or such other currency we designate. If any jurisdiction enacts and restrictions or limitations in a manner that would interfere with payments to us in U.S. Dollars or such other currency we designate, you will immediately notify us, and we may require you to pay all amounts into a deposit account we have approved until such restrictions are lifted or we designate a different currency for payment.

The amounts due under this Agreement are intended to be gross amounts, and amounts actually paid to us will not be reduced by any withholding or other taxes that you might be required to withhold and pay pursuant to applicable laws or regulations. If you are required to pay any withholding or similar taxes in respect of payments made to us under this Agreement, you must gross-up your payment to ensure that the amounts we actually receive are the same amounts we would have received had you not been required to withhold and make such tax payments. You will pay to the appropriate governmental agency any withholding taxes and other taxes due on the amounts actually paid to us, and deliver evidence to us upon request.

4. **TRAINING AND ASSISTANCE.**

A. **INITIAL TRAINING.**

Prior to your Opening Date, you (or if you operate as an Entity, your Managing Owner), your Principal Operators (if applicable), and up to three other employees of yours that you select, and we approve (the “**Mandatory Trainees**”) must complete an initial training program conducted by us on the material aspects of operating a Milksha Tea Shop. We will control the substance and duration of our initial training program, which will be held at location and in a format of our choice, which may be virtual. We may vary the contents or duration of the initial training among your Mandatory Trainees, based on their experience, role, responsibilities and other factors we determine. All of the Mandatory Trainees must complete initial training to our satisfaction prior to operating your Tea Shop. Scheduling of the training is based on the Mandatory Trainees’ availability, availability of space in the program, training facility availability and the projected opening date for your Tea Shop which is finally determined by us. If we determine that the Mandatory Trainees cannot successfully complete initial training to our satisfaction, we may terminate this Agreement.

If you request additional training for any Mandatory Trainees that have completed the initial training program (including any Mandatory Trainees that may have completed initial training in connection with your development of a previous Milksha Tea Shop), you must pay our per diem charge for any such training that we agree to provide you. If the Mandatory Trainees complete our initial training program to our satisfaction, then you and they will be deemed to have been trained sufficiently to operate a Milksha Tea Shop, even if you request additional training at any time thereafter.

You have the ultimate and exclusive responsibility for ensuring that all of your employees and personnel are appropriately trained to operate your Tea Shop in accordance with this Agreement and our System Standards. We may periodically establish certain minimum requirements for your employee training programs; however, you understand that these minimum requirements are solely intended to protect our System and the goodwill of the Marks.

We may require that your Mandatory Trainees attend and satisfactorily complete various training courses that we periodically choose to provide at the times and locations that we designate, including courses and programs provided by third-parties we designate. Besides attending these courses, we may require you (or if you operate as an Entity, your Managing Owner) and/or your Principal Operators (if applicable) to attend an annual meeting of all Milksha Tea Shop franchise owners at a location we designate, if we host such a conference (which we are not obligated to do) which may be virtual. If you engage any new Principal Operators during the Term, such person(s) must satisfactorily complete our then current initial training program. We may charge reasonable fees for training a new Principal Operators.

You agree to pay all travel and living expenses (including wages, transportation, food, lodging, and workers' compensation insurance) that you and your Mandatory Trainees or any other employee incurs during any and all meetings and/or training courses and programs. You are also responsible for the travel and living expenses and out-of-pocket costs we incur in sending our trainer(s) to your Tea Shop to conduct training that you request or that we require, including food, lodging and transportation.

B. OPENING CONSULTATION.

If you are developing your first Milksha Tea Shop, we will provide you with certain consultants to assist you, and you must pay us the associated fee, as follows: (1) \$6,000 for two consultants to provide assistance relating to brand specifications and menu development for a period of up to 15 days, and (2) \$10,000 for two consultants to provide general assistance relating to business and operations matters for your Tea Shop for up to 22 days. We will determine the identity of all consultants that we assign to your Tea Shop and the schedule for all consultation (which may be before and/or after your Opening Date). You must also reimburse all of our out-of-pocket costs for providing consultants to you, including travel and living expenses. If you are developing your second or subsequent Milksha Tea Shop, we are not required to provide you any pre-opening consultants. However, if you request such support, you must pay our then-current charge for any support we agree to provide you, plus reimbursement of the travel and living expenses and out-of-pocket costs we incur. We reserve the right to provide some or all of the pre-opening consultation by phone or virtually. All fees you pay us for opening consultation are paid when invoiced by us and are non-refundable after paid.

C. OTHER GENERAL GUIDANCE.

Subject to limitations on scheduling, availability, and similar resources, we will advise you from time to time regarding the operation of your Tea Shop, including: (1) System Standards and other suggested standards, specifications and operating procedures and methods that Milksha Tea Shops use; (2) purchasing required and authorized Operating Assets and other products and services; and (3) advertising and marketing materials and programs. We may provide guidance on the telephone, virtually, or at our offices. If you request, and we agree to provide, additional or special guidance, assistance, or training, we may charge you our then applicable fee, including our personnel's per diem charges, and travel and living expenses. Any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which we may discontinue and modify from time to time.

Notwithstanding any provision in this Agreement to the contrary (including our obligations related to operations support, inspections, training or otherwise), we will not be required to send any of our personnel and/or representatives to your Tea Shop to provide any services in-person if, in our sole determination, it is unsafe to do so. Such determination by us will not relieve you from your obligations under this Agreement and will not serve as a basis for your termination of this Agreement. We may also, at any time, for any reason, elect to conduct any or all support, inspections, training, or other services virtually, and you agree to comply with our instructions for all virtual programs.

D. MANUAL.

We make the manual for the operation of Milksha Tea Shops available to you during the Term (the "**Manual**"), which may include one or more separate manuals as well as audiotapes, videotapes, compact discs, computer software, information available through any Online Presence, other electronic media, or written materials. The Manual contains mandatory specifications, standards, operating

procedures and rules that we periodically prescribe for operating Milksha Tea Shops (“**System Standards**”), other specifications, standards and policies we may suggest from time to time, and information on your obligations under this Agreement. We may modify the Manual periodically to reflect changes in System Standards.

We may make the Manual available to you through an Online Presence. If we do so, you agree to monitor and access that Online Presence for any updates to the Manual. Any passwords or other digital identifications necessary to access the Manual on any Online Presence will be deemed to be part of Confidential Information (as defined in Section 6). We have no obligation to provide you a printed copy of the Manual. If you request the Manual in any other format, such as a printed copy (and we elect to provide it to you in such format), we may charge you a reasonable fee to provide such copy. You agree to keep all hard copies of the Manual current and in a secure location at your Tea Shop. If there is a discrepancy between our copy of the Manual and yours, our copy of the Manual controls. You agree that the Manual’s contents are confidential, and you may not at any time copy, duplicate, record, or otherwise reproduce any part of the Manual.

E. DELEGATION OF PERFORMANCE.

We have the right to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations.

5. INTELLECTUAL PROPERTY.

A. OWNERSHIP AND GOODWILL.

You acknowledge and agree that the Marks and the System are owned by us and/or our affiliates. You acknowledge and agree that your use of the Marks and the System and any goodwill established by that use are exclusively for our and our affiliates’ (as applicable) benefit and that this Agreement does not confer any goodwill or other interests in the Marks or the System upon you (other than the right to operate your Tea Shop under this Agreement). Your unauthorized use of the Marks and the System would be a breach of this Agreement and an infringement on the intellectual property rights of us and our affiliates (as applicable). Your unauthorized use of the Marks and the System will cause us and our affiliates (as applicable) irreparable harm for which there is no adequate remedy at law and will entitle us and our affiliates (as applicable) to injunctive relief. All provisions of this Agreement relating to the Marks and the System apply to any additional or modified components of the Marks and the System we authorize you to use.

You may not at any time during or after the Term contest or assist any other person in contesting the validity of any registration for the Marks or the System, and/or our and our affiliates’ (as applicable) rights to the Marks and the System.

B. USE OF MARKS AND SYSTEM.

You are hereby granted a limited, non-exclusive license to use the Marks and the System, during the Term, strictly to operate your Tea Shop in compliance with the terms of this Agreement and our System Standards. You have no right to sublicense or assign your right to use the Marks and the System. You agree to give the notices of registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law.

You agree to use and display the Marks in the style and graphic manner we describe in the Manual. You may not use any other trademarks, service marks, commercial symbols, other than the Marks, to identify or operate your Tea Shop. You may not use any Mark (1) as part of any corporate or legal business name, (2) with any unauthorized prefix, suffix, or other modifying words, terms, designs, or symbols, (3) in selling any unauthorized services or products, (4) as part of any website, domain name, email address, social media account, user name, other online presence or presence on any electronic, virtual, or digital medium of any kind (“**Online Presence**”), except in accordance with our guidelines set forth in the Manual, or (5) in any other manner that we have not expressly authorized in writing. You may not use any Mark in advertising the transfer, sale, or other disposition of your Tea Shop or an ownership interest in you without our prior written consent. You agree to display the Marks prominently as we prescribe at your Tea Shop and on forms, advertising, supplies, and other materials we designate. You agree to give the notices of trade and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law.

C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.

You agree to notify us immediately of any apparent infringement or challenge to your use of the Marks or the System, or of any person’s claim of any rights in the Marks or the System, and not to communicate with any person other than us, our affiliates and our and their attorneys, and your attorneys, regarding any infringement, challenge, or claim. We and our affiliates may take the action we or they deem appropriate (including no action) and control exclusively any litigation or other legal or administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning the Marks or the System. You agree to sign any documents and take any other reasonable action that, in the opinion of our and our affiliates’ attorneys, are necessary or advisable to protect and maintain our and our affiliates’ (as applicable) interests or otherwise to protect and maintain our and our affiliates’ interests in the Marks and the System. We will reimburse you for your costs of taking any action that we or our affiliates have asked you to take. You acknowledge and understand that neither we nor our affiliates will have any obligation to defend the Marks or the System from valid claims of prior use or of lawful concurrent use by others.

D. CHANGES TO MARKS AND SYSTEM.

If we or our affiliates, in our respective sole judgment, decide to modify or discontinue the use of any component of the Marks or the System, you agree, at your expense, to comply with our directions to modify or otherwise discontinue the use of the Marks or the System, within a reasonable time after our notice to you.

E. INDEMNIFICATION FOR USE OF MARKS.

We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of the Marks under this Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding. At our option, we and our affiliates, may control the defense of any proceeding arising from your use of the Marks under this Agreement. If we and/or our affiliates choose to control the defense of any such proceeding, such person may choose its own legal counsel and other similar representatives, and it will not be liable to you or any of your affiliates or representatives for any costs or expenses incurred on the basis of any additional or separate legal counsel or similar representatives you or they retain.

F. **NON-DISPARAGEMENT.**

During and after the Term, you agree not to (and to use your best efforts to cause your current and former owners, officers, directors, agents, partners, employees, representatives, attorneys, spouses, affiliates, successors and assigns not to) disparage or otherwise speak or write negatively, directly or indirectly, of us, our affiliates, any of our or our affiliates' directors, officers, employees, representatives or affiliates, current and former franchisees or developers of us or our affiliates, the Milksha® brand, the System, any Milksha Tea Shop, any business using the Marks, any other brand or service-marked or trademarked concept of us or our affiliates, or take any other action which would subject any of the foregoing to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of the Marks or the System.

6. **CONFIDENTIAL INFORMATION.**

In connection with your franchise under this Agreement, you and your owners and personnel may from time to time be provided and/or have access to non-public information about the System and operation of Milksha Tea Shops (the “**Confidential Information**”), including: (1) site selection criteria; (2) training and operations materials and manuals, including recipes and the Manual; (3) the System Standards and other methods, formats, specifications, standards, systems, procedures, techniques, sales and marketing techniques, knowledge, and experience used in developing, promoting and operating Milksha Tea Shops; (4) market research, promotional, marketing and advertising programs for Milksha Tea Shops; (5) knowledge of specifications for, and Vendors of, Operating Assets and other products and supplies; (6) any computer software or similar technology which is proprietary to the System, including any login credentials for, source code of, and data, reports, and other printed materials generated by, the software or similar technology; (7) knowledge of the operating results and financial performance of any Milksha Tea Shops; (8) customer data, including personal information, analytic data regarding customer behavior, and opt-in/opt-out preferences; and (9) any other information designated as confidential or proprietary by us or our affiliates

All Confidential Information will be owned by us or our affiliates (other than Restricted Data, as defined in Section 8K). You acknowledge and agree that: (i) you will not acquire any interest in any of our Confidential Information, other than the right to use it as we specify in operating your Tea Shop during the Term, and (ii) our Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you will protect it. You acknowledge that any unauthorized use or disclosure of our Confidential Information would be an unfair method of competition and a breach of trust and confidence and will result in irreparable harm to us and/or our affiliates. You (and if you are conducting business as an Entity, each of your owners) therefore agree that during and after the Term you will, and will cause each of your respective current and former spouses, immediate family members, owners, officers, directors, employees, representatives, affiliates, successors and assigns to:

(a) process, retain, use, collect, and disclose our Confidential Information strictly to the limited extent, and in such a manner, as necessary for the development and operation of your Tea Shop in accordance with this Agreement, and not for any other purpose of any kind;

(b) process, retain, use, collect, and disclose our Confidential Information strictly in accordance with the privacy policies and System Standards we establish from time to time, and our and our representative's instructions;

(c) keep confidential and not disclose, sell, distribute, or trade our Confidential Information to any person other than those of your employees and representatives who need to know such Confidential Information for the purpose of assisting you in operating your Tea Shop in accordance with this Agreement; and you agree that you will be responsible for any violation of this requirement by any of your representatives or employees;

(d) not make unauthorized copies of any of our Confidential Information;

(e) adopt and maintain administrative, physical and technical safeguards to prevent unauthorized use or disclosure of any of our Confidential Information, including by establishing reasonable security and access measures, restricting its disclosure to key personnel, and/or by requiring persons who have access to such Confidential Information to be bound by contractual obligations to protect such Confidential Information and preserve our rights and controls in such Confidential Information, in each case that are no less protective or beneficial to us than the terms of this Agreement (and we reserve the right to designate or approve the form of confidentiality agreement that you use); and

(f) at our request, destroy or return any of the Confidential Information.

Confidential Information does not include information, knowledge, or know-how, which is lawfully known to the public without violation of applicable law or an obligation to us or our affiliates.

We and our affiliates are not making any representations or warranties, express or implied, with respect to the Confidential Information. We and our affiliates have no liability to you and your affiliates for any errors or omissions from the Confidential Information.

As between us and you, we are the sole owner of all right, title, and interest in and to the System and any Confidential Information. All improvements, developments, derivative works, enhancements, or modifications to the System and any Confidential Information (collectively, “**Innovations**”) made or created by you, your employees or your contractors, whether developed separately or in conjunction with us, shall be owned solely by us and will in no event be owned by you or your affiliates. You represent, warrant, and covenant that your employees and contractors are bound by written agreements assigning all rights in and to any Innovations developed or created by them to you. To the extent that you, your employees or your contractors are deemed to have any interest in such Innovations, you hereby agree to assign, and do assign, all right, title and interest in and to such Innovations to us. To that end, you agree to execute, verify, and deliver such documents and perform such other acts (including appearances as a witness) as we may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such ownership rights in and to the Innovations, and the assignment thereof. Your obligation to assist us with respect to such ownership rights shall continue beyond the expiration or termination of this Agreement. In the event we are unable for any reason, after reasonable effort, to secure your signature on any document needed in connection with the actions specified in this Section, you hereby irrevocably designate and appoint us and our duly authorized officers and agents as your agent and attorney in fact, which appointment is coupled with an interest and is irrevocable, to act for and on your behalf to execute, verify, and file any such documents and to do all other lawfully permitted acts to further the purposes of this Section with the same legal force and effect as if executed by you.

7. **EXCLUSIVE RELATIONSHIP DURING TERM.**

A. **COVENANTS AGAINST COMPETITION.**

We have granted you the rights in this Agreement in consideration of and reliance upon your agreement to deal exclusively with us. You therefore agree that, during the Term, you agree not to (and to use your best efforts to cause your current and former owners, officers, directors, agents, employees, representatives, attorneys, spouses, affiliates, successors and assigns not to):

(i) have any direct or indirect interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business (defined below), wherever located or operating (except that equity ownership of less than 5% of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);

(ii) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

(iii) divert or attempt to divert any actual or potential business or customer of any Milksha Tea Shop to a Competitive Business; or

(iv) directly or indirectly, appropriate, use or duplicate the System or System Standards, or any portion thereof, for use in any other business or endeavor.

The term “**Competitive Business**” means any business (excluding any Milksha Tea Shops operated under a franchise agreement) operating or granting franchises or licenses to others to operate any business: (1) for which tea, milk, and/or coffee-based beverages, and/or iced, bakery, or other desserts represent more than 30% of the total gross revenue of such business; or (2) whose menu or concept is otherwise substantially similar to that of Milksha Tea Shops. You agree to obtain similar covenants from the personnel we specify, including officers, directors, managers, and other employees attending our training program or having access to Confidential Information. We have the right to regulate the form of agreement that you use, including to require that we and our affiliates be third-party beneficiaries of that agreement with independent enforcement rights.

B. **NON-INTERFERENCE.**

During and after the Term, you agree not to (and to use your best efforts to cause your current and former owners, officers, directors, agents, employees, representatives, attorneys, spouses, affiliates, successors and assigns not to) solicit, interfere, or attempt to interfere with our or our affiliates’ relationships with any customers, franchisees, lenders, Vendors, or consultants.

8. **BUSINESS OPERATIONS AND SYSTEM STANDARDS.**

A. **SYSTEM STANDARDS.**

You agree at all times to operate and maintain your Tea Shop according to each and every System Standard, as we periodically modify and supplement them. Though we retain the right to establish and periodically modify System Standards, you retain the sole responsibility for the day-to-day management and operation of your Tea Shop and the implementation and maintenance of System

Standards at your Tea Shop. System Standards may regulate any aspect of the operation and maintenance of your Tea Shop, including, but not limited to, any one or more of the following:

- (1) amounts and types of Operating Assets, components of the Computer System, and inventory you must purchase and/or maintain;
- (2) sales, marketing, advertising, and promotional campaigns, including prize contests, special offers and other national, regional or location marketing programs, and materials and media used in these programs;
- (3) staffing levels, qualifications, training, uniforms and appearance (although you have sole responsibility and authority concerning all other matters relating to employee and personnel, including hiring and promotion, hours worked, rates of pay and other benefits, work assigned, the manner of performing work, and working conditions);
- (4) use and display of the Marks;
- (5) days and hours of operation;
- (6) accepting credit and debit cards, other payment systems, currencies, and check verification services;
- (7) participation in market research and testing and product and service development programs;
- (8) issuing and honoring gift cards, gift certificates and similar items, and participating in loyalty programs;
- (9) menus, including product offerings, appearance, and inclusion of nutrition and similar information;
- (10) bookkeeping, accounting, data processing and storage, and recordkeeping systems and forms; formats, content, and frequency of reports to us of sales, revenue, financial performance, and condition;
- (11) participation in quality assurance and customer satisfaction programs;
- (12) use of any third-party food delivery services, online ordering services, or other food aggregation services;
- (13) types, amounts, terms and conditions of insurance coverage required for your Tea Shop, including criteria for your insurance carriers; and
- (14) any other aspects of operating and maintaining your Tea Shop that we determine to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and Milksha Tea Shops.

You understand that the System will continue to evolve during the Term and the System Standards may change periodically. These modifications may obligate you to invest additional capital in your Tea Shop and/or incur higher operating costs. You agree to implement any changes to your

Tea Shop in accordance with our System Standards within the time period we request, including by buying new Operating Assets, upgrading or replacing any or all of the Computer System, adding new products and services, or otherwise modifying the nature of your operations, as if part of this Agreement as of the Effective Date. You will be solely responsible for the costs of implementing all changes to your Tea Shop in accordance with the System Standards.

You further acknowledge and agree that complete and detailed uniformity might not be possible or practical under varying conditions, and that we specifically reserve the right to vary System Standards for any franchise owner based on the peculiarities of any condition that we consider important to that franchise owner's successful operation. We may choose not to authorize similar variations or accommodations to you or other franchise owners.

B. CONDITION OF YOUR TEA SHOP.

You must place or display at the Premises (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos, and display and advertising materials that we approve from time to time. You further agree to maintain the condition and appearance of your Tea Shop, its Operating Assets and the Premises to meet the highest standards of professionalism, cleanliness, sanitation, efficient, courteous service and pleasant ambiance. Without limiting the foregoing, you agree to take the following actions during the Term at your expense: (a) thorough cleaning, repainting and redecorating of the interior and exterior of the Premises at intervals that we may prescribe; (b) interior and exterior repair of the Premises as needed; and (c) repair or replacement, at our direction, of damaged, worn-out or obsolete Operating Assets at intervals that we may prescribe (or, if we do not prescribe an interval for replacing any Operating Asset, as that Operating Asset needs to be repaired or replaced). In addition to the foregoing, you agree to renovate, refurbish, remodel, or replace, at your own expense, the real and personal property and equipment used in operating your Milksha Tea Shop when reasonably required by us to comply with our System Standards.

C. PRODUCTS AND SERVICES YOUR TEA SHOP OFFERS.

You agree that you (1) will offer and sell from your Tea Shop all of the products and services that we periodically specify; (2) will not offer or sell at your Tea Shop, the Premises or any other location any products or services we have not authorized; and (3) will discontinue selling and offering for sale any products or services that we at any time disapprove. You will offer for sale and sell at your Tea Shop authorized products and services only in the manner (including, days and hours of operation) and at the locations we have prescribed and will not sell any products or services wholesale or through alternative channels of distribution, including through any Online Presence. We may authorize one or more Milksha Tea Shops to offer additional, different, or modified attractions, products, or services, and we are under no obligation to authorize every Milksha Tea Shop to offer the same products or services. We may condition our approval for any such products or services on our then-current criteria, and/or additional terms and conditions that we establish. If we modify our System Standards for the products and services that we require your Tea Shop to offer and sell, you must immediately bring your Tea Shop into compliance with our System Standards for such products or services, including by purchasing or leasing any necessary Operating Assets, making any required changes to signage and advertising materials, and updating your Computers System to include any software, hardware or other equipment necessary to offer such products services through an online and/or automated system. If we at any time require or permit you to offer delivery, catering and/or any other off-site products or services, we reserve the right to limit the geographic area in which you may offer such services, and we may modify that geographic area from time to time, in our sole discretion.

D. **MANAGEMENT OF YOUR TEA SHOP.**

You are solely responsible for the management, direction and control of your Tea Shop. You (or your Managing Owner) must supervise the management and operation of your Tea Shop and continuously exert best efforts to promote and enhance your Tea Shop. However, you (or your Managing Owner) may elect not to supervise your Tea Shop on a full-time basis, provided that you appoint one or more managers who have completed our then-current initial training program to work full-time at your Tea Shop (your “**Principal Operators**”). Your Principal Operators must work full-time at your Tea Shop, to supervise the day-to-day operations of your Tea Shop.

E. **APPROVED PRODUCTS AND SERVICES.**

You will offer and sell at your Tea Shop the products, or services that we specify from time to time. You will offer and sell such products, or services only in the manner and at the locations we have prescribed and will not offer or sell any products, or services through alternative channels of distribution (including, the internet or retail stores) without our approval. You will not offer or sell any products, or services we have not approved at any location. If we at any time disapprove any product, or service, you will immediately discontinue offering or selling it at your Tea Shop.

Without limiting the foregoing, you acknowledge that as our System evolves, we may authorize one or more Milksha Tea Shops to offer additional, different, or modified products or services, and we are under no obligation to authorize every Milksha Tea Shop to offer the same products or services. We may condition our approval for you to offer or sell any such products or services on our then-current criteria, and/or other additional terms and conditions that we establish.

If we at any time (including after our initial approval) determine that you fail to meet our System Standards for offering or selling any products or services, we may permanently or temporarily terminate your right to offer or sell such products or services; provided that nothing contained herein will be deemed a waiver of our right to terminate pursuant to Section 14.C.

F. **APPROVED VENDORS.**

We may designate, approve or develop System Standards for manufacturers, distributors and suppliers of products and services to your Tea Shop (collectively, “**Vendors**”), which may be us and/or our affiliates, and which may be domestic or international Vendors. You must purchase the products and services we periodically designate only from the Vendors we prescribe and only on the terms and according to the specifications we approve.

We may concentrate purchases with one or more Vendors for any reason, including to obtain lower prices, advertising support and/or services for any group of Milksha Tea Shops franchised or operated by us or our affiliates. We may also designate a single Vendor for any product, service, Operating Asset, or other material, or approve a Vendor only for certain products, which may be us or our affiliates. You acknowledge and agree that we and/or our affiliates may derive consideration, revenue and profits based on your purchases (including from charging you for products and services we or our affiliates provide to you, and from promotional allowances, rebates, volume discounts and other payments, services or consideration we receive from Vendors on the basis of sales to you or other franchise owners). We and/or any of our affiliates may retain and use such consideration, revenue and profit without restriction. We also reserve the right to charge Vendors a fee for the right to manufacture products for use in Milksha Tea Shops.

If you would like us to consider approving a Vendor that is not an approved Vendor, you must submit your request in writing before purchasing any items or services from that Vendor. We will make all determinations about whether to approve an alternative Vendor in our sole discretion based on our then-current criteria, which may change from time to time. We may also refuse to consider and/or approve any proposed alternative Vendor for any reason whatsoever. We reserve the right to charge you a fee if you ask us to evaluate any proposed alternative Vendors. We may, with or without cause, revoke our approval of any Vendor at any time.

G. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.

You must secure and maintain in force throughout the Term all required licenses, permits and certificates relating to the operation of your Tea Shop and operate your Tea Shop in full compliance with all applicable laws, ordinances and regulations, including PCI compliance standards. You agree to comply and assist us in our compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to anti-terrorist activities, including the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury or other regulations. In connection with such compliance efforts, you agree not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to your Tea Shop as may be required by us or by law. You confirm that you are not listed in the Annex to Executive Order 13224 and agree not to hire any person so listed or have any dealing with a person so listed (the Annex is currently available at <http://www.treasury.gov>). You are solely responsible for ascertaining what actions must be taken by you to comply with all such laws, orders or regulations, and specifically acknowledge and agree that your indemnification responsibilities as provided in Section 16.D pertain to your obligations hereunder.

You agree to comply with our website privacy policy, as it may be amended periodically. You further agree to comply with any requests to return or delete customer's personal information, whether requested by us or directly by the customer, as required by applicable data sharing and privacy laws.

Your Milksha Tea Shop must adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct in all dealings with customers, suppliers, us and the public. You agree to refrain from any business or advertising practice which may injure our business and the goodwill associated with the Marks and other Milksha Tea Shops. Promptly upon receipt, you agree to provide us a copy of any and all notices you receive from any person, entity or governmental authority claiming that you (or your affiliates or representatives) have violated any laws, regulations, permits, licenses, agreements or other committed any other breach, default or violation in connection with your Tea Shop, including any default notices from any landlord or supplier, any violation notices from a health or safety regulatory board, and any customer complaints alleging violations or law, or which may otherwise adversely affect your operation or financial condition or that of your Tea Shop.

H. INSURANCE.

During the Term you must maintain in force at your sole expense the types and amounts of insurance that we require and that comply with the terms of your Lease. We reserve the right to require that you obtain all or a portion of your insurance policies from a designated supplier and on the terms and according to the specifications we approve. The liability insurance must cover claims for bodily and personal injury, death, and property damage caused by or occurring in connection with your Tea Shop's operation or activities of your personnel in the course of their employment. All of these policies must contain the minimum coverage we prescribe from time to time and must have deductibles not to exceed the amounts we specify. We may periodically increase the amounts of coverage required under

these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time. These insurance policies must be purchased from licensed insurers having a rating of “A/VIII” or higher by the then-current edition of Best Insurance Reports published by A.M. Best Company (or other similar publication or criteria we designate).

Each insurance policy for liability coverage must name us and any of our affiliates or other designees that we specify as additional named insureds, using a form of endorsement that we have approved, and provide for 30 days’ prior written notice to us of a policy’s material modification, cancellation or expiration. Each insurance policy must contain a waiver of all subrogation rights against us and any of our affiliates or other designees that we specify. You must routinely furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies including termination, we may (but are not required to) obtain such insurance for you and your Tea Shop on your behalf, in which event you agree to cooperate with us and reimburse us on demand for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus an administrative fee of 10% of the insurance premium.

Our requirements for minimum insurance coverage are not representations or warranties of any kind that such coverage is sufficient for your Tea Shop’s operations. Such requirements represent only the minimum coverage that we deem acceptable to protect our interests. It is your sole responsibility to obtain insurance coverage for your Tea Shop that you deem appropriate, based on your own independent investigation. We are not responsible if you sustain losses that exceed your insurance coverage under any circumstances.

I. **PRICING.**

Unless prohibited by applicable law, we may periodically set a maximum or minimum price that you may charge for products and services offered by Milksha Tea Shops. If we impose such a maximum or minimum price for any product or service, you may charge any price for the product or service up to and including our designated maximum price or down to and including our designated minimum price. The designated maximum and minimum prices for the same product or service may, at our option, be the same. For any product or service for which we do not impose a maximum or minimum price, we may require you to comply with an advertising policy adopted by us which will prohibit you from advertising any price for a product or service that is different than our suggested retail price. Although you must comply with any advertising policy we adopt, you will not be prohibited from selling any product or service at a price above or below the suggested retail price unless we impose a maximum price or minimum price for such product or service.

J. **CONTACT INFORMATION.**

You agree that, as between us and you, we reserve the right to all telephone numbers, fax numbers, email addresses and other Online Presences, online listings, and/or any other type of contact information or directory listing for your Tea Shop or that you use in the operation or promotion of your Tea Shop (collectively, the “**Contact Information**”). The Contact Information may be used only for your Tea Shop in accordance with this Agreement and our System Standards and for no other purpose. We reserve the right to notify any telephone company, listing agencies, website hosting company, domain registrar, social network, and any other third-party owning or controlling any Contact Information, if any information relating to your Tea Shop is inaccurate or violates our System

Standards, and request that they modify such Contact Information, and/or remove such Contact Information until it can be corrected.

K. INFORMATION SECURITY.

You may from time to time have access to information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, billing and payment information, biometric or health data, and/or government-issued identification numbers (“**Personal Information**”). You may gain access to such Personal Information from us, our affiliates, our vendors, and/or your own operations. You acknowledge and agree that all Personal Information (other than Restricted Data, defined below) is our Confidential Information and is subject to the protections in Section 6.

During and after the Term, you (and if you are conducting business as an Entity, each of your owners) agree to, and to cause your respective current and former employees, representatives, affiliates, successors and assigns to: (a) process, retain, use, collect, and disclose all Personal Information only in strict accordance with all applicable laws, regulations, orders, the guidance and codes of practice issued by industry or regulatory agencies, and the privacy policies and terms and conditions of any applicable Online Presence; (b) assist us with meeting our compliance obligations under all applicable laws, regulations, and orders relating to Personal Information, including the guidance and codes of practice issued by industry or regulatory agencies; and (c) promptly notify us of any communication or request from any customer or other person to access, correct, delete, opt-out of, or limit activities relating to any Personal Information.

If you become aware of a suspected or actual breach of security or unauthorized access involving Personal Information, you will notify us immediately and specify the extent to which Personal Information was compromised or disclosed. You also agree to follow our instructions regarding curative actions and public statements relating to the breach. We reserve the right to conduct a data security and privacy audit of any of your Tea Shop and your Computer Systems at any time, from time to time, to ensure that you are complying with our requirements.

Notwithstanding anything to the contrary in this Agreement or otherwise, you agree that we do not control or own any of the following Personal Information (collectively, the “**Restricted Data**”): (a) any Personal Information of the employees, officers, contractors, owners or other personnel of you, your affiliates, or your Tea Shop; (b) such other Personal Information as we from time to time expressly designate as Restricted Data; and/or (c) any other Personal Information to which we do not have access. Regardless of any guidance we may provide generally and/or any specifications that we may establish for other Personal Information, you have sole and exclusive responsibility for all Restricted Data, including establishing protections and safeguards for such Restricted Data; provided, that in each case you agree to comply with all applicable laws, regulations, orders, and the guidance and codes of practice issued by industry or regulatory agencies applicable to such Restricted Data.

L. EMPLOYEES, AGENTS AND INDEPENDENT CONTRACTORS.

You acknowledge and agree that you are solely responsible for all decisions relating to employees, agents, and independent contractors that you may hire to assist in the operation of your Tea Shop. You agree that any employee, agent or independent contractor that you hire will be your employee, agent or independent contractor, and not our employee, agent or independent contractor. You also agree that you are exclusively responsible for the terms and conditions of employment of

your employees, including recruiting, hiring, firing, training, compensation, work hours and schedules, work assignments, safety and security, discipline, and supervision. You agree to manage the employment functions of your Tea Shop in compliance with all applicable employment laws. Without limiting the foregoing, you agree that we may require that any employee, agent, or independent contractor that you hire and that will have access to Confidential Information execute a non-disclosure agreement that we approve or designate. If we approve or designate any form of non-disclosure agreement, it is solely to ensure that it meets our minimum standards to protect us and the Marks and System, it is your sole responsibility to: (a) ensure that the non-disclosure agreement complies with and is enforceable under applicable laws in your jurisdiction; and (b) obtain your own professional advice with respect to the terms and provisions of any such non-disclosure agreement that your employees, agents, and independent contractors sign.

9. **MARKETING.**

A. **GRAND OPENING ADVERTISING.**

If you are developing your first Milksha Tea Shop, you must spend at least \$20,000 for a grand opening marketing program for your Tea Shop to take place on the dates we designate before and after your Tea Shop opens. You must spend this amount in addition to all other amounts you must spend on advertising specified in this Agreement. The amount you spend on grand opening advertising will not count towards your local marketing expenditure for such year as described in Section 9.C, or the 6% aggregate cap on marketing described in Section 9.B. You agree to use the media, materials, programs and strategies we develop or approve in connection with the grand opening advertising program.

B. **MARKETING FUND.**

We have established a brand promotion fund (the “**Marketing Fund**”) to administer certain advertising, marketing, and public relations programs for the Milksha® system and brand and the promotion of Milksha Tea Shops. You hereby agree to contribute to the Marketing Fund the amount that we determine from time to time (the “**Marketing Fund Contribution**”). We may modify the amount of the Marketing Fund Contribution from time to time with notice to you, provided that the aggregate total of the Marketing Fund Contribution together with the local marketing requirement pursuant to Section 9.C below do not collectively exceed 6% of your Tea Shop’s Gross Sales. The Marketing Fund Contribution must be paid by you in the manner we designate from time to time, which may include collecting amounts in the same manner as the Royalty.

We will have exclusive control over all programs and services administered by the Marketing Fund, with sole discretion over the creative concepts, materials, and campaigns and their geographic market, media placement and allocation. The Marketing Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining any Online Presences or other software or applications; administering advertising and marketing campaigns; administering regional and multi-regional marketing and advertising programs; using advertising, promotion, and marketing agencies and other advisors to provide assistance; supporting public relations, market research, and other advertising, promotion, and marketing strategy or implementation activities; and/or any other expenditures that are directly or indirectly related to promoting the Marks, the System, the brand, and/or Milksha Tea Shops. We may also use the Marketing Fund to pay for the Marketing Fund’s other administrative and overhead costs, including the reasonable salaries and benefits of personnel who manage and administer the Marketing Fund, and any other expenses that we or our affiliates incur that are related to administering or directing the

Marketing Fund and its programs. We may modify Marketing Fund programs, services, or expenditures at any time in our sole discretion.

The purpose of the Marketing Fund is to promote the Marks, the System, the Milksha® brand, and Milksha Tea Shops generally. As such, you acknowledge and agree that there is no guarantee that you or your Tea Shop will benefit from Marketing Fund expenditures directly or in proportion to your Marketing Fund Contribution. You further acknowledge and agree that neither we nor any of our affiliates or representatives has guaranteed the results of any Marketing Fund or other marketing or promotional programs, services, or expenditures in any manner.

We will account for the Marketing Fund separately from our other funds. However, neither we nor any of our affiliates has any fiduciary obligation to you or any other person for administering the Marketing Fund or for any other reason. The Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will prepare an annual, unaudited statement of Marketing Fund collections and expenses and give you the statement on written request, within 120 days after the end of each fiscal year, but not less than 30 days' notice from you of such request. We may have the Marketing Fund audited annually, at the Marketing Fund's expense, by an independent chartered accountant. We may also administer the Marketing Fund through a separate entity whenever we deem appropriate, and such entity will have all of the rights and duties specified in this Section.

We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Marketing Fund Contributions at the Marketing Fund's expense. We may also forgive, waive, settle, and compromise all claims by or against the Marketing Fund in our sole discretion.

We may at any time, on 30 days' prior written notice to you, reduce or suspend Marketing Fund Contributions and/or operations of the Marketing Fund for one or more periods of any length and terminate (and, if terminated, reinstate) the Marketing Fund and associated Marketing Fund Contributions. If we terminate the Marketing Fund, we will spend the remaining balance of the monies in the Marketing Fund in accordance with this Section until such amounts are exhausted. We may elect to maintain multiple Marketing Funds, whether determined by geographic region, country, or otherwise, or consolidate or merge multiple Marketing Funds, in each case provided that each such Marketing Fund will otherwise remain subject to this Section.

C. LOCAL MARKETING EXPENDITURES.

You are solely responsible for conducting all local advertising for your Tea Shop. You must advertise and market your Tea Shop in any advertising medium we determine, using forms of advertisement we approve. You must also list your Tea Shop with the online directories and subscriptions we periodically prescribe, and/or establish any other Online Presence we require. You must comply with all of our System Standards for all advertising for your Tea Shop.

You must spend an amount that we designate from time to time to advertise and promote your Tea Shop, in addition to your obligations under Section 9.A and Section 9.B above. We reserve the right to require you to pay part or all of your local advertising expenditure to us or our designee. We may change the amount of your local advertising expenditure with notice to you, from time to time, provided that the aggregate amount of such expenditure requirement together with your required contribution to the Marketing Fund does not exceed 6% of your Tea Shop's Gross Sales. Within 30

days after the end of each calendar quarter, you agree to send us, in the manner we prescribe, an accounting of your expenditures for local advertising and promotion during the preceding calendar quarter.

You agree that your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time. At least 20 days before you use them, you agree to send us for approval samples of all advertising, promotional, and marketing materials which we have not prepared or previously approved. If you do not receive written approval within 10 days after we receive the materials, they are deemed to be disapproved. Once we approve the materials, you are permitted to use them. However, we may withdraw our approval at any time and for any reason. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved.

D. SYSTEM WEBSITES & ONLINE PRESENCES.

We may establish and develop Online Presences to advertise, market, and promote Milksha Tea Shops, the products and services that they offer and sell, or the Milksha Tea Shop franchise opportunity (each a “**System Website**”). We may, but are not obligated to, provide you with a webpage or other Online Presence that references your Tea Shop on any System Website. If we provide you with a webpage or other presence on any System Website, you must: (i) provide us the information and materials we request to develop, update, and modify the information about your Tea Shop on the System Website; and (ii) notify us whenever any information on the System Website about your Tea Shop is not accurate. We will maintain each System Website in our sole discretion, and may use the Marketing Fund’s assets to develop, maintain, and update the System Website. We periodically may update and modify any System Website (including references to your Tea Shop). We have final approval rights over all information on any System Website (including references to your Tea Shop).

If you are in default of any obligation under this Agreement or our System Standards, then we may, in addition to our other remedies, temporarily remove references to your Tea Shop from any System Website until you fully cure the default. We will permanently remove all references to your Tea Shop from each System Website upon this Agreement’s expiration or termination. All advertising, marketing, and promotional materials that you develop for your Tea Shop must contain notices of the System Website’s domain name in the manner we designate.

Except as provided above, or as approved by us in writing or in the Manual, you may not develop, maintain or authorize any Online Presence that mentions your Tea Shop, links to any System Website, or displays any of the Marks. You may also not engage in any promotional or similar activities, or sell any products or services, whether directly or indirectly, through any Online Presence, without our prior written approval. If we approve the use of any such Online Presence in the operation of your Tea Shop, you will develop and maintain such Online Presence only in accordance with our guidelines, including our guidelines for posting any messages or commentary on third-party websites and/or maintaining an online privacy policy. Unless we specify otherwise, we will own the rights to each such Online Presence. At our request, you agree to grant us access to each such Online Presence, and to take whatever action (including signing assignment or other documents) we request to evidence our ownership of such Online Presence, or to help us obtain exclusive rights in such Online Presence.

10. **RECORDS, REPORTS, AND FINANCIAL STATEMENTS.**

You must use the Computer System to maintain certain sales data, customer information and other information. You agree that we will have access to your Computer System at all times and that you must ensure that we (and our designees upon our request) have the right to access, collect, and retain from the Computer System any and all data concerning your Tea Shop. At our request, you agree to sign a release with any Vendor of your Computer System, providing us (and our designees) with such access to the Computer System as we may request from time to time. If such Vendor is not willing to grant independent access for any reason, you agree to provide us (and our designees upon our request) access to your Computer System through your account.

You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we prescribe from time to time. You further agree to deliver to us such additional financial records, including profit and loss statements, operating statements, cash flow statements, statistical reports, bank activity reports, tax records, and such other records we request, at the intervals and in the formats we specify in the Manual.

You agree to verify and sign each report and financial statement in the manner we prescribe. We may disclose data derived from these reports. You agree to preserve and maintain all records in a secure location at your Tea Shop for at least three years, or such longer period as may be required by applicable law (including sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, and general ledgers).

Further, at our request, you will provide current financial information for your owners and guarantors sufficient to demonstrate such owners and guarantors ability to satisfy their financial obligations under their individual guarantees (Exhibit C).

11. **INSPECTIONS AND AUDITS.**

A. **OUR RIGHT TO INSPECT YOUR TEA SHOP.**

We and our designated agents or representatives, may at all times and without prior notice to you: (1) inspect your Tea Shop; (2) photograph your Tea Shop and observe and videotape your Tea Shop's operation for consecutive or intermittent periods we deem necessary; (3) continuously or periodically monitor your Tea Shop using electronic surveillance or other means; (4) remove samples of any products and supplies; (5) speak with your Tea Shop's personnel and customers; (6) inspect your Computer System, including hardware, software, security, configurations, connectivity, and data access; and (7) inspect and copy any books, records, and documents relating to your Tea Shop's operation. Additionally, we may contract with third parties to conduct mystery shopper, customer survey or other market research testing, and quality assurance inspections at your Tea Shop. You agree to cooperate with us fully during the course of these inspections and tests. You agree to reimburse us for the cost of any quality assurance inspection and mystery shoppers that we engage to inspect your Tea Shop from time to time.

If we determine after any inspection of your Tea Shop that one or more failures of System Standards exist, we may re-inspect your Tea Shop one or more times thereafter to evaluate whether such failures have been cured and/or conduct any other follow-up review that we deem is necessary, and you will reimburse all of our costs associated with such re-inspections and follow-up visits,

including vendor fees, travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

B. OUR RIGHT TO AUDIT.

We representatives may at any time during your business hours, without prior notice to you, examine your Tea Shop, bookkeeping, and accounting records for your Tea Shop, and sales and income tax records and returns, and other records. You agree to cooperate fully with our representatives in any examination. If any examination discloses an understatement of the Gross Sales, you agree to pay us, within 15 days after receiving the examination report, the amounts that would be due on such understated Gross Sales under this Agreement, plus our service charges and interest on the understated amounts from the date originally due until the date of payment. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals an understatement exceeding 2% of the amount that you actually reported to us for the period examined, you agree to reimburse us for the costs of the examination, including the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

12. TRANSFER.

A. BY US.

We maintain a staff to manage and operate the franchise system and you understand that staff members can change as employees come and go. You represent that you have not signed this Agreement in reliance on any particular manager, owner, director, officer, or employee remaining with us in any capacity. We may change our ownership or form or assign this Agreement and any other agreement to a third party without restriction.

B. BY YOU.

The rights and duties this Agreement creates are personal to you (or to your owners if you are an Entity), and we have granted you the terms of this Agreement in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following may be transferred, mortgaged, pledged, or encumbered, without our prior written approval: (1) this Agreement (or any interest in this Agreement), (2) your Tea Shop or substantially all of its assets, or (3) any direct or indirect ownership interest in you (regardless of its size). A transfer of your Tea Shop ownership, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect. In this Agreement, the term "**transfer**" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, including transfer by reason of merger, consolidation, issuance of additional securities, death, disability, divorce, insolvency, encumbrance, foreclosure, surrender or by operation of law.

If you intend to list your Tea Shop for sale with any broker or agent, you shall do so only after obtaining our written approval of the broker or agent and of the listing agreement. You may not use or authorize the use of any Mark in advertising the transfer or other disposition of your Tea Shop or of any ownership interest in you without our prior written consent. You shall not use or authorize the use

of, and no third party shall on your behalf use, any written materials to advertise or promote the transfer of your Tea Shop or of any ownership interest in you without our prior written approval.

C. CONDITIONS FOR APPROVAL OF TRANSFER.

You may not transfer this Agreement before the Milksha Tea Shop has opened for business. Thereafter, we will approve a transfer that meets all of the following requirements before or concurrently with the effective date of the transfer:

(1) you submit an application in writing requesting our consent and providing us all information or documents we request about the transferee and its owners that we request to evaluate their ability to satisfy their respective obligations under our then-current form of franchise agreement and any documents ancillary thereto, and each such person must have completed and satisfied all of our application and certification requirements, including the criteria that neither the transferee nor its owners (if the transferee is an Entity) or affiliates have an ownership interest in or perform services for a Competitive Business;

(2) you and your owners have not violated any provision of this Agreement or any other agreement with us or our affiliates during both the 60 day period before you requested our consent to the transfer and the period between your request and the effective date of the transfer, including that you have paid all Royalties, Marketing Fund Contributions, and other amounts owed to us, our affiliates, and third-party Vendors, and have submitted all required reports and statements (and/or you and the transferee have expressly agreed in writing that the proceeds from the transfer will be directly paid to us by the transferee to settle any outstanding balances you or your affiliates owe us or our affiliates);

(3) you provide us executed versions of any documents executed by you (or your owners) and transferee (and its owners) to effect the transfer, and all other information we request about the proposed transfer, and such transfer meets all of our requirements, including terms, closing date, purchase price, amount of debt and payment terms, and we have determined that the purchase price and payment terms of the transfer will not adversely affect the transferee's operation of your Tea Shop;

(4) you (and your owners) and the transferee (and its owners) sign all of the documents we are then requiring in connection with a transfer, in a form satisfactory to us, including: (i) a release of any and all claims (except for claims which cannot be released or waived pursuant to an applicable franchise law statute) against us and our affiliates and our and their owners, officers, directors, employees, and agents, and (ii) covenants that you and your transferring owners agree to satisfy all post-termination obligations under this Agreement;

(5) all persons required to complete training under the transferee's franchise agreement satisfactorily complete our training program, and transferee has paid all costs and expenses we incur to provide the training program to such persons;

(6) if the proposed transfer (including any assignment of the Lease or sublease) requires notice to or approval from your landlord, or any other action under the terms of the Lease, you have taken such appropriate action and delivered us evidence of the same;

(7) you have corrected any existing deficiencies of your Tea Shop of which we have notified you, and/or the transferee agrees to upgrade, remodel, and refurbish your Tea Shop in accordance with our then-current specifications for Milksha Tea Shops within the time period we specify following the date of the transfer and the transferee agrees to escrow an amount we approve for payment of the required upgrade, remodel or refurbishment;

(8) the transferee must (if the transfer is of this Agreement or your Tea Shop), sign our then-current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement, including the Royalty and the Marketing Fund Contribution; provided, that the term of the new franchise agreement signed will equal the then-remaining Term;

(9) you pay us a transfer fee in the amount of \$10,000; provided, that no transfer fee is due for the transfer from a deceased owner to such owner's surviving spouse, provided that such transfer is otherwise subject to the terms and conditions of this Section 12 (provided further, that you reimburse us for any direct costs we incur in connection with documenting and otherwise processing such transfer, including reasonable legal fees); and

(10) you provide us the evidence we request to show that appropriate measures have been taken to effect the transfer as it relates to the operation of your Tea Shop, including, transferring all necessary business licenses, insurance policies, and material agreements, or obtaining new business licenses, insurance policies and material agreements.

We may review all information regarding your Tea Shop that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding your Tea Shop.

Our approval of a transfer of ownership interests in you as a result of the death or incapacity of the proposed transferor will not be unreasonably withheld or delayed so long as at least one of the Managing Owner designated on Exhibit A continues to be the Managing Owner. If, as a result of the death or incapacity of the transferor, a transfer is proposed to be made to the transferor's spouse, and if we do not approve the transfer, the trustee or administrator of the transferor's estate will have nine months after our refusal to consent to the transfer to the transferor's spouse within which to transfer the transferor's interests to another party whom we approve in accordance with this Section.

D. TRANSFER TO A WHOLLY-OWNED ENTITY.

If you do not originally sign this Agreement as an Entity, you may transfer this Agreement to an Entity; provided, that: (i) such Entity conducts no business other than your Tea Shop and, if applicable, other Milksha Tea Shops, (ii) you maintain management control of such Entity, (iii) you own and control 100% of the economic interests, equity and voting power of all issued and outstanding ownership interests in such Entity, (iv) all of the assets of your Tea Shop are owned, and the business of your Tea Shop is conducted only by that single Entity, and (v) you satisfy all conditions applicable to a transfer described in Section 12.C, except that we will not require payment of a transfer fee as described in Section 12.C(9) (provided, that you reimburse us for any direct costs we incur in connection with documenting and otherwise processing such transfer, including reasonable legal fees) and our right of first refusal under Section 12.E will not apply; and (vi) that Entity must expressly assume all of your obligations under this Agreement, your Lease, and otherwise satisfy the conditions under this Agreement, including delivery of insurance certificates to us. You agree to remain personally

liable under this Agreement as if the transfer to the Entity did not occur, including by signing a personal guaranty of the obligations of such entity. You must also sign the form of consent to assignment and assignment satisfactory to us which may include a release of any and all claims (except for claims which cannot be released or waived pursuant to an applicable franchise law statute) against us and our affiliates, and our and their owners, officers, directors, employees and agents.

E. OUR RIGHT OF FIRST REFUSAL.

If you or any of your owners wish to conduct a transfer described under Sections 12.B and C above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in you or in this Agreement and your Tea Shop. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to 5% or more of the offering price. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

We may elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that: (1) we notify you or your selling owner(s) that we intend to purchase the interest within 60 days after we receive a copy of the offer and all other information we request; (2) we may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately-held entity); (3) we or our designee will be offered the same terms for any promissory notes or other deferred payments as those offered by the proposed buyer; (4) we will have an additional 90 days to prepare for closing after notifying you of our election to purchase; and (b) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in any legal business entity.

We have the unrestricted right to assign any or all of this right of first refusal to a third party, who then will have the rights described in this Section.

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with Sections 12.B, and if you and your owners and the transferee comply with the conditions in Sections 12.B.

If you do not complete the sale to the proposed buyer within 60 days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal on the same terms as described above.

13. **RENEWAL OF YOUR FRANCHISE.**

A. **YOUR RIGHT TO RENEW YOUR FRANCHISE.**

When this Agreement expires, you may renew your franchise to operate your Tea Shop for one successive term of 5 years, if you meet the following conditions:

(1) you give us written notice of your election to acquire a successor franchise no more than 270 days and no less than 180 days before this Agreement expires;

(2) you (and each of your owners) have substantially complied with this Agreement during the Term;

(3) (a) you maintain possession of and agree to remodel or expand your Tea Shop, add or replace improvements and Operating Assets, and otherwise modify your Tea Shop as we require to comply with System Standards then applicable for new Milksha Tea Shops, or (b) at your option, you secure a substitute premises that we approve and you develop those premises according to System Standards then applicable for Milksha Tea Shops;

(4) you pay us our renewal fee, which is 50% of then-current initial franchise fee;

(5) you (and each of your owners) are, both on the date you give us written notice of your election to acquire a successor franchise and on the date on which the term of the successor franchise commences, in full compliance with this Agreement and all System Standards, whether or not we had, or chose to exercise, the right to terminate this Agreement during its term under Section 14.C;

(6) you and your owners sign the franchise agreement and all other ancillary documents and guaranties we then use to grant franchises for Milksha Tea Shops (modified as necessary to reflect the fact that it is for a renewal franchise), which may contain provisions that differ materially from those contained in this Agreement, including changes to your Royalty and Marketing Fund Contribution; and

(7) you and your owners agree to sign, in a form satisfactory to us, a general release of any and all claims (except for claims which cannot be released or waived pursuant to an applicable franchise law statute) against us and our owners, affiliates, officers, directors, employees, agents, successors, and assigns.

If you and/or your owners fail to meet the conditions set forth in this Section, you acknowledge that we are not required to offer you a renewal franchise, whether or not we had, or chose to exercise, the right to terminate this Agreement during its term under Section 14.C.

B. **ACQUIRING A RENEWAL FRANCHISE.**

If we agree to grant you a renewal franchise after we receive your notice that you wish to renew your franchise upon the expiration of the Term, our notice may describe certain remodeling, maintenance, expansion, improvements, technology upgrades, trade dress updates, and/or modifications required to bring your Tea Shop into compliance with then-applicable System Standards for new Milksha Tea Shops, and state the actions you must take to correct operating deficiencies and the time period in which you must correct these deficiencies. If our notice states that you must remodel

your Tea Shop and/or must cure certain deficiencies of your Tea Shop or its operation as a condition to our granting you a renewal franchise, and you fail to complete the remodeling and/or to cure those deficiencies, we may give you written notice of our decision not to grant a renewal franchise upon expiration of the Term, or to revoke any approval of such a renewal franchise we may have awarded. If you fail to notify us of your election to acquire a renewal franchise within the prescribed time period, we need not grant you a renewal franchise.

14. **TERMINATION OF AGREEMENT.**

A. **AUTOMATIC.**

This Agreement and all rights granted to you in this Agreement shall automatically terminate without notice if: (i) you make an assignment for the benefit of creditors; (ii) you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; (iii) your Tea Shop is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within 30 days; (iv) any order appointing a receiver, trustee, or liquidator of you or your Tea Shop is not vacated within 30 days following the order's entry; and/or (v) you or any of your owners file a petition in bankruptcy or a petition in bankruptcy is filed against you.

B. **BY YOU.**

If you and your owners are fully complying with this Agreement and we materially fail to comply with this Agreement and do not correct the failure within 30 days after you deliver written notice of the material failure to us or if we cannot correct the failure within 30 days and we fail to give you within 30 days after your notice reasonable evidence of our effort to correct the failure within a reasonable time, you may terminate this Agreement effective an additional 30 days after you deliver to us written notice of termination. Your termination of this Agreement other than according to this Section 14.B will be deemed a termination without cause and a breach of this Agreement.

C. **BY US.**

We may terminate this Agreement, effective upon delivery of written notice to you, if:

- (1) you (or any of your owners) have made or make any material misrepresentation or omission in acquiring the rights in this Agreement or operating your Tea Shop;
- (2) you do not obtain lawful possession of a Premises we have approved and deliver to us a fully executed copy of the Lease and lease addendum we have approved for such Premises, in each case by the deadline set forth in 2.B;
- (3) you fail to satisfy all of your development obligations specified in this Agreement, including obtaining our approval prior to opening your Tea Shop, and open your Tea Shop for business by the deadline specified in Section 2.C;
- (4) we determine any Mandatory Trainees are not capable or qualified to satisfactorily complete initial training;

(5) you abandon or fail to actively operate your Tea Shop for more than 3 consecutive days of operation, or you provide us or any other party notice (written or oral) that you intend to permanently close or otherwise abandon the operation of your Tea Shop;

(6) you (or any of your owners) are or have been convicted of or have pleaded no contest or guilty to a felony;

(7) you fail to maintain the insurance we require and do not correct the failure within 10 days after we deliver written notice of that failure to you;

(8) you (or any of your owners) violate any of the covenants made in Section 5 Marks), Section 6 (Confidential Information) or Section 7 (Exclusive Relationship During Term) of this Agreement;

(9) you (or any of your owners) make or attempt to make an unauthorized transfer under Section 12;

(10) an event of default occurs under the terms of your Lease, your Lease is terminated by either party thereto, or you otherwise lose the right to occupy the Premises, whether or not through any fault of yours;

(11) you violate any law, ordinance, rule or regulation of a governmental agency in connection with the operation of your Tea Shop and fail to correct such violation within 72 hours after you receive notice from us or any other party;

(12) you fail to pay us or our affiliates any amounts due and do not correct the failure within 10 days after written notice of that failure has been delivered or fail to pay any third party obligations owed in connection with your ownership or operation of your Tea Shop and do not correct such failure within any cure periods permitted by the person or Entity to whom such obligations are owed;

(13) you fail to pay when due any federal or state income, service, sales, use, employment or other taxes due on or in connection with the operation of your Tea Shop, unless you are in good faith contesting your liability for these taxes;

(14) you understate the Gross Sales three times or more during the Term;

(15) you (or any of your owners) (a) fail on three or more separate occasions within any 12 consecutive month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you; or (b) fail on two or more separate occasions within any 6 consecutive month period to comply with the same obligation under this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you;

(16) you create or allow to exist any condition in connection with your operation of your Tea Shop, at any location, which we reasonably determine to present a health or safety concern for your Tea Shop's customers or employees;

(17) you fail to pass quality assurance audits, and do not cure such failure within 15 days after we deliver written notice of failure to you;

(18) you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard, and do not correct the failure within 30 days after we deliver written notice of the failure to you; or

(19) you or an affiliate fails to comply with any other agreement with us or our affiliate and do not correct such failure within the applicable cure period, if any.

15. **RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION.**

A. **INTERIM OPERATIONS.**

We have the right but not the obligation to enter the Premises and operate your Tea Shop on an interim basis, or to appoint a third party to operate it on an interim basis, if: (1) you abandon or fail actively to operate your Tea Shop; or (2) this Agreement expires or is terminated and we are transitioning your Tea Shop operations to us or another person we designate, or determining whether to do so. If we elect to operate your Tea Shop on any interim basis, you must cooperate with us and our designees, continue to support the operations of the Tea Shop, and comply with all of our instructions and System Standards, including making available any and all books, records, and accounts. You understand and acknowledge that during any such interim period, you are still the owner of the Tea Shop, and you continue to bear sole liability for any and all accounts payable, obligations, and/or contracts, including all obligations under the Lease and all obligations to your vendors and employees and contractors, unless and until we expressly assume them in connection with the purchase of the Tea Shop under Section 15.E. You understand that we are not required to use your employees, vendors, or contractors to operate the Tea Shop. You also agree that we may elect to cease such interim operations of the Tea Shop at any time with notice to you.

All funds from your Tea Shop's operation while we or our designee operate it will be accounted for separately, and all expenses will be deducted from that amount (including any applicable, Royalty, Marketing Fund Contributions, and other amounts due to us or our affiliates, and our then-current fee for our interim services, plus our and our designee's direct out-of-pocket costs and expenses). If we or our designee operate the Tea Shop on an interim basis, you acknowledge that we or our designee will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations your Tea Shop incurs, or to any of your creditors for any supplies, products, or other assets or services your Tea Shop purchases, while we or our designee manage it.

Our decision to operate the Tea Shop on an interim basis will not affect our right to terminate this Agreement under Section 14.C. Your indemnification obligations set forth under Section 16.D will continue to apply during any period that we or our designee operate the Tea Shop on an interim basis.

B. **PAYMENT OF AMOUNTS OWED TO US.**

You agree to pay us the Royalty, Marketing Fund Contributions, late fees and interest, and all other amounts owed to us and our affiliates which then are unpaid within 15 days after this Agreement expires or is terminated. If you do not pay such amounts, we may set them off against your Security Deposit, before returning any excess balance of the Security Deposit (if applicable) to you.

C. **DE-IDENTIFICATION.**

Upon termination or expiration of this Agreement you and your owners must immediately:

(1) close your Tea Shop for business to customers and cease to directly or indirectly sell any products and services of any kind and in any manner from your Tea Shop and/or using the Marks, unless we direct you otherwise in connection with our exercise of our option to purchase pursuant to Section 15.E;

(2) cease to directly or indirectly use any Mark, any colorable imitation of a Mark, other indicia of a Milksha Tea Shop, or any trade name, trademark, service mark, or other commercial symbol that indicates or suggests a connection or association with us, in any manner or for any purpose (except in connection with other Milksha Tea Shops you operate in compliance with the terms of a valid Franchise Agreement with us);

(3) cease to directly or indirectly identify yourself or your business as a current or former Milksha Tea Shop or as one of our current or former franchise owners (except in connection with other Milksha Tea Shops you operate in compliance with the terms of a valid Franchise Agreement with us) and take the action required to cancel or assign all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(4) if we do not exercise our option to purchase your Tea Shop under Section 15.E below, promptly and at your own expense, make the alterations we specify in the Manual (or otherwise) to distinguish your Tea Shop clearly from its former appearance and from other Milksha Tea Shops, including by removing all materials bearing our Marks and removing from both the interior and exterior of the Premises all materials and components of our trade dress as we determine to be necessary in order to prevent public confusion and in order to comply with the non-competition provisions set forth in Section 15.D;

(5) cease using and, at our direction, either disable or transfer, assign or otherwise convey to us full control of all Contact Information and Online Presences that you used to operate your Tea Shop or that displays any of the Marks or any reference to the franchise system (provided that all liabilities and obligations arising from any such Contact Information or Online Presence prior to the date of the transfer, assignment or conveyance to us will remain your sole responsibility in all respects, and any costs we incur in connection therewith will be indemnifiable under Section 16.D);

(6) return to us or destroy (as we require) all items, forms and materials containing any Mark or otherwise identifying or relating to Milksha Tea Shop, including copies of any and all Confidential Information (including the Manual and any and all customer data or other information from your Computer System);

(7) comply with all other System Standards we establish from time to time (and all applicable laws) in connection with the closure and de-identification of your Tea Shop, including as it relates to disposing of Personal Information, in any form, in your possession or the possession of any of your employees; and

(8) within 30 days after the expiration or termination of this Agreement, give us evidence satisfactory to us of your compliance with these obligations.

If you fail to take any of the actions or refrain from taking any of the actions described above, we may take whatever action and sign whatever documents we deem appropriate on your behalf to cure the deficiencies, including, without liability to you or third parties for trespass or any other claim, to enter the Premises and remove any signs or other materials containing any Marks from your Tea Shop. You must reimburse us for all costs and expenses we incur in correcting any such deficiencies. You hereby appoint us your true and lawful attorney-in-fact to take such actions and execute such documents on your behalf as may be required to effect the foregoing purposes.

D. COVENANT NOT TO COMPETE.

For 2 years beginning on the date of termination or expiration of this Agreement, you agree not to (and to use your best efforts to cause your current and former owners, officers, directors, agents, employees, representatives, attorneys, spouses, affiliates, successors and assigns not to): (1) have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise) in a Competitive Business, (2) lease or sublease the Premises to a Competitive Business, or (3) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, if such Competitive Business located or operating (a) at the Premises or within a 5-mile radius of the Premises, or (b) within a 5-mile radius of any other Milksha Tea Shop.

If any person restricted by this Section fails to comply with these obligations as of the date of termination or expiration, the two-year restricted period for that person will commence on the date the person begins to comply with this Section, which may be the date a court order is entered enforcing this provision. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Section will not deprive you of your personal goodwill or ability to earn a living. The restrictions in this Section will also apply after any transfer, to the transferor and its owners, for a period of two years beginning on the effective date of the transfer, with the force and effect as though this Agreement had been terminated for such parties as of such date.

E. OUR RIGHT TO PURCHASE YOUR TEA SHOP.

We have the option to purchase any or all of the assets of your Tea Shop, including your Premises (if you or one of your owners or affiliates owns the Premises) upon the occurrence of a termination or expiration of this Agreement. We have the unrestricted right to assign this option to purchase. We may exercise this option by giving you written notice within 30 days after the date of such termination or expiration. The purchase price for your Tea Shop will be the net realizable value of the tangible assets in accordance with the liquidation basis of accounting (not the value of your Tea Shop as a going concern). If you dispute our calculation of the purchase price, the purchase price will be determined by one independent accredited appraiser designated by us who will calculate the purchase price applying the criteria specified above. We agree to select the appraiser within 15 days after we receive the financial and other information necessary to calculate the purchase price (if you, and we have not agreed on the purchase price before then). You and we will share equally the appraiser's fees and expenses. The appraiser must complete its calculation within 30 days after its appointment. The purchase price will be the appraiser's determination of the value, applying the appropriate mechanism as described above. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you or your owners owe us or our affiliates.

Closing of the purchase will take place, as described below, on a date we select which is within 90 days after determination of the purchase price in accordance with this Section, although we or our

designee may decide after the purchase price is determined not to purchase your Tea Shop and/or the Premises. At the closing, you agree to deliver to us or our designee: (a) an asset purchase agreement and related agreements in the form we dictate, which provide all customary warranties and representations, including representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise; (b) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all taxes paid by you, including sales, goods and services, harmonized sales, use, value added, retailer's excise, or similar taxes; (c) any and all of your Tea Shop's licenses and permits which may be assigned or transferred; (d) the ownership interest or leasehold interest (as applicable) in the Premises and improvements or a lease assignment or lease or sublease, as applicable; and (d) an agreement, in form and substance satisfactory to us, voluntarily terminating this Agreement, under which you agree to comply with all post-term obligations under this Agreement, and that you and your owners agree to a general release of any and all claims (except for claims which cannot be released or waived pursuant to an applicable franchise law statute) against us and our owners, affiliates, officers, directors, employees, agents, successors, and assigns. If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, we and you will close the sale through an escrow.

F. **LOST REVENUE DAMAGES.**

If we terminate this Agreement because of your breach or if you terminate this Agreement without cause, you and we agree that it would be difficult, if not impossible, to determine the amount of damages that we would suffer due to the loss or interruption of the revenue stream we otherwise would have derived from your continued payment of Royalties, and that the Marketing Fund and Local Advertising Cooperatives would have otherwise derived from your continued contributions to those funds, through the remainder of the Term. Therefore, you and we agree that a reasonable estimate of such damages, less any cost savings we might have experienced (the "**Lost Revenue Damages**"), is an amount equal to the net present value of the Royalties and Marketing Fund Contributions that would have become due had this Agreement not been terminated, from the date of termination to the earlier of: (a) 2 years following the date of termination, or (b) the scheduled expiration of the Term. For the purposes of this Section, Royalties and Marketing Fund Contributions will be calculated based on the average monthly Gross Sales of your Tea Shop during the 12 full calendar months immediately preceding the termination date; provided, that if as of the termination date, your Tea Shop has not been operating for at least 12 months, Royalties and Marketing Fund Contributions will be calculated based on the average monthly Gross Sales of all Milksha Tea Shops operating under the Marks during the our fiscal year immediately preceding the termination date.

You agree to pay us Lost Revenue Damages within 15 days after this Agreement is terminated. You and we agree that the calculation described in this Section is a calculation only of the Lost Revenue Damages and that nothing herein shall preclude or limit us from proving and recovering any other damages caused by your breach of the Agreement.

G. **CONTINUING OBLIGATIONS.**

All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire, including all obligations relating to non-disparagement, non-competition, non-interference, confidentiality, information security, Innovations, and indemnification.

16. **RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.**

A. **INDEPENDENT CONTRACTORS.**

This Agreement does not create a fiduciary relationship between you and us, that you and we are and will be independent contractors, and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself conspicuously in all dealings with customers, Vendors, public officials, your personnel, and others as the owner of your Tea Shop under a franchise we have granted and to place notices of independent ownership on the forms, business cards, stationery, advertising, and other materials we require from time to time. You also acknowledge that you will have a contractual relationship only with us and may look only to us to perform under this Agreement, and not our affiliates, designees, officers, directors, employees, or other representatives or agents.

B. **NO LIABILITY TO OR FOR ACTS OF OTHER PARTY.**

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchise owner. We will not be obligated for any damages to any person or property directly or indirectly arising out of the operation of your Tea Shop or the business you conduct under this Agreement. We will have no liability for your obligations to pay any third parties, including any product Vendors.

C. **TAXES.**

We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes, whether levied upon you or your Tea Shop, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any such taxes that we must pay to any state taxing authority on account of your operation or payments that you make to us.

D. **INDEMNIFICATION.**

You agree to indemnify, defend, and hold harmless us, our affiliates, and each of our and their respective affiliates, owners, directors, managers, officers, employees, agents, successors, and assignees (the “**Indemnified Parties**”) against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the operation of your Tea Shop, the business you conduct under this Agreement, or your breach of this Agreement, including those alleged to be caused by the Indemnified Party’s negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by the Indemnified Party’s intentional misconduct in a final, unappealable ruling issued by a court with competent jurisdiction or arbitrator. For purposes of this indemnification, “**claims**” include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including reasonable accountants’, arbitrators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity will continue in full force and effect subsequent to and notwithstanding this

Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this subparagraph. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section. We may periodically demand that you advance funds to us to pay for any claims that we determine are indemnifiable under this Section, and you will advance such funds promptly upon our demand; provided, however, that if (and only to the limited extent that) any such claim is ultimately determined not to be indemnifiable under this Section in a final, unappealable ruling issued by a court with competent jurisdiction or arbitrator, we will reimburse any portion of such funds that are attributable to such non-indemnifiable claims.

17. **ENFORCEMENT.**

A. **SECURITY INTEREST.**

As security for the performance of your obligations under this Agreement, including payments owed to us for purchase by you, you hereby collaterally assign to us the Lease and grant us a security interest in all of the Operating Assets and all other assets of your Tea Shop, including but not limited to inventory, accounts, supplies, contracts, cash derived from the operation of your Tea Shop and sale of other assets, and proceeds and products of all those assets. You agree to execute such other documents as we may reasonably request in order to further document, perfect and record our security interest. If you default in any of your obligations under this Agreement, we may exercise all rights of a secured creditor granted to us by law, in addition to our other rights under this Agreement and at law. This Agreement shall be deemed to be a Security Agreement and may be filed for record as such in the records of any county and state that we deem appropriate to protect our interests.

B. **SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.**

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, arbitrator, agency, or other tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a successor franchise agreement, or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the

maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

C. WAIVER OF OBLIGATIONS.

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of 10 days' prior written notice.

We and you will not waive or impair any right, power, or option this Agreement reserves (including our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before the Term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Milksha Tea Shops; the existence of franchise agreements for other Milksha Tea Shops which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

The following provision applies if you or the franchise granted hereby are subject to the franchise registration or disclosure laws in Michigan, South Dakota, or Wisconsin: 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.

D. COSTS AND ATTORNEYS' FEES.

The prevailing party in any judicial or arbitration proceeding shall be entitled to recover from the other party all damages, costs and expenses, including arbitration and court costs and reasonable attorneys' fees, incurred by the prevailing party in connection with such proceeding.

E. YOU MAY NOT WITHHOLD PAYMENTS DUE TO US.

You may not withhold payment of any amounts owed to us on the grounds of our alleged nonperformance of any of our obligations under this Agreement or for any other reason, and you specifically waive any right you may have at law or in equity to offset any funds you may owe us or to fail or refuse to perform any of your obligations under this Agreement.

F. **RIGHTS OF PARTIES ARE CUMULATIVE.**

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce.

G. **ARBITRATION.**

We and you agree that all controversies, disputes, or claims between us or any of our affiliates, and our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to: (1) this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates); (2) our relationship with you; (3) the scope or validity of this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section, which we and you acknowledge is to be determined by an arbitrator, not a court); or (4) any System Standard, must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association (the “AAA”). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA’s then-current Commercial Arbitration Rules. All proceedings will be conducted at a suitable location chosen by the arbitrator in Delaware. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator's awards may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her awards any relief which he or she deems proper, including money damages, pre- and post-award interest, interim costs and attorneys’ fees, specific performance, and injunctive relief, provided that the arbitrator may not declare any of the trademarks owned by us or our affiliates generic or otherwise invalid, or award any punitive or exemplary damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive or exemplary damages against any party to the arbitration proceeding). In any arbitration brought pursuant to this arbitration provision, and in any action in which a party seeks to enforce compliance with this arbitration provisions, the prevailing party shall be awarded its costs and expenses, including attorneys’ fees, incurred in connection therewith.

We and you agree to be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us.

WE AND YOU AGREE THAT ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT AN ARBITRATION PROCEEDING BETWEEN US AND ANY OF OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU (OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES), ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING, (III) JOINED WITH

ANY SEPARATE CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

We and you agree that, in any arbitration arising as described in this Section, the arbitrator shall have full authority to manage any necessary exchange of information among the parties with a view to achieving an efficient and economical resolution of the dispute. The parties may only serve reasonable requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case's outcome. The document requests shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain, and shall not include broad phraseology such as "all documents directly or indirectly related to." You and we further agree that no interrogatories or requests to admit shall be propounded, unless the parties later mutually agree to their use.

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

Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

H. **GOVERNING LAW.**

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.*), or other United States federal law, this Agreement, the franchise for your Tea Shop, and all claims arising from the relationship between us or any of our affiliates, and you and your owners and affiliates, will be governed by the laws of the State of Delaware, without regard to its conflict of laws rules, except that (1) any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section, and (2) the enforceability of those provisions of this Agreement which relate to restrictions on you and your owners' competitive activities will be governed by the laws of the state in which your Tea Shop is located.

I. **CONSENT TO JURISDICTION.**

Subject to the obligation to arbitrate under Section 17.G above and the provisions below, you and your owners agree that all actions arising under this Agreement or otherwise as a result of the relationship between you and us must be commenced in the court in Delaware, and you (and each owner) irrevocably submit to the jurisdiction of that court and waive any objection you (or the owner) might have to either the jurisdiction of or venue in that court.

J. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.**

Except for your obligation to indemnify us for third party claims under Section 16.D, we and you (and your owners) waive to the fullest extent permitted by law any right to or claim for any punitive

or exemplary damages against the other and agree that, in the event of a dispute between us and you, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and you irrevocably waive trial by jury in any proceeding brought by either of us.

K. INJUNCTIVE RELIEF.

Nothing in this Agreement, including the provisions of Section 17.G, bars our right to obtain specific performance of the provisions of this Agreement and injunctive relief against any threatened or actual conduct that will cause us, the Marks, or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and temporary or preliminary injunctions. You agree that we may seek such relief from any court of competent jurisdiction in addition to such further or other relief as may be available to us at law or in equity. You agree that we will not be required to post a bond to obtain injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

L. BINDING EFFECT.

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Manual and System Standards, this Agreement may not be modified except by a written agreement signed by our and your duly-authorized officers.

M. LIMITATIONS OF CLAIMS.

You and your owners agree not to bring any claim asserting that any of the Marks are generic or otherwise invalid. ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED IN ACCORDANCE WITH THIS AGREEMENT WITHIN ONE YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS. The parties understand that such time limit might be shorter than otherwise allowed by law. You and your owners agree that your and their sole recourse for claims arising between the parties shall be against us or our successors and assigns. You and your owners agree that our and our affiliates' members, managers, shareholders, directors, officers, employees, and agents shall not be personally liable nor named as a party in any action between us or our affiliates and you or your owners.

WE AND YOU AGREE THAT ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT ANY PROCEEDING BETWEEN US AND ANY OF OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES, ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER PROCEEDING, (III) JOINED WITH ANY CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT.

No previous course of dealing shall be admissible to explain, modify, or contradict the terms of this Agreement. No implied covenant of good faith and fair dealing shall be used to alter the express terms of this Agreement.

N. AGREEMENT EFFECTIVENESS.

This Agreement shall not be effective until accepted by us as evidenced by dating and signing by an officer or other duly authorized representative of ours. Notwithstanding that this Agreement shall not be effective until signed by us, we reserve the right to make the effective date of this Agreement the date on which you signed the Agreement.

O. CONSTRUCTION.

The preambles and exhibits are a part of this Agreement, which together with this Agreement constitute our and your entire agreement, and there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or your Tea Shop (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnish to you. Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us.

Except as provided in this Agreement, including Section 16.D and those provisions expressly benefiting our affiliates, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions that require our approval. The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

References in this Agreement to: (i) “we,” “us,” and “our,” with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal. ; (ii) “affiliate” of any person means any other person that is directly or indirectly owned or controlled by, under common control with, or owning or controlling such person; (iii) “control” of any person means the ownership interest of greater than 50% of the outstanding ownership interests of any entity, and/or the power to direct or cause the direction of management and policies; (iv) “ownership interest” means any direct or indirect title, ownership and/or beneficial interest in the equity, voting rights, or economic interest in any Entity; (v) “owner” means any person that holds any ownership interest in an Entity; (v) “person” means any natural person, Entity, unincorporated association, cooperative, or other legal or functional organization or entity; (vi) unless otherwise specified, “days” means calendar days and not business days; and (vii) “your Tea Shop” includes all of the assets of the Milksha Tea Shop you operate under this Agreement, including its revenue and the Lease. The use of the term “including” in this Agreement, means in each case “including, without limitation.”

If two or more persons are at any time the owners of your Tea Shop, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several.

P. LAWFUL ATTORNEY.

Notwithstanding anything otherwise contained in this Agreement, if you do not execute and deliver any documents or other assurances so required of you pursuant to this Agreement or if we take over the management or operation of the business operated hereunder on your behalf for any reason, you hereby irrevocably appoint us as your lawful attorney with full power and authority, to execute and deliver in your name any such documents and assurances, and to manage or operate the business on your behalf, and to do all other acts and things, all in such discretion as we may desire, and you hereby agree to ratify and confirm all of our acts as your lawful attorney and to indemnify and save us harmless from all claims, liabilities, losses, or damages suffered in so doing. You also hereby appoint us as your attorney-in-fact to receive and inspect your sales and other tax records and hereby authorize all tax authorities to provide such information to us for all tax periods during the Term.

18. NOTICES AND PAYMENTS.

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Manual will be deemed to be delivered on the earlier of the date of actual delivery or one of the following: (i) at the time delivered by hand, (ii) at the time delivered via computer transmission and, in the case of the Royalty, Marketing Fund Contributions, and other amounts due, at the time we actually receive electronic payment, (iii) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery, or (iv) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid. Any notice must be sent to the party to be notified at its most current principal business address of which the notifying party has notice; except that, it will always be deemed acceptable to send notice to you at the address of the Premises.

19. PROHIBITED PARTIES.

You hereby represent and warrant to us, as an express consideration for the franchise granted hereby, that neither you nor any of your employees, agents, or representatives, nor any other person or entity associated with you, is now, or has been:

1. Listed on: (a) the U.S. Treasury Department's List of Specially Designated Nationals, (b) the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders, (c) the U.S. State Department's Debarred List or Nonproliferation Sanctions, or (d) the Annex to U.S. Executive Order 13224.
2. A person or entity who assists, sponsors, or supports terrorists or acts of terrorism, or is owned or controlled by terrorists or sponsors of terrorism.

You further represent and warrant to us that you are now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by you to us or our affiliates are and will be legally obtained in compliance with these laws. You agree not to, and to cause all employees, agents, representatives, and any other person or entity associated with you not to, during the Term, take any action or refrain from taking any action that would cause such person or entity to become a target of any such laws and regulations.

20. **COUNTERPARTS.**

This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Faxed, scanned or electronic signatures shall have the same effect and validity, and may be relied upon in the same manner, as original signatures.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

MILKSHOP JAPAN, INC., a Japanese corporation

FRANCHISEE:

By: _____

Name: _____

Title: _____

EFFECTIVE DATE: _____

[Name]

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT A
TO FRANCHISE AGREEMENT

ENTITY INFORMATION

1. **Form.** You operate as a(n): ___ individual/sole proprietorship, ___ corporation, ___ limited liability company, or ___ partnership (CHECK ONE).

2. **Formation:** You were formed on _____ (DATE), under the laws of the State of _____ (JURISDICTION).

3. **Management:** The following is a list of your directors, officers, managers or anyone else with a management position or title:

<u>Name of Individual</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____

4. **Owners.** The following list includes the full name of each individual who is one of your owners, or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary):

<u>Owner's Name</u>	<u>Percentage/Description of Interest</u>
_____	_____
_____	_____
_____	_____
_____	_____

5. **Managing Owner:** _____

6. **Principal Operator(s)** (if applicable): _____

MILKSHOP JAPAN, INC., a Japanese corporation

By: _____
Name: _____
Title: _____

FRANCHISEE:

[Name]
By: _____
Name: _____
Title: _____

EXHIBIT B
TO THE FRANCHISE AGREEMENT
PREMISES/PROTECTED TERRITORY

The Premises of your Tea Shop is: _____

The Protected Territory is: _____

MILKSHOP JAPAN, INC., a Japanese corporation

FRANCHISEE:

By: _____
Name: _____
Title: _____

[Name]
By: _____
Name: _____
Title: _____

EXHIBIT C
TO THE FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given by each of the undersigned persons indicated below who have executed this Guaranty (each a “**Guarantor**”) to be effective as of the Effective Date of the Agreement (defined below).

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the “**Agreement**”) on this date by **Milkshop Japan, Inc.** (“**us,**” “**we,**” or “**our**”), each Guarantor personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement and afterward as provided in the Agreement, that _____ (“**Franchise Owner**”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the 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 the non-competition, confidentiality, and transfer requirements.

Each Guarantor consents and agrees that: (1) Guarantor’s direct and immediate liability under this Guaranty will be joint and several, both with Franchise Owner and among other guarantors; (2) Guarantor will render any payment or performance required under the Agreement upon demand if Franchise Owner fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Franchise Owner or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we may from time to time grant to Franchise Owner or to any other person, including the acceptance of any partial payment or performance or the compromise or release of any claims, or any amendment, waiver or restatement to any terms of the Agreement, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement; and (5) at our request, each Guarantor shall present updated financial information to us as reasonably necessary to demonstrate such Guarantor’s ability to satisfy the financial obligations of Franchise Owner under the Agreement.

Each Guarantor waives: (i) all rights to payments and claims for reimbursement or subrogation which any Guarantor may have against Franchise Owner arising as a result of the Guarantor’s execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by us of Guarantor’s undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

Each Guarantor represents and warrants that, if no signature appears below for such Guarantor’s spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

The provisions contained in Section 17 (Enforcement) of the Agreement, including Section 17.G (Arbitration), Section 17.I (Consent to Jurisdiction) and Section 17.D (Costs and Attorneys’ Fees) of the Agreement are incorporated into this Guaranty by reference and shall govern this Guaranty and

any disputes between the Guarantors and us. The Guarantors shall reimburse us for all costs and expenses we incur in connection with enforcing the terms of this Guaranty.

By signing below, the undersigned spouse of each Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty. We confirm that a spouse who signs this Guaranty solely in his or her capacity as a spouse (and not as an owner) is signing merely to acknowledge and consent to the execution of the Guaranty by his or her spouse and to bind the assets of the marital estate as described therein and for no other purpose (including to bind the spouse's own separate property).

Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if Franchisee (or any of its affiliates) is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such Guarantor (or on such Guarantor's account) to its owners, accountholders or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law.

This Guaranty is binding upon each Guarantor and its respective executors, administrators, heirs, beneficiaries, and successors in interest.

[Signature page to follow]

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as this Guaranty and Assumption of Obligations was executed.

GUARANTOR(S)	SPOUSE(S)
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____

EXHIBIT D
TO THE FRANCHISE AGREEMENT

RIDER TO LEASE AGREEMENT

This Rider and the provisions hereof are hereby incorporated into the body of the lease to which this Rider is attached (the “**Lease**”), between _____ (“**Tenant**”) and _____ (“**Landlord**”), for the real property described therein (the “**Premises**”). The provisions hereof will be cumulative of those set forth in the Lease, but to the extent of any conflict between any provisions of this Rider and the provisions of the Lease, this Rider will govern and control.

1. Acknowledgement of Franchise Relationship. Landlord acknowledges that Tenant intends to operate a Milksha® tea shop (a “**Milksha Tea Shop**”) at the Premises, and that Tenant's rights to operate the Milksha Tea Shop and to use the Milksha® name, trademarks and service marks (the “**Marks**”) are solely pursuant to a franchise agreement (“**Franchise Agreement**”) between Tenant and Milkshop Japan, Inc. (“**Franchisor**”). Tenant's operations at the Premises are independently owned and operated. Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Premises. Landlord agrees not to take an action that would prohibit Tenant from operating the Milksha Tea Shop, as contemplated by the Franchise Agreement, at the Premises.

2. Consent to Collateral Assignment to Franchisor. Landlord hereby consents, without payment of a fee and without the need for further Landlord consent, to (i) the collateral assignment of Tenant's interest in this Lease to Franchisor to secure Tenant's obligations to Franchisor under the Franchise Agreement, (ii) Franchisor's succeeding to Tenant's interest in the Lease as a result of Franchisor's exercise of rights or remedies under such collateral assignment or as a result of Franchisor's termination of, or exercise of rights or remedies granted in or under, any other agreement between Franchisor and Tenant, and/or (iii) Tenant's, Franchisor's and/or any other franchisee of Franchisor's assignment of the Lease to another franchisee of Franchisor with whom Franchisor has executed its then-standard Franchise agreement. Landlord agrees that to the extent Franchisor becomes Tenant, for howsoever brief a period, upon assumption of lease pursuant to this provision, that simultaneously with any subsequent assignment to another party, Franchisor will be released from all liability under the Lease or otherwise accruing after the date of such assignment; provided, that neither Tenant nor any other franchisee will be afforded such release in the event Tenant/such franchisee is the assignor, unless otherwise agreed by Landlord.

3. Tenant's Signage. Landlord agrees to allow Tenant to use Franchisor's standard interior and exterior signage and designs to the maximum extent permitted by local governmental authorities. Tenant will be provided, at Tenant's sole cost and expense, with a panel on any pylon/monument/directory sign for the development in which the Premises is located, and will be permitted to install a standard sign thereon approved by Franchisor, including without limitation Franchisor's logo. Landlord hereby grants and approves Tenant the right to display the Marks at the Premises, subject only to the provisions of applicable law.

4. Notice and Cure Rights to Franchisor. Prior to exercising any remedies hereunder (except in the event of imminent danger to the Premises), Landlord will give Franchisor written notice of any default by Tenant, and commencing on receipt thereof by Franchisor, Franchisor will have fifteen (15) additional days to the established cure period as is given to Tenant under the Lease for

such default to cure such defaults. Landlord agrees to accept cure tendered by Franchisor as if the same was tendered by Tenant, but Franchisor has no obligation to cure such default. The initial address for notices to Franchisor is as follows: Milkshop Japan, Inc., Blink Roppongi, 3-1-6 Motoazabu, Minato City, Tokyo, Japan, or such other address as Franchisor provides to Landlord.

5. Non-disturbance from Mortgage Lenders. It will be a condition of the Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises that the holder of such encumbrance agree not to disturb Tenant's rights under this Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations under the Lease and the Franchise Agreement, beyond an applicable grace or cure period.

6. Fixtures and Signage. Any lien of Landlord in Tenant's trade fixtures, 'trade dress', signage and other property at the Premises is hereby subordinated to Franchisor's interest in such items as described in the Franchise Agreement. On request, Landlord will grant the party who owns such property reasonable access to the Premises for the sole purpose of removing such property, provided such party repairs any damage caused by such removal and otherwise complies with Landlord's reasonable requirements with respect to such access.

7. Third Party Beneficiary. Franchisor is a third-party beneficiary of the terms of this Rider, or any other terms of the Lease applicable to Franchisor's rights under the Lease, and as a result thereof, will have all rights (but not the obligation) to enforce the same.

8. Franchisor Right to Enter. Landlord acknowledges and agrees that Franchisor or its designee may enter the Premises for all purposes permitted under the terms of the Franchise Agreement, including to inspect the Premises and the Milksha Tea Shop's operations, to manage the Tenant's business, on Tenant's behalf, under certain circumstances (to-wit: Tenant's failure to timely cure its default of the Franchise Agreement, and while Franchisor evaluates its right to purchase the location), or to remove any trade fixtures or signage upon termination or expiration of the Franchise Agreement. If Franchisor enters the Premises for any such purposes, it will do so without assuming any liability under the Lease.

9. Amendments. Tenant agrees that neither the Lease nor this Rider may be amended by the parties thereto without the prior written consent of Franchisor.

10. Successors and Assigns. All rights of Franchisor shall inure to its benefit and to the benefit of its successors and assigns. Franchisor may assign its rights under this Rider to any designee. All provisions in this Rider applicable to Tenant and Landlord will be binding on any successor or assign of Tenant or Landlord under the Lease.

11. Execution. This Rider may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same agreement with the Lease. This Rider and all other documents related to this Rider may be executed by manual or electronic signature.

[SIGNATURE PAGE TO FOLLOW]

AGREED and executed and delivered under seal by the parties hereto as of the day and year of the Lease.

LANDLORD: _____

TENANT: _____

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

EXHIBIT B-2

AREA DEVELOPMENT AGREEMENT



MILKSHOP JAPAN, INC.

AREA DEVELOPMENT AGREEMENT

Developer: _____

Development Area : _____

TABLE OF CONTENTS

	<u>Page</u>
1. GRANT OF DEVELOPMENT RIGHTS.....	1
A. BACKGROUND.....	1
B. GRANT AND TERM OF DEVELOPMENT RIGHTS.....	1
C. IF YOU ARE AN ENTITY.....	1
D. PROTECTED TERRITORY.....	2
2. EXERCISE OF DEVELOPMENT RIGHTS.....	3
A. DEVELOPMENT FEE.....	3
B. DEVELOPMENT SCHEDULE.....	3
C. APPROVAL OF PROPOSED DEVELOPMENT.....	3
D. DEVELOPMENT DEFAULTS.....	4
E. BUSINESS PLAN AND REPORTING.....	4
3. YOUR COVENANTS DURING THE TERM.....	5
A. CONFIDENTIAL INFORMATION.....	5
B. COVENANTS AGAINST COMPETITION.....	7
C. NON -INTERFERENCE.....	7
D. NON-DISPARAGEMENT.....	7
4. TRANSFER.....	8
A. BY US.....	8
B. BY YOU.....	8
C. CONDITIONS FOR APPROVAL OF TRANSFER.....	8
D. TRANSFER TO A WHOLLY-OWNED ENTITY.....	10
E. OUR RIGHT OF FIRST REFUSAL.....	10
5. TERMINATION OF AGREEMENT.....	11
A. BY YOU.....	11
B. BY US.....	11
C. OBLIGATIONS UPON TERMINATION OR EXPIRATION.....	12
D. POST-TERM COVENANT NOT TO COMPETE.....	12
E. CONTINUING OBLIGATIONS.....	13
6. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.....	13
A. INDEPENDENT CONTRACTORS.....	13
B. NO LIABILITY TO OR FOR ACTS OF OTHER PARTY.....	13
C. INDEMNIFICATION.....	13
7. ENFORCEMENT.....	14
A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.....	14
B. WAIVER OF OBLIGATIONS.....	15
C. COSTS AND ATTORNEYS' FEES.....	15
D. YOU MAY NOT WITHHOLD PAYMENTS DUE TO US.....	15
E. RIGHTS ARE CUMULATIVE.....	15

F.	ARBITRATION.	16
G.	GOVERNING LAW.....	17
H.	CONSENT TO JURISDICTION.....	17
I.	WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.....	17
J.	INJUNCTIVE RELIEF.....	18
K.	BINDING EFFECT.	18
L.	LIMITATIONS OF CLAIMS.....	18
M.	AGREEMENT EFFECTIVENESS.....	19
N.	CONSTRUCTION.....	19
O.	LAWFUL ATTORNEY.	20
8.	NOTICES AND PAYMENTS.	20
9.	PROHIBITED PARTIES.	20
10.	COUNTERPARTS.....	21

EXHIBITS

EXHIBIT A	-	DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE
EXHIBIT B	-	ENTITY INFORMATION
EXHIBIT C	-	GUARANTY AND ASSUMPTION OF OBLIGATIONS

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (this “**Agreement**”) is made and entered into by and between **Milkshop Japan, Inc.**, a Japanese corporation with its principal business address at Blink Roppongi, 3-1-6 Motoazabu, Minato City, Tokyo, Japan (“**we**”), and _____, whose principal business address is _____ (“**you**”), as of the date signed by us and set forth below our signature on this Agreement (the “**Effective Date**”).

1. GRANT OF DEVELOPMENT RIGHTS.

A. BACKGROUND.

(1) We have developed (and may continue to develop and modify) a system for the operation of shops offering tea, milk, and coffee beverages, iced desserts, bakery desserts, and other desserts, beverages, products, and accessories authorized by us from time to time (each a “**Milksha Tea Shop**”). Milksha Tea Shops are developed and operated using certain specified and distinct business formats, methods, procedures, designs, layouts, standards, and specifications, all of which may be improved, further developed, or otherwise modified from time to time (the “**System**”).

(2) We grant persons who we determine satisfactorily meet our qualifications, the right to acquire multiple franchises for the development and operation of multiple Milksha Tea Shops within a defined area (the “**Development Area**”) pursuant to an agreed upon schedule (the “**Development Schedule**”).

B. GRANT AND TERM OF DEVELOPMENT RIGHTS.

Subject to the terms of this Agreement, we hereby grant you the right to develop, own and operate the number of Milksha Tea Shops specified in your Development Schedule on Exhibit A (your “**Development Rights**”), strictly within the Development Area specified on Exhibit A. You hereby agree to exercise your Development Rights faithfully, honestly, and diligently at all times during the Term (defined below). The term of this Agreement (the “**Term**”) will begin on the Effective Date and, unless sooner terminated pursuant to Section 5, will expire on the last day of the last Development Period (defined below) in your Development Schedule. You may not extend the Term of this Agreement without our approval, which we will grant in our sole discretion.

C. IF YOU ARE AN ENTITY.

If you are at any time a corporation, limited liability company, or partnership (each, an “**Entity**”), you agree and represent that you will have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed and are and will, throughout this Term, remain validly existing and in good standing under the laws of the state of your formation. You agree to maintain organizational documents, operating agreement, or partnership agreement, as applicable, that reflect the restrictions on issuance and transfer of any ownership interests in you described in this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to this Agreement’s restrictions.

You agree and represent that Exhibit B to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date. Each of your direct and indirect owners, and their spouses, will execute a guaranty in the form we prescribe undertaking personally to

be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached herein as **Exhibit C**. We confirm that a spouse who signs **Exhibit C** solely in his or her capacity as a spouse (and not as an owner) is signing that agreement merely to acknowledge and consent to the execution of the guaranty by his or her spouse and to bind the assets of the marital estate as described therein and for no other purpose (including, to bind the spouse's own separate property) Subject to our rights and your obligations under Section 4, you and your owners agree to sign and deliver to us revised **Exhibit B** to reflect any permitted changes in the information that **Exhibit B** now contains.

You must identify on **Exhibit B** one of your owners who is a natural person with at least 25% ownership interest and voting power in you and who will have the authority of a chief executive officer (the "**Managing Owner**"). You must obtain our written consent prior to changing the Managing Owner and agree to deliver to us a revised **Exhibit B** to accurately identify the Managing Owner should the identity of that person change during the Term as permitted hereunder. You agree that the Managing Owner is authorized, on your behalf, to deal with us in respect of all matters whatsoever which may arise in respect of this Agreement. Any decision made by the Managing Owner will be final and binding upon you, and we will be entitled to rely solely upon the decision of the Managing Owner in any such dealings without the necessity of any discussions with any other party named in this Agreement, and we will not be held liable for any actions taken by you or otherwise, based upon any decision or actions of the Managing Owner. You represent and agree that the person acting as your Managing Owner has full power and authority to enter into this Agreement and any other documents to which you are a party, and to make binding decisions on your behalf.

D. PROTECTED TERRITORY.

Subject to your continued compliance with this Agreement, and the reserved rights described below, during the Term, neither we nor any of our affiliates will establish or operate or authorize any other person to establish or operate a Milksha Tea Shop in your Development Area. Other than as described for your Development Area, you have no territorial protection and we and our affiliates retain all rights to conduct business activities of any kind, including, the right to:

(1) establish and operate, and allow others to establish and operate, other Milksha Tea Shops, at any location outside the Development Area, on such terms and conditions we deem appropriate;

(2) establish and operate, and allow others to establish and operate, any other type business, including any business that may offer products and services which are identical to, similar to, or competitive with products and services offered by Milksha Tea Shops, under trade names, trademarks, service marks and commercial symbols other than the "Milksha@" name and marks, anywhere in the world, including in the Development Area;

(3) establish, and allow others to establish businesses and distribution channels other than a Milksha Tea Shop (including, selling products at retail or through any online presence), wherever located or operating, including in your Development Area, regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, regardless of the trade names, trademarks, service marks or commercial symbols used, and sales of products or services that are similar to, the same, or competitive with, those that Milksha Tea Shops customarily sell;

(4) establish and operate, and allow others to establish and operate, any Milksha Tea Shop, or other business using the System, and/or offering and selling any of the products or services that are similar to, the same, or competitive with those products or services offered by Milksha Tea Shops, at or through any nontraditional venues, including, temporary or seasonal facilities, recreation parks or facilities, or business operated within any larger venue or closed market such as an airport, transportation center, gas station, stadium or entertainment center, at any location in the world, including in the Development Area;

(5) be acquired by or acquire (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), any other business, including businesses that operate or allow others to establish and operate businesses similar to, the same, or competitive with Milksha Tea Shops, at any location in the world, including in the Protected Territory (and in the event of such an acquisition, the acquirer and its affiliates will have the right to continue to establish and operate, and authorize others to establish and operate, such businesses, at any location in the world, including in the Development Area); and

(6) engage in all other activities not expressly prohibited by this Agreement, at any location in the world, including in the Development Area.

2. **EXERCISE OF DEVELOPMENT RIGHTS.**

A. **DEVELOPMENT FEE.**

On the Effective Date, you must pay us an area development fee (the “**Development Fee**”) equal to \$15,000 multiplied by the number of Tea Shops that you agree to develop, at the time this Agreement is signed. The amount of your Development Fee that you paid per Tea Shop will be credited to the initial franchise fee due under each Franchise Agreement you sign to develop such Tea Shop. The Development Fee is non-refundable after it is paid.

B. **DEVELOPMENT SCHEDULE.**

Exhibit A to this Agreement sets forth your Development Schedule, which may include one or more periods for you to develop and open a specified number of Milksha Tea Shops (each a “**Development Period**”). You must satisfy all of the conditions described in Section 2C below for each Milksha Tea Shop in your Development Schedule by the end of the applicable Development Period. You may not open more than the cumulative number of Milksha Tea Shops shown in your Development Schedule during any Development Period. The Development Schedule is not our representation, express or implied, that the Development Area can support, or that there are or will be sufficient sites for, the number of Milksha Tea Shops specified in the Development Schedule or during any particular Development Period. We are relying on your representation that you have conducted your own independent investigation and have determined that you can satisfy the development obligations under each Development Period of the Development Schedule.

C. **APPROVAL OF PROPOSED DEVELOPMENT.**

We must approve all Milksha Tea Shops that you propose to develop in your Development Area, before you enter into any lease or other agreement to secure the site. You agree to give us all information and materials we request to assess each Milksha Tea Shop that you propose to develop, as well as your financial and operational ability to develop and operate the proposed Milksha Tea Shop. We have the absolute right to disapprove any proposed development for any reason, including if: (a) it

or you do not meet our then-current criteria for new franchise development, or (b) if you or your affiliates are not then in compliance with this Agreement or any Franchise Agreements with us. If we approve a proposed site for development, you must sign our then-current form of Franchise Agreement for such site within 15 days after we provide you with an execution copy of the Franchise Agreement. After signing a Franchise Agreement for any Milksha Tea Shop, you must open and operate each Milksha Tea Shop according to the terms of that Franchise Agreement. The terms of the Franchise Agreement you sign may differ substantially from the terms contained in the Franchise Agreement in effect on the Effective Date.

We will count a Milksha Tea Shop toward the Development Schedule only if you have satisfied all of the following conditions prior to the end of the applicable Development Period: (i) you have secured our approval of the proposed site of such Milksha Tea Shop; (ii) you have executed our then-current form of Franchise Agreement for such Milksha Tea Shop by the timeline specified in the preceding paragraph; (iii) you have paid all associated fees for such Milksha Tea Shop arising under this Agreement and/or the Franchise Agreement; (iv) you have executed a lease agreement or otherwise acquired occupancy rights to that premises on the terms described in your Franchise Agreement; and (v) you have secured our approval to open such Milksha Tea Shop, and such Milksha Tea Shop is open and operating in full compliance with its Franchise Agreement.

D. DEVELOPMENT DEFAULTS.

If you fail to comply with the Development Schedule, in addition to terminating this Agreement under Section 5 and asserting any other rights we have under this Agreement as a result of such failure, we reserve the right to: (1) terminate or reduce the size of your Development Area, and/or terminate the territorial protections that you have in some or all of your Development Area under Section 1.D, after which time we and our affiliates may establish or operate or authorize any other person to establish or operate a Milksha Tea Shop in your current or former Development Area in our discretion; and/or (2) require you to pay a fee of \$800 per month for each Milksha Tea Shop that you were required to have opened pursuant to the Development Schedule, but which you failed to develop and open by the applicable deadline, until such Milksha Tea Shop has properly opened for business in accordance with Section 2.C above.

E. BUSINESS PLAN AND REPORTING.

Within 60 days after the Effective Date, you must prepare and give us, a business plan including a projected schedule for Milksha Tea Shop development and detailed cost and revenue projections for your activities under this Agreement. Within 60 days after the start of each calendar year during the Term, you must update the business plan to cover both actual results for the previous year and projections for the then current year. You acknowledge and agree that, while we may review and provide comments on the business plan and any updates you submit to us, regardless of whether we approve, disapprove, require revisions, or provide other comments with respect to the business plan or any updated business plan, we take no responsibility for and make no guarantees or representations, expressed or implied, with respect to your ability to meet the business plan or to achieve the results set forth therein. You bear the entire responsibility for achievement of the business plan you develop.

Within 7 days after the end of each month during the Term, you must send us a report of your business activities during that month, including information about your efforts to find sites for Milksha Tea Shops in the Development Area and the status of development and projecting openings for each Milksha Tea Shop under development in the Development Area. We may request further information about your development plans, and you agree to provide us such information upon request.

You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we prescribe from time to time. You further agree to deliver to us such additional financial records, including profit and loss statements, operating statements, cash flow statements, statistical reports, bank activity reports, tax records, and such other records we request, at the intervals and in the format we specify from time to time.

You agree to verify and sign each report and financial statement in the manner we prescribe. We may disclose data derived from these reports. You agree to preserve and maintain all records in a secure location at your business for at least three years, or such longer period as may be required by applicable law (including sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, and general ledgers).

Further, at our request, you will provide current financial information for your owners and guarantors sufficient to demonstrate such owners and guarantors ability to satisfy their financial obligations under their individual guarantees.

3. **YOUR COVENANTS DURING THE TERM.**

A. **CONFIDENTIAL INFORMATION.**

In connection with your rights under this Agreement, you and your owners and personnel may from time to time be provided and/or have access to non-public information about the System and the operation of Milksha Tea Shops (including your Tea Shop) (the “**Confidential Information**”), whether or not marked confidential, including: (1) site selection criteria; (2) methods, formats, specifications, standards, systems, procedures, techniques, sales and marketing techniques, knowledge, and experience used in developing, promoting and operating Milksha Tea Shops; (3) market research, promotional, marketing and advertising programs for Milksha Tea Shops; (4) any computer software or similar technology which is proprietary to us, our affiliates, or the System, including digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; (5) knowledge of the operating results and financial performance of any Milksha Tea Shops; and (6) any other information designated as confidential or proprietary by us or our affiliates.

All Confidential Information will be owned by us or our affiliates (other than personally identifiable information relating to the employees, officers, contractors, owners or other personnel of you, your affiliates, or your Tea Shop, and/or such other personally identifiable information designated by us from time to time). You acknowledge and agree that: (i) you will not acquire any interest in any of our Confidential Information, other than the right to use it as we specify under this Agreement or the Franchise Agreements you sign, in each case in accordance with the terms of such agreement; and (ii) our Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you will protect it. You acknowledge that any unauthorized use or disclosure of our Confidential Information would be an unfair method of competition and a breach of trust and confidence and will result in irreparable harm to us and/or our affiliates. You (and if you are conducting business as an Entity, each of your owners) therefore agree that during and after the Term you will, and will cause each of your respective current and former spouses, immediate family members, owners, officers, directors, employees, representatives, affiliates, successors and assigns to:

(a) process, retain, use, collect, and disclose our Confidential Information strictly to the limited extent, and in such a manner, as necessary for exercise of your Development Rights in accordance with

this Agreement, and/or the operation of Milksha Tea Shops under the respective Franchise Agreements, and not for any other purpose of any kind;

(b) process, retain, use, collect, and disclose our Confidential Information strictly in accordance with the privacy policies and System Standards we establish from time to time, and our and our representative's instructions;

(c) keep confidential and not disclose, sell, distribute, or trade our Confidential Information to any person other than those of your personnel and representatives who need to know such Confidential Information for the purpose of assisting you in exercising your Development Rights in accordance with this Agreement, and/or operating Milksha Tea Shops in accordance with Franchise Agreements with us; and you agree that you will be responsible for any violation of this requirement by any of your personnel and representatives;

(d) not make unauthorized copies of any of our Confidential Information;

(e) adopt and maintain administrative, physical and technical safeguards to prevent unauthorized use or disclosure of any of our Confidential Information, including by establishing reasonable security and access measures, restricting its disclosure to key personnel, and/or by requiring persons who have access to such Confidential Information to be bound by contractual obligations to protect such Confidential Information and preserve our rights and controls in such Confidential Information, in each case that are no less protective or beneficial to us than the terms of this Agreement; and

(f) at our request, destroy or return any of the Confidential Information.

Confidential Information does not include information, knowledge, or know-how, which is lawfully known to the public without violation of applicable law or an obligation to us or our affiliates.

We and our affiliates are not making any representations or warranties, express or implied, with respect to the Confidential Information. We and our affiliates have no liability to you and your affiliates for any errors or omissions from the Confidential Information.

As between us and you, we are the sole owner of all right, title, and interest in and to the System and any Confidential Information. All improvements, developments, derivative works, enhancements, or modifications to the System and any Confidential Information (collectively, "**Innovations**") made or created by you, your employees or your contractors, whether developed separately or in conjunction with us, shall be owned solely by us and will in no event be owned by you or your affiliates. You represent, warrant, and covenant that your employees and contractors are bound by written agreements assigning all rights in and to any Innovations developed or created by them to you. To the extent that you, your employees or your contractors are deemed to have any interest in such Innovations, you hereby agree to assign, and do assign, all right, title and interest in and to such Innovations to us. To that end, you agree to execute, verify, and deliver such documents and perform such other acts (including appearances as a witness) as we may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such ownership rights in and to the Innovations, and the assignment thereof. Your obligation to assist us with respect to such ownership rights shall continue beyond the expiration or termination of this Agreement. In the event we are unable for any reason, after reasonable effort, to secure your signature on any document needed in connection with the actions specified in this Section, you hereby irrevocably designate and appoint us and our duly authorized

officers and agents as your agent and attorney in fact, which appointment is coupled with an interest and is irrevocable, to act for and on your behalf to execute, verify, and file any such documents and to do all other lawfully permitted acts to further the purposes of this Section with the same legal force and effect as if executed by you.

B. COVENANTS AGAINST COMPETITION.

We have granted you the rights in this Agreement in consideration of and reliance upon your agreement to deal exclusively with us. You therefore agree that, during the Term, you agree not to (and to use your best efforts to cause your current and former owners, officers, directors, agents, employees, representatives, attorneys, spouses, affiliates, successors and assigns not to):

- (1) have any direct or indirect interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business (defined below), wherever located or operating (except that equity ownership of less than 5% of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);
- (2) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;
- (3) divert or attempt to divert any actual or potential business or customer of any Milksha Tea Shop to a Competitive Business; or
- (4) directly or indirectly, appropriate, use or duplicate the System or System Standards, or any portion thereof, for use in any other business or endeavor.

The term “**Competitive Business**” means any business (excluding any Milksha Tea Shops operated under a Franchise Agreement with us) operating or granting franchises or licenses to others to operate any business: (1) for which tea, milk, and/or coffee-based beverages, and/or iced, bakery, or other desserts represent more than 30% of the total gross revenue of such business; or (2) whose menu or concept is otherwise substantially similar to that of Milksha Tea Shops. You agree to obtain similar covenants from the personnel we specify, including officers, directors, managers, and other employees attending our training program or having access to Confidential Information. We have the right to regulate the form of agreement that you use, including to require that we and our affiliates be third-party beneficiaries of that agreement with independent enforcement rights.

C. NON -INTERFERENCE.

During and after the Term, you agree not to (and to use your best efforts to cause your current and former owners, officers, directors, agents, employees, representatives, attorneys, spouses, affiliates, successors and assigns not to) solicit, interfere, or attempt to interfere with our or our affiliates’ relationships with any customers, franchisees, lenders, vendors, or consultants.

D. NON-DISPARAGEMENT.

During and after the Term, you agree not to (and to use your best efforts to cause your current and former owners, officers, directors, agents, partners, employees, representatives, attorneys, spouses, affiliates, successors and assigns not to) disparage or otherwise speak or write negatively, directly or indirectly, of us, our affiliates, any of our or our affiliates’ directors, officers, employees, representatives or affiliates, current and former franchisees or developers of us or our affiliates, the

Milksha[®] brand, the System, any Milksha Tea Shop, any other brand or service-marked or trademarked concept of us or our affiliates, or take any other action which would subject any of the foregoing to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of the System.

4. **TRANSFER.**

A. **BY US.**

We maintain a staff to manage and operate the franchise system and you understand that staff members can change as employees come and go. You represent that you have not signed this Agreement in reliance on any particular manager, owner, director, officer, or employee remaining with us in any capacity. We may change our ownership or form or assign this Agreement and any other agreement to a third party without restriction.

B. **BY YOU.**

The rights and duties this Agreement creates are personal to you (or to your owners if you are an Entity), and we have granted you the terms of this Agreement in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following may be transferred, mortgaged, pledged, or encumbered, without our prior written approval: (1) this Agreement (or any interest in this Agreement), (2) your Development Rights, or (3) any direct or indirect ownership interest in you (regardless of its size). A transfer of your Development Rights may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect. In this Agreement, the term "**transfer**" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, including transfer by reason of merger, consolidation, issuance of additional securities, death, disability, divorce, insolvency, encumbrance, foreclosure, surrender or by operation of law.

If you intend to list your Development Rights for sale with any broker or agent, you shall do so only after obtaining our written approval of the broker or agent and of the listing agreement. You shall not use or authorize the use of, and no third party shall on your behalf use, any written materials to advertise or promote the transfer of your Development Rights or of any ownership interest in you without our prior written approval.

C. **CONDITIONS FOR APPROVAL OF TRANSFER.**

We will approve a transfer that meets all of the following requirements before or concurrently with the effective date of the transfer:

- (1) you submit an application in writing requesting our consent and providing us all information or documents we request about the transferee and its owners that we request to evaluate their ability to satisfy their respective obligations under our then-current form of Franchise Agreement and any documents ancillary thereto, and each such person must have completed and satisfied all of our application and certification requirements, including the criteria that neither the transferee nor its owners (if the transferee is an Entity) or affiliates have an ownership interest in or perform services for a Competitive Business;

(2) you and your owners have not violated any provision of this Agreement or any other agreement with us or our affiliates during both the 60-day period before you requested our consent and the period between your request and the effective date of the transfer;

(3) you provide us executed versions of any documents executed by you (or your owners) and transferee (and its owners) to effect the transfer, and all other information we request about the proposed transfer, and such transfer meets all of our requirements, including terms, closing date, purchase price, amount of debt and payment terms, and we have determined that the purchase price and payment terms of the transfer will not adversely affect the transferee's fulfillment of your Development Rights;

(4) you (and your owners) and the transferee (and its owners) sign all of the documents we are then requiring in connection with a transfer, in a form satisfactory to us, including: (i) a release of any and all claims (except for claims which cannot be released or waived pursuant to an applicable franchise law statute) against us and our affiliates and our and their owners, officers, directors, employees, and agents, and (ii) covenants that you and your transferring owners agree to satisfy all post-termination obligations under this Agreement;

(5) if the transfer is of this Agreement or your Development Rights, you have satisfied all of the conditions to transfer all Franchise Agreements that you have executed in connection with this Agreement (and you understand that you may not transfer this Agreement or your Development Rights, without concurrently transferring all associated Franchise Agreements executed pursuant to the terms hereof, and the operations of any associated Milksha Tea Shops);

(6) if the transfer is of this Agreement or your Development Rights, the transferee must sign our then-current form of area development agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement; provided, that the term of the new area development agreement signed will equal the remainder of the then-remaining Term and Development Schedule;

(7) you pay us a transfer fee in the amount of \$10,000; provided, that no transfer fee is due for the transfer from a deceased owner to such owner's surviving spouse, provided that such transfer is otherwise subject to the terms and conditions of this Section 4 (provided further, that you reimburse us for any direct costs we incur in connection with documenting and otherwise processing such transfer, including reasonable legal fees); and

(8) you provide us the evidence we request to show that appropriate measures have been taken to effect the transfer as it relates to the fulfillment of your Development Rights, including, transferring all necessary business licenses, and material agreements, or obtaining new business licenses and material agreements.

We may review all information regarding your Development Rights that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding your Development Rights.

Our approval of a transfer of ownership interests in you as a result of the death or incapacity of the proposed transferor will not be unreasonably withheld or delayed so long as at least one of the Managing Owner designated on **Exhibit A** continues to be the Managing Owner. If, as a result of the

death or incapacity of the transferor, a transfer is proposed to be made to the transferor's spouse, and if we do not approve the transfer, the trustee or administrator of the transferor's estate will have nine months after our refusal to consent to the transfer to the transferor's spouse within which to transfer the transferor's interests to another party whom we approve in accordance with this Section.

D. TRANSFER TO A WHOLLY-OWNED ENTITY.

If you do not originally sign this Agreement as an Entity, you may transfer this Agreement to an Entity; provided, that: (i) such Entity conducts no business other than the fulfillment of your Development Rights and the operation of Milksha Tea Shops, (ii) you maintain management control of such Entity, (iii) you own and control 100% of the economic interests, equity and voting power of all issued and outstanding ownership interests in such Entity, (iv) you satisfy all conditions applicable to a transfer described in Section 4.C, except that we will not require payment of a transfer fee as described in Section 4.C(7) (provided, that you reimburse us for any direct costs we incur in connection with documenting and otherwise processing such transfer, including reasonable legal fees) and our right of first refusal under Section 4.E will not apply; and (v) that Entity must expressly assume all of your obligations under this Agreement. You agree to remain personally liable under this Agreement as if the transfer to the Entity did not occur, including by signing a personal guaranty of the obligations of such entity. You must also sign the form of consent to assignment and assignment satisfactory to us which may include a release of any and all claims (except for claims which cannot be released or waived pursuant to an applicable franchise law statute) against us and our affiliates, and our and their owners, officers, directors, employees and agents.

E. OUR RIGHT OF FIRST REFUSAL.

If you or any of your owners wish to conduct a transfer described under Sections 4.B above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in you or in this Agreement and your Development Rights. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to 5% or more of the offering price. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

We may elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that: (1) we notify you or your selling owner(s) that we intend to purchase the interest within 60 days after we receive a copy of the offer and all other information we request; (2) we may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately-held entity); (3) we or our designee will be offered the same terms for any promissory notes or other deferred payments as those offered by the proposed buyer; (4) we will have an additional 90 days to prepare for closing after notifying you of our election to purchase; and (b) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in any legal business entity.

We have the unrestricted right to assign any or all of this right of first refusal to a third party, who then will have the rights described in this Section.

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with Sections 4.B, and if you and your owners and the transferee comply with the conditions in Sections 4.B.

If you do not complete the sale to the proposed buyer within 60 days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal on the same terms as described above.

5. **TERMINATION OF AGREEMENT.**

A. **BY YOU.**

If you and your owners are fully complying with this Agreement and we materially fail to comply with Agreement and do not correct the failure within 30 days after you deliver written notice of the material failure to us or if we cannot correct the failure within 30 days and we fail to give you within 30 days after your notice reasonable evidence of our effort to correct the failure within a reasonable time, you may terminate this Agreement effective an additional 30 days after you deliver to us written notice of termination. Your termination of this Agreement other than according to this Section 5.A will be deemed a termination without cause and a breach of this Agreement.

B. **BY US.**

We may terminate this Agreement, effective upon delivery of written notice to you, if:

- (1) you (or any of your owners) have made or make any material misrepresentation or omission in acquiring your Development Rights;
- (1) you fail to comply with the Development Schedule;
- (2) you abandon your Development Rights, which may include that you (i) cease or threaten to cease exercising the Development Rights granted to you under this Agreement, or (ii) fail to make progress towards your Development Schedule such that we determine, in our discretion, that satisfaction of your Development Schedule is impossible or improbable;
- (3) you (or any of your owners) are or have been convicted of or have pleaded no contest or guilty to a felony;
- (4) you (or any of your owners) violate any of the covenants made in Section 3 of this Agreement;
- (5) you (or any of your owners) make or attempt to make an unauthorized transfer under Section 4;
- (6) you violate any law, ordinance, rule or regulation of a governmental agency in connection with the fulfillment of your Development Rights, and fail to correct such violation within 72 hours after you receive notice from us or any other party;

(7) you fail to pay us or our affiliates any amounts due and do not correct the failure within 10 days after written notice of that failure has been delivered;

(8) you (or any of your owners) (a) fail on three or more separate occasions within any 12 consecutive month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you; or (b) fail on two or more separate occasions within any 6 consecutive month period to comply with the same obligation under this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you;

(9) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; your business assets are attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within 30 days; or any order appointing a receiver, trustee, or liquidator of you or your business assets is not vacated within 30 days following the order's entry;

(10) you (or any of your owners) file a petition in bankruptcy or a petition in bankruptcy is filed against you;

(11) you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard, and do not correct the failure within 30 days after we deliver written notice of the failure to you; or

(12) you or an affiliate fails to comply with any other agreement with us or our affiliate and do not correct such failure within the applicable cure period, if any.

C. OBLIGATIONS UPON TERMINATION OR EXPIRATION.

Upon termination or expiration of this Agreement you and your owners must immediately: (a) cease conducting the business granted hereunder or holding yourself out to the public as being a developer of Milksha Tea Shops except as permitted under Franchise Agreements; (b) return to us or destroy (as we require) any and all Confidential Information (other than as used by you in connection with the operation of any Milksha Tea Shop under a Franchise Agreement with us); (c) comply with all other standards we establish from time to time (and all applicable laws) in connection with the wind-down of your business contemplated by this Agreement; and (d) without limiting any other rights or remedies to which we may be entitled, you must pay all amounts owing to us pursuant to this Agreement up to the date of termination.

D. POST-TERM COVENANT NOT TO COMPETE.

For 2 years beginning on the date of termination or expiration of this Agreement, you agree not to (and to use your best efforts to cause your current and former owners, officers, directors, agents, employees, representatives, attorneys, spouses, affiliates, successors and assigns not to): (1) have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise) in a Competitive Business, or (2) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, if such Competitive Business located or operating (a) within the Development Area, or (b) within a 5-mile radius of any other Milksha Tea Shop.

If any person restricted by this Section fails to comply with these obligations as of the date of termination or expiration, the two-year restricted period for that person will commence on the date the person begins to comply with this Section, which may be the date a court order is entered enforcing this provision. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Section will not deprive you of your personal goodwill or ability to earn a living. The restrictions in this Section will also apply after any transfer, to the transferor and its owners, for a period of two years beginning on the effective date of the transfer, with the force and effect as though this Agreement had been terminated for such parties as of such date.

E. CONTINUING OBLIGATIONS.

All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire, including all obligations relating to non-disparagement, non-competition, non-interference, confidentiality, and indemnification.

6. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.

A. INDEPENDENT CONTRACTORS.

This Agreement does not create a fiduciary relationship between you and us, that you and us are and will be independent contractors, and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself conspicuously in all dealings with customers, vendors, public officials, your personnel, and others the holder of Development Rights under a franchise we have granted and to place notices of independent ownership on the forms, business cards, stationery, advertising, and other materials we require from time to time. You also acknowledge that you will have a contractual relationship only with us and may look only to us to perform under this Agreement, and not our affiliates, designees, officers, directors, employees, or other representatives or agents.

B. NO LIABILITY TO OR FOR ACTS OF OTHER PARTY.

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchise owner. We will not be obligated for any damages to any person or property directly or indirectly arising out of the exercise of your Development Rights or the business you conduct under this Agreement. We will have no liability for your obligations to pay any third parties, including any product Vendors.

C. INDEMNIFICATION.

You agree to indemnify, defend, and hold harmless us, our affiliates, and each of our and their respective owners, directors, managers, officers, employees, agents, successors, and assignees (the "**Indemnified Parties**") against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of your Development Rights, the business you conduct under this Agreement, or your breach of this Agreement, including those alleged to be caused by the Indemnified Party's negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by the Indemnified Party's intentional misconduct in a final, unappealable ruling issued by a court with competent jurisdiction or arbitrator.

For purposes of this indemnification, “**claims**” include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including reasonable accountants’, arbitrators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this subparagraph. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section. We may periodically demand that you advance funds to us to pay for any claims that we determine are indemnifiable under this Section, and you will advance such funds promptly upon our demand; provided, however, that if (and only to the limited extent that) any such claim is ultimately determined not to be indemnifiable under this Section in a final, unappealable ruling issued by a court with competent jurisdiction or arbitrator, we will reimburse any portion of such funds that are attributable to such non-indemnifiable claims.

7. **ENFORCEMENT.**

A. **SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.**

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, arbitrator, agency, or other tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant’s validity.

If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement’s termination or of our refusal to enter into a successor agreement, or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

B. WAIVER OF OBLIGATIONS.

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of 10 days' prior written notice.

We and you will not waive or impair any right, power, or option this Agreement reserves (including our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before the Term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Milksha Tea Shops; the existence of area development agreements for other Milksha Tea Shops which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

The following provision applies if you or the franchise granted hereby are subject to the franchise registration or disclosure laws in Michigan, South Dakota, or Wisconsin: 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.

C. COSTS AND ATTORNEYS' FEES.

The prevailing party in any judicial or arbitration proceeding shall be entitled to recover from the other party all damages, costs and expenses, including arbitration and court costs and reasonable attorneys' fees, incurred by the prevailing party in connection with such proceeding.

D. YOU MAY NOT WITHHOLD PAYMENTS DUE TO US.

You may not withhold payment of any amounts owed to us on the grounds of our alleged nonperformance of any of our obligations under this Agreement or for any other reason, and you specifically waive any right you may have at law or in equity to offset any funds you may owe us or to fail or refuse to perform any of your obligations under this Agreement.

E. RIGHTS ARE CUMULATIVE.

Our rights under this Agreement are cumulative, and our exercise or enforcement of any right or remedy under this Agreement will not preclude our exercise or enforcement of any other right or remedy which we are entitled by law to enforce.

F. **ARBITRATION.**

We and you agree that all controversies, disputes, or claims between us or any of our affiliates, and our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to: (1) this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates); (2) our relationship with you; (3) the scope or validity of this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section, which we and you acknowledge is to be determined by an arbitrator, not a court); or (4) any System Standard, must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association (the “AAA”). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA’s then-current Commercial Arbitration Rules. All proceedings will be conducted at a suitable location chosen by the arbitrator in Delaware. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator's awards may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her awards any relief which he or she deems proper, including money damages, pre- and post-award interest, interim costs and attorneys’ fees, specific performance, and injunctive relief, provided that the arbitrator may not declare any of the trademarks owned by us or our affiliates generic or otherwise invalid, or award any punitive or exemplary damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive or exemplary damages against any party to the arbitration proceeding). In any arbitration brought pursuant to this arbitration provision, and in any action in which a party seeks to enforce compliance with this arbitration provision, the prevailing party shall be awarded its cost and expenses, including attorneys’ fees, incurred in connection therewith.

We and you agree to be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us.

WE AND YOU AGREE THAT ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT AN ARBITRATION PROCEEDING BETWEEN US AND ANY OF OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU (OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES), ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING, (III) JOINED WITH ANY SEPARATE CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that

such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

We and you agree that, in any arbitration arising as described in this Section, the arbitrator shall have full authority to manage any necessary exchange of information among the parties with a view to achieving an efficient and economical resolution of the dispute. The parties may only serve reasonable requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case's outcome. The document requests shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain, and shall not include broad phraseology such as "all documents directly or indirectly related to." You and we further agree that no interrogatories or requests to admit shall be propounded, unless the parties later mutually agree to their use.

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

Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

G. GOVERNING LAW.

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.*), or other United States federal law, this Agreement, your Development Rights, and all claims arising from the relationship between us or any of our affiliates, and you and your owners and affiliates, will be governed by the laws of the State of Delaware, without regard to its conflict of laws rules, except that (1) any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section, and (2) the enforceability of those provisions of this Agreement which relate to restrictions on you and your owners' competitive activities will be governed by the laws of the state in which your Development Area is located.

H. CONSENT TO JURISDICTION.

Subject to the obligation to arbitrate under Section 7.F above and the provisions below, you and your owners agree that all actions arising under this Agreement or otherwise as a result of the relationship between you and us must be commenced in a court in Delaware, and you (and each owner) irrevocably submit to the jurisdiction of that court and waive any objection you (or the owner) might have to either the jurisdiction of or venue in that court.

I. WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.

Except for your obligation to indemnify us for third party claims under Section 6.C, we and you (and your owners) waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us and you, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and you irrevocably waive trial by jury in any proceeding brought by either of us.

J. INJUNCTIVE RELIEF.

Nothing in this Agreement, including the provisions of Section 7.F, bars our right to obtain specific performance of the provisions of this Agreement and injunctive relief against any threatened or actual conduct that will cause us, our affiliates, or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and temporary or preliminary injunctions. You agree that we may seek such relief from any court of competent jurisdiction in addition to such further or other relief as may be available to us at law or in equity. You agree that we will not be required to post a bond to obtain injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

K. BINDING EFFECT.

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Manual and System Standards, this Agreement may not be modified except by a written agreement signed by our and your duly-authorized officers.

L. LIMITATIONS OF CLAIMS.

ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED IN ACCORDANCE WITH THIS AGREEMENT WITHIN ONE YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS. The parties understand that such time limit might be shorter than otherwise allowed by law. You and your owners agree that your and their sole recourse for claims arising between the parties shall be against us or our successors and assigns. You and your owners agree that our and our affiliates' members, managers, shareholders, directors, officers, employees, and agents shall not be personally liable nor named as a party in any action between us or our affiliates and you or your owners.

WE AND YOU AGREE THAT ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT ANY PROCEEDING BETWEEN US AND ANY OF OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES, ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER PROCEEDING, (III) JOINED WITH ANY CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT.

No previous course of dealing shall be admissible to explain, modify, or contradict the terms of this Agreement. No implied covenant of good faith and fair dealing shall be used to alter the express terms of this Agreement.

M. AGREEMENT EFFECTIVENESS.

This Agreement shall not be effective until accepted by us as evidenced by dating and signing by an officer or other duly authorized representative of ours. Notwithstanding that this Agreement shall not be effective until signed by us, we reserve the right to make the effective date of this Agreement the date on which you signed the Agreement.

N. CONSTRUCTION.

The preambles and exhibits are a part of this Agreement, which together with this Agreement constitute our and your entire agreement, and there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or your Development Rights (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnish to you. Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us.

Except as provided in this Agreement, including Section 6.C and those provisions expressly benefiting our affiliates, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions that require our approval. The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

References in this Agreement to: (i) “we,” “us,” and “our,” with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal; (ii) “affiliate” of any person means any other person that is directly or indirectly owned or controlled by, under common control with, or owning or controlling such person; (iii) “control” of any person means the ownership interest of greater than 50% of the outstanding ownership interests of any entity, and/or the power to direct or cause the direction of management and policies; (iv) “ownership interest” means any direct or indirect title, ownership and/or beneficial interest in the equity, voting rights, or economic interest in any Entity; (v) “owner” means any person that holds any ownership interest in an Entity; (vi) “person” means any natural person, Entity, unincorporated association, cooperative, or other legal or functional organization or entity; (vii) unless otherwise specified, “days” means calendar days and not business days; and (viii) “your Development Rights” includes all of the assets of the business that you operate under this Agreement. The use of the term “including” in this Agreement, means in each case “including, without limitation.” All amounts payable by you or your owners to us or our affiliates must be in United States Dollars (\$USD), or, at our option and on 30 days’ notice to you, in another currency designated by us using the conversion rate we approve. All payments you make must be grossed-up for any withholding you are required by applicable law to make.

If two or more persons are at any time the owners of your Development Rights, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several.

O. **LAWFUL ATTORNEY.**

Notwithstanding anything otherwise contained in this Agreement, if you do not execute and deliver any documents or other assurances so required of you pursuant to this Agreement or if we take over the management or operation of the business operated hereunder on your behalf for any reason, you hereby irrevocably appoint us as your lawful attorney with full power and authority, to execute and deliver in your name any such documents and assurances, and to manage or operate the business on your behalf, and to do all other acts and things, all in such discretion as we may desire, and you hereby agree to ratify and confirm all of our acts as your lawful attorney and to indemnify and save us harmless from all claims, liabilities, losses, or damages suffered in so doing. You also hereby appoint us as your attorney-in-fact to receive and inspect your sales and other tax records and hereby authorize all tax authorities to provide such information to us for all tax periods during the Term.

8. **NOTICES AND PAYMENTS.**

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Manual will be deemed to be delivered on the earlier of the date of actual delivery or one of the following: (i) at the time delivered by hand, (ii) at the time delivered via computer transmission and, in the case of the amounts due, at the time we actually receive electronic payment, (iii) 1 business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery, or (iv) 3 business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid. Any notice must be sent to the party to be notified at its most current principal business address of which the notifying party has notice; except that, it will always be deemed acceptable to send notice to you at the address of any Milksha Tea Shop that you operate.

9. **PROHIBITED PARTIES.**

You hereby represent and warrant to us, as an express consideration for the franchise granted hereby, that neither you nor any of your employees, agents, or representatives, nor any other person or entity associated with you, is now, or has been:

1. Listed on: (a) the U.S. Treasury Department's List of Specially Designated Nationals, (b) the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders, (c) the U.S. State Department's Debarred List or Nonproliferation Sanctions, or (d) the Annex to U.S. Executive Order 13224.
2. A person or entity who assists, sponsors, or supports terrorists or acts of terrorism, or is owned or controlled by terrorists or sponsors of terrorism.

You further represent and warrant to us that you are now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by you to us or our affiliates are and will be legally obtained in compliance with these laws. You agree not to, and to cause all employees, agents, representatives, and any other person or entity associated with you not to, during the Term, take any action or refrain from taking any action that would cause such person or entity to become a target of any such laws and regulations.

10. **COUNTERPARTS.**

This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Faxed, scanned or electronic signatures shall have the same effect and validity, and may be relied upon in the same manner, as original signatures.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

MILKSHOP JAPAN, INC., a Japanese corporation

By: _____
Name: _____
Title: _____
Date: _____
(The Effective Date)

DEVELOPER:

[Name]
By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT A
TO THE AREA DEVELOPMENT AGREEMENT
DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE

The **Development Area** is: _____

The **Development Schedule** is as follows:

Development Period	Tea Shops Opened During Development Period	Tea Shops Operating by End of Development Period
_____ to _____	_____	_____
_____ to _____	_____	_____
_____ to _____	_____	_____
_____ to _____	_____	_____
_____ to _____	_____	_____

MILKSHOP JAPAN, INC., a Japanese corporation

DEVELOPER:

By: _____
 Name: _____
 Title: _____

 [Name]
 By: _____
 Name: _____
 Title: _____

EXHIBIT B

TO AREA DEVELOPMENT AGREEMENT

ENTITY INFORMATION

1. **Form.** You operate as a(n): ___ individual/sole proprietorship, ___ corporation, ___ limited liability company, or ___ partnership (CHECK ONE).

2. **Formation:** You were formed on _____ (DATE), under the laws of the State of _____ (JURISDICTION).

3. **Management:** The following is a list of your directors, officers, managers or anyone else with a management position or title:

<u>Name of Individual</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____

4. **Owners.** The following list includes the full name of each individual who is one of your owners, or an owner of one of your owners, and fully describes the nature of each owner’s interest (attach additional pages if necessary):

<u>Owner’s Name</u>	<u>Percentage/Description of Interest</u>
_____	_____
_____	_____
_____	_____

5. **Managing Owner:** _____

MILKSHOP JAPAN, INC., a Japanese corporation

By: _____
Name: _____
Title: _____

DEVELOPER:

[Name]
By: _____
Name: _____
Title: _____

EXHIBIT C

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given by each of the undersigned persons indicated below who have executed this Guaranty (each a “**Guarantor**”) to be effective as of the Effective Date of the Agreement (defined below).

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement (the “**Agreement**”) on this date by **Milkshop Japan, Inc.** (“**us,**” “**we,**” or “**our**”), each Guarantor personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement and afterward as provided in the Agreement, that _____ (“**Area Developer**”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the 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 the non-competition, confidentiality, and transfer requirements.

Each Guarantor consents and agrees that: (1) Guarantor’s direct and immediate liability under this Guaranty will be joint and several, both with Area Developer and among other guarantors; (2) Guarantor will render any payment or performance required under the Agreement upon demand if Area Developer fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Area Developer or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we may from time to time grant to Area Developer or to any other person, including the acceptance of any partial payment or performance or the compromise or release of any claims, or any amendment, waiver or restatement to any terms of the Agreement, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement; and (5) at our request, each Guarantor shall present updated financial information to us as reasonably necessary to demonstrate such Guarantor’s ability to satisfy the financial obligations of Area Developer under the Agreement.

Each Guarantor waives: (i) all rights to payments and claims for reimbursement or subrogation which any Guarantor may have against Area Developer arising as a result of the Guarantor’s execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by us of Guarantor’s undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

Each Guarantor represents and warrants that, if no signature appears below for such Guarantor’s spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

The provisions contained in Section 7 (Enforcement) of the Agreement, including Section 7.F (Arbitration), Section 7.H (Consent to Jurisdiction) and Section 7.C (Costs and Attorneys’ Fees) of the Agreement are incorporated into this Guaranty by reference and shall govern this Guaranty and any

disputes between the Guarantors and us. The Guarantors shall reimburse us for all costs and expenses we incur in connection with enforcing the terms of this Guaranty.

By signing below, the undersigned spouse of each Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty. We confirm that a spouse who signs this Guaranty solely in his or her capacity as a spouse (and not as an owner) is signing merely to acknowledge and consent to the execution of the Guaranty by his or her spouse and to bind the assets of the marital estate as described therein and for no other purpose (including to bind the spouse's own separate property).

Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if Area Developer (or any of its affiliates) is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such Guarantor (or on such Guarantor's account) to its owners, accountholders or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law.

This Guaranty is binding upon each Guarantor and its respective executors, administrators, heirs, beneficiaries, and successors in interest.

[Signature page to follow]

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as this Guaranty and Assumption of Obligations was executed.

GUARANTOR(S)	SPOUSE(S)
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____

EXHIBIT B-3

SAMPLE SUPPLY AND PURCHASE AGREEMENT

Supply and Purchase Agreement

Unless the context requires otherwise, words, phrases and terms used in this Supply and Purchase Agreement ("Agreement") as well as commercial provisions referred to therein shall have the meanings ascribed to them below:

Date of this Agreement:	
COMMISSARY Business Address: Authorized Representative:	Yaxiang Enterprise Co., Ltd. Rm. 6, 7 F., No. 271, Sec. 4, Ximen Rd., North Dist., Tainan City 70465, Taiwan
FRANCHISEE Business Address: Authorized Representative:	[NAME OF FRANCHISEE ENTITY]
FRANCHISED BUSINESS: Franchised Shop Address: Franchise Agreement:	Dated _____ with Milkshop Japan Inc.

All terms not defined herein shall have the definitions in the Franchise Agreement identified above. The parties to this Agreement will be bound by the terms and conditions attached.

[The remainder of this page is intentionally left blank.]

TERMS AND CONDITIONS - SUPPLY AND PURCHASE AGREEMENT

FRANCHISEE has entered into a Franchise Agreement identified on the first page ("Franchise Agreement") which with the party indicated as Franchisor ("Franchisor"), which gives Franchisor the right to require FRANCHISEE to, among others, purchase raw materials, food products, ingredients, packaging requirements, supplies and such other items as may be necessary for the operation of the Outlet (the "Supplies") from COMMISSARY, or such representative designated by Franchisor. Franchisor has designated COMMISSARY as the exclusive supplier of certain Supplies, and may designate COMMISSARY as the exclusive or an approved supplier of additional Supplies in the future, and COMMISSARY will provide and deliver the Supplies and Equipment under the terms and conditions of this Agreement.

NOW THEREFORE, the Parties agree as follows:

1. Term: This Agreement shall have a term coterminous with the Franchise Agreement unless sooner terminated as provided herein. Terms and conditions not defined herein shall have the meanings ascribed thereto in the Franchise Agreement.
2. Exclusivity: COMMISSARY will be the exclusive supplier of all Supplies ordered by FRANCHISEE pursuant to this Agreement. FRANCHISEE may not purchase such Supplies from any other source.
3. Purchase of Supplies: FRANCHISEE shall furnish COMMISSARY with orders for Supplies on a weekly basis using the ordering process then-required by COMMISSARY. COMMISSARY may periodically change the method of ordering Supplies, including requiring orders to be submitted electronically. COMMISSARY does not guarantee the availability of Supplies for FRANCHISEE to order.
4. Delivery and Receipt:
 - a. Delivery of Supplies shall be made by COMMISSARY or its designated carrier. COMMISSARY will determine the method and carrier for shipments of all Supplies, in its sole discretion, including making partial shipments of Supplies. Any quoted time for delivery is an estimate only and will be subject to import and shipping limitations. All deliveries of Supplies will be made to the Store location indicated in the Franchise Agreement, or an alternative site approved by Franchisor.
 - b. Each delivery shall be supported by such documents as may be required by COMMISSARY, and must be duly received by FRANCHISEE or authorized representative.
 - c. If FRANCHISEE inspects the delivered Supplies and identifies any Supplies that are missing from a shipment and/or damaged, FRANCHISEE must notify COMMISSARY within two (2) business days of receipt of the delivery and provide supporting documentation. FRANCHISEE'S only remedy for undelivered or damaged Supplies is replacement of such Supplies or refund by COMMISSARY for the amount paid for such Supplies, at COMMISSARY'S election. FRANCHISEE has no other right to a refund for any Supplies and/or any right to return any Supplies.
 - d. Title and risk of loss will pass to FRANCHISEE upon tender to the designated carrier by COMMISSARY, or upon delivery by COMMISSARY to FRANCHISEE, whichever is applicable.
5. Price and Payment:
 - a. FRANCHISEE must purchase all Supplies at COMMISSARY'S then-current pricing, specified at the time such Supplies are ordered. All fees under this Agreement shall be inclusive of all costs, expenses, charges, and fees, including but not limited to freight cost, delivery charges, merchandising materials related to the Supplies or Equipment.
 - b. FRANCHISEE must pay for all taxes with respect to the manufacture, sale, shipment, or use of any Supplies (other than taxes on the income of COMMISSARY).
 - c. COMMISSARY may require FRANCHISEE to make pay as invoiced, or by any other means permitted for payments under the Franchise Agreement.

- d. The invoicing of Supplies delivered to the FRANCHISEE may be made by, and/or payments therefor received through, a third party designated by the COMMISSARY who shall be deemed an agent of the COMMISSARY for that purpose. Such invoice shall enumerate the cost of all deliveries made to, and received by, FRANCHISEE. The invoice may be furnished to the FRANCHISEE through any means available including but not limited to electronic mail, facsimile, or personal delivery. FRANCHISEE shall pay all amounts due on the date/s specified in the invoice.
 - e. In the event of default in the payment by FRANCHISEE of any amount due in this Agreement, FRANCHISEE shall be liable for interest at the penalty rate specified in the Franchise Agreement until the full amount (principal plus interest) is fully settled. COMMISSARY may discontinue delivery of Supplies and issue a "Stop Delivery Order" without prior notice to the FRANCHISEE upon any default of this Agreement or the Franchise Agreement. The Stop Delivery Order shall subsist until all defaults by FRANCHISEE under this Agreement or under the Franchise Agreement are cured.
 - f. If at any time COMMISSARY determines that FRANCHISEE does not satisfy COMMISSARY'S standards for financial condition or creditworthiness, or any payment default exists under this Agreement or any Franchise Agreement COMMISSARY may also require FRANCHISEE to: (i) obtain a commissary bond, letter of credit, or similar instrument in such amount as COMMISSARY deems just and appropriate; (ii) make payments for Supplies in advance of shipment; (iii) cancel or reject any previously submitted order for Supplies; (iv) terminate this Agreement, or (v) impose a higher or additional security deposit than contemplated in Section 6 below.
 - g. All provisions under the Franchise Agreement relating to currency, conversion rates, and withholding will apply to amounts payable under this Agreement.
6. Security Deposit: FRANCHISEE must pay COMMISSARY a security deposit in the amount of Fifty Thousand Dollars and 00/100 (\$50,000) at the time of signing this Agreement (the "Security Deposit"). COMMISSARY may apply the Security Deposit to any amounts that FRANCHISEE owes COMMISSARY or its affiliates, of any kind, which remain unpaid as of the applicable due date, including under the Franchise Agreement. If COMMISSARY applies any portion of the Security Deposit to any amounts FRANCHISEE owes COMMISSARY or its affiliates, FRANCHISEE must replenish the balance of the Security Deposit within 10 business days, such that the Security Deposit we hold is at not less than Fifty Thousand Dollars and 00/100 (\$50,000). The outstanding balance of the Security Deposit, after any applicable deductions for amounts outstanding to COMMISSARY or its affiliates, will be returned to FRANCHISEE within 15 business days of the date that this Agreement expires or is terminated. Unless otherwise required by applicable law, the Security Deposit will bear no interest.
7. Use of Supplies: FRANCHISEE shall not: (i) make any representations, warranties, guarantees, indemnities, similar claims, or other commitments about any Supplies that are on behalf of COMMISSARY or that are in addition to or inconsistent with written documentation provided by COMMISSARY; (ii) engage in any unfair, competitive, misleading, or deceptive practices respecting COMMISSARY or the Supplies, including any product disparagement; (iii) sell or use such Supplies for any purpose other than operation of a Milksha Store in compliance with the Franchise Agreement with Franchisor; or (iv) offer, sell, ship or deliver any Supplies to any person or any location, other than the sale of finished menu products to customers in the ordinary course of business of a Milksha Store operating pursuant to a Franchise Agreement with Franchisor.
8. Product Warranty. COMMISSARY offers no representation or warranty of any kind or nature, whether explicitly or implied, oral or written, to FRANCHISEE relating to the Suppliers, other than the representation that all Supplies will conform to the specifications selected by FRANCHISEE when ordered, in all material respects (provided, that for non-conforming Supplies, the sole remedy for breach of the foregoing representation and warranty is replacement or refund, as designated under Section 4.c). Any modifications, misuse, negligence, improper storage or handling, or other conditions or actions by FRANCHISEE or its representatives affecting the Supplies will invalidate all warranty on Supplies.

9. Intellectual Property: FRANCHISEE acknowledges that as between FRANCHISEE and COMMISSARY, COMMISSARY will retain all intellectual property rights of any kind or nature used to create, embodied in, used in, or otherwise relating to the Supplies or any of their component parts, and that all such intellectual property rights are the sole and exclusive property of COMMISSARY. FRANCHISEE agrees not to interfere with, challenge, make any claim for, or take any action against COMMISSARY'S intellectual property rights, or otherwise take action that would negatively impact the goodwill associated with the intellectual property rights of COMMISSARY.
10. Limitation Liability:
- a. EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN SECTION 8, (A) NEITHER COMMISSARY NOR ANY PERSON ON COMMISSARY'S BEHALF HAS MADE OR MAKES ANY EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY WHATSOEVER, EITHER ORAL OR WRITTEN, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, NON-INFRINGEMENT, PERFORMANCE, OR STANDARDS SPECIFIC TO THE COUNTRY OF IMPORT, WHETHER ARISING BY LAW, COURSE OF DEALING, COURSE OF PERFORMANCE, USAGE OF TRADE OR OTHERWISE, ALL OF WHICH ARE EXPRESSLY DISCLAIMED, AND (B) FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RELIED UPON ANY REPRESENTATION OR WARRANTY MADE BY COMMISSARY, OR ANY OTHER PERSON ON COMMISSARY'S BEHALF, EXCEPT AS SPECIFICALLY PROVIDED IN SECTION 8 OF THIS AGREEMENT.
 - b. EXCEPT FOR FRANCHISEE'S OBLIGATIONS TO MAKE PAYMENT UNDER THIS AGREEMENT, AND FRANCHISEE'S INDEMNIFICATION OBLIGATIONS, LIABILITY FOR BREACH OF CONFIDENTIALITY, OR LIABILITY FOR INFRINGEMENT OR MISAPPROPRIATION OF INTELLECTUAL PROPERTY RIGHTS: (A) IN NO EVENT SHALL EITHER PARTY OR THEIR REPRESENTATIVES OR AFFILIATES BE LIABLE FOR CONSEQUENTIAL, INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY, PUNITIVE OR ENHANCED DAMAGES, ARISING OUT OF OR RELATING TO ANY BREACH OF THIS AGREEMENT, AND (B) EACH PARTY'S AGGREGATE LIABILITY ARISING OUT OF OR RELATED TO THIS AGREEMENT WILL BE LIMITED TO THE TOTAL OF THE AMOUNT PAID TO COMMISSARY PURSUANT TO THIS AGREEMENT IN THE THREE-MONTH PERIOD PRECEDING THE EVENT GIVING RISE TO THE CLAIM OR \$50,000, WHICHEVER IS LESS.
 - c. FRANCHISEE acknowledges and agrees that its indemnification obligation under the Franchise Agreement will apply to COMMISSARY as an indemnified party for all third-party claims arising from Franchisee's purchase, use, or sale of Supplies, and/or otherwise arising from the matters described in this Agreement. Without limiting the foregoing, FRANCHISEE hereby agrees to indemnify and hold harmless COMMISSARY and its affiliates and its and their representatives from and against all claims, damages, losses, and expenses arising from any use or sale of Supplies by FRANCHISEE or its affiliates or its or their representatives, and/or any damage, harm, loss or injury caused by the actions or omissions of FRANCHISEE or its affiliates or its or their representatives of any kind, including any breach of the terms of this Agreement by FRANCHISEE.
11. Termination:
- a. In addition to its other rights hereunder, COMMISSARY may terminate this Agreement upon written notice if FRANCHISEE: (i) becomes insolvent or unable to pay its debts as they become due, (ii) files or has filed against it, a petition for voluntary or involuntary bankruptcy or otherwise becomes subject, voluntarily or involuntarily, to any proceeding under any domestic or foreign bankruptcy or insolvency law, or (iii) makes or seeks to make a general assignment for the benefit of its creditors.

- b. FRANCHISEE may not terminate this Agreement prior to the scheduled expiration date of the Franchise Agreement, except upon a material breach of this Agreement by COMMISSARY that remains uncured for more than 90 days.
- c. COMMISSARY may terminate this Agreement immediately upon written notice to FRANCHISEE if FRANCHISEE or any of its affiliates or owners breaches this Agreement, the Franchise Agreement, or any other agreement with COMMISSARY, FRANCHISOR, or their affiliates.
- d. COMMISSARY may terminate this Agreement at any time for convenience with 90 days prior written notice to FRANCHISEE.
- e. This Agreement will automatically terminate without further action by either party upon the termination or expiration of the Franchise Agreement.
- f. Any notice of termination under this Agreement automatically operates as a cancellation of any deliveries of Supplies that are scheduled to be made subsequent to the effective date of termination, whether or not any orders for such Supplies had been accepted by COMMISSARY. With respect to any Supplies that are still in transit, COMMISSARY may require, in its sole discretion, that all sales and deliveries of such Supplies be made on either a cash-only or certified-check basis.

12. Other Terms and Conditions:

- a. Upon COMMISSARY'S reasonable request, FRANCHISEE shall, at its sole cost and expense, execute and deliver all such further documents and instruments, and take all such further acts, necessary to give full effect to this Agreement.
- b. Other than FRANCHISEE'S payment and indemnification obligations, no Party shall be liable or responsible to the other Party, or be deemed to have defaulted under or breached this Agreement, for any failure or delay in fulfilling or performing any term of this Agreement, when and to the extent such failure or delay is caused by or results from acts beyond the impacted party's control, including by reason of acts of God, natural disaster, pandemic, government order or law, national or regional emergency, power outages or shortages, lack of warehouse or storage space, inadequate transportation services, or inability or delay in obtaining supplies of adequate or suitable materials.
- c. The relationship between COMMISSARY and FRANCHISEE is solely that of vendor and vendee, and they are independent contracting parties. Nothing in this Agreement creates any agency, joint venture, partnership, or other form of joint enterprise, employment, or fiduciary relationship between the Parties. Neither Party has any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other Party or to bind the other Party to any contract, agreement, or undertaking with any third party.
- d. For the avoidance of doubt, violation of this Agreement shall be considered a violation of the Franchise Agreement and vice versa.
- e. This Agreement and the terms hereof and all information about the availability, manufacture, distribution, pricing, or components of the Supplies and/or order and delivery thereof shall be kept strictly confidential by FRANCHISEE.
- f. Except for the terms and conditions in the Franchise Agreement that are incorporated herein by reference, and any order forms or similar materials required by COMMISSARY for order placement, this Agreement constitutes the sole and entire agreement of the Parties with respect to the subject matter contained herein and therein and supersedes all prior and contemporaneous understandings.
- g. This Agreement may not be transferred, assigned, or encumbered, and no rights hereunder may be delegated, directly or indirectly, without the prior written consent of COMMISSARY.
- h. ANY DISPUTE, CLAIM, OR PROCEEDING ARISING FROM THIS AGREEMENT SHALL BE SUBJECT TO THE DISPUTE RESOLUTION PROVISIONS OF THE FRANCHISE AGREEMENT, INCLUDING THE PROVISIONS RELATING TO THE ARBITRATION OF CLAIMS, GOVERNING LAW, CHOICE OF FORUM, WAIVER OF JURY, AND WAIVER OF CLASS ACTION. ANY CLAIM OR LOSS ARISING UNDER THIS AGREEMENT WILL REMAIN SUBJECT TO THE LIMITATIONS AND SURVIVAL PERIOD DESCRIBED IN THE FRANCHISE AGREEMENT.

- i. All provisions relating to notices, waiver, amendment, severability, and interpretation in the Franchise Agreement will apply to and govern the terms of this Agreement.
- j. This Agreement may be executed in counterparts and/or by electronic means.

[The remainder of this page is intentionally left blank. Signature pages follow.]

The Parties have executed this Agreement as of the date indicated above.

Yaxiang Enterprise Co., Ltd. - COMMISSARY

By:

Name:

Title:

The Parties have executed this Agreement as of the date indicated above.

FRANCHISEE

By:

Name:

Title:

EXHIBIT B-4

REPRESENTATIONS STATEMENT

REPRESENTATIONS STATEMENT

The purpose of this Statement is to demonstrate to MILKSHOP JAPAN INC. (“Franchisor”) that the person(s) signing below (“I,” “me” or “my”), whether acting individually or on behalf of any legal entity established to acquire the area development and/or franchise rights, (a) fully understands that the purchase of a Milksha Tea Shop franchise or area development rights is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any statements, representations, promises or assurances that are not specifically set forth in Franchisor’s Franchise Disclosure Document and Exhibits (collectively, the “FDD”) in deciding to purchase the franchise. In that regard, I represent to Franchisor and acknowledge that:

<p>I understand that buying a franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the franchise is subject to many variables such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the market place generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of Franchisor.</p>	<p>INITIAL:</p>
<p>I received a copy of the FDD at least 14 calendar days (10 business days in Michigan) before I executed a Franchise Agreement and/or the Area Development Agreement, or paid Franchisor or its affiliates any fees. I understand that all of my rights and responsibilities and those of Franchisor in connection with the franchise are set forth in these agreements and only in these agreements. I have had the opportunity to personally and carefully review these documents and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the franchise.</p>	<p>INITIAL:</p>
<p>Neither the Franchisor nor any of its affiliates, officers, employees or agents (including any franchise broker) has made a statement, promise or assurance to me concerning any matter related to the franchise (including those regarding advertising, marketing, training, support service or assistance provided by Franchisor) that is contrary to, or different from, the information contained in the FDD.</p>	<p>INITIAL:</p>
<p>My decision to purchase the franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the Franchisor or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the franchise.</p>	<p>INITIAL:</p>
<p>I have made my own independent determination that I have the capital necessary to fund the franchised business and my living expenses, particularly during the start-up phase.</p>	<p>INITIAL:</p>

PLEASE READ THE FOLLOWING QUESTION CAREFULLY. THEN SELECT YES OR NO AND PLACE YOUR INITIALS WHERE INDICATED.

INITIAL:

Have you received any information from the Franchisor or any of its affiliates, officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted sales, revenues, income, profits or earnings of the franchised business (including any statement, promise or assurance concerning the likelihood of success) other than information contained in the FDD?

Yes No (Initial Here: _____)

If you selected "Yes," please describe the information you received on the lines below:

DO NOT SIGN THIS QUESTIONNAIRE IF YOU ARE LOCATED, OR YOUR FRANCHISED BUSINESS WILL BE LOCATED IN: MICHIGAN, SOUTH DAKOTA, OR WISCONSIN.

[Signature page follows]

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

Entity Name

Sign: _____

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL):

Individual Name

Sign: _____

DATED: _____

EXHIBIT B-5

SAMPLE GENERAL RELEASE

MILKSHOP JAPAN, INC.

GENERAL RELEASE AGREEMENT

MILKSHOP JAPAN, INC. (“we,” “us,” or “our”) and _____
_____ (“you” or “your”) are currently are parties to a certain [franchise agreement or area
development agreement] (the “**Agreement**”) dated _____, 20____. You have
asked us to take the following action or to agree to the following request: _____

We have the right under the Agreement to obtain a general release from you and your owners as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you and your owners give us the release and covenant not to sue provided below in this document. You and your owners are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

You and your owners, jointly and severally, on behalf of themselves and their spouses and immediate family members, and each such foregoing person’s or entity’s respective affiliates, employees, owners, officers, directors, successors, assigns, spouses and immediate family members (the “**Releasing Parties**”) hereby fully and forever unconditionally release and discharge us and our current and former affiliates, parents, subsidiaries, franchisees, area developers, owners, agents, insurers and our and their respective affiliates, employees, officers, directors, successors, assigns, owners, guarantors and other representatives (the “**Franchisor Parties**”), of and from any and all claims, obligations, debts, proceedings, demands, causes of action, rights to terminate and rescind, liabilities, losses, damages, and rights of every kind and nature whatsoever, and known or unknown, suspected or unsuspected, whether at law or in equity, which any of them has, had, or may have against any of the Franchisor Parties, from the beginning of time to the date of this document (together, “**Claims**”), including any and all Claims in any way arising out of or relating to the Agreement or the relationship of the Releasing Parties with any of the Franchisor Parties. You and your owners, on your own behalf and the other Releasing Parties, further covenant not to sue any of the Franchisor Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this document on the date stated below.

MILKSHOP JAPAN, INC.
a Japanese Company limited by Shares

Sign: _____
Name: _____
Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

Entity Name

Sign: _____
Name: _____
Title: _____

DATED: _____

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL):

Individual Name

Sign: _____

DATED: _____

EXHIBIT C
TABLE OF CONTENTS TO MANUAL

Overseas Franchise Manual Catalog

➤ **Franchising**

1. Overseas regional authorization process.....2
2. Overseas agent-negotiation process..... 4
3. New Exhibition Country Project-Startup Process.....6

➤ **Marketing**

1. Brand Introduction..... 9
2. Overseas Marketing Team Introduction and Workflow.....11
3. New Product Launch Processes..... 13
4. Event and Promotion Guidelines..... 16
5. Product Merch Production Guidelines..... 18
6. Global Brand Activities.....20
7. Checklist for Product Launch.....23
8. DGT Presence Guidelines.....26
9. Headquarters Audit Standards and Agent Feedback..... 28
10. Resource Links.....30

➤ **Quality Control**

1. Matters needing attention..... 31
2. Preparatory work before opening..... 33
3. Executing projects in.....36
4. Confirmation work after.....39
5. store hygiene management..... 41

➤ **R&D**

1. Introduction of raw materials and equipment.....43
2. Preparation technology and ingredients of tea.....50
3. beverage mixing process..... 55
4. Initial interview test process..... 59
5. Annual new product launch process.....63

➤ **Operation Management**

1. Staff position..... 68
2. Store manager duties.....73
3. Revenue management.....79
4. Inventory management.....86
5. Scheduling..... 91
6. Dealing customer complaints.....95
7. Equipment.....99
8. Work safety..... 108

➤ **Logistics**

1. Cooperation Description.....111
2. Ordering process.....116
3. Goods acceptance/abnormal submission.....120



EXHIBIT D-1

LIST OF CURRENT FRANCHISEES

**FRANCHISED OUTLETS
AS OF DECEMBER 31, 2023**

None.

EXHIBIT D-2
LIST OF FRANCHISEES WHO HAVE
LEFT THE SYSTEM OR NOT COMMUNICATED

**FRANCHISEES WHO HAVE LEFT THE SYSTEM
DURING THE FISCAL YEAR ENDED DECEMBER 31, 2023**

None.

EXHIBIT E
FINANCIAL STATEMENTS

UNAUDITED FINANCIAL STATEMENTS

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements as of and for the Period Ended March 31,
2024

- 1 -

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands of New Taiwan Dollar ("NTD"), unless otherwise stated)

	Mar 31
	2024
ASSETS	
Current assets:	
Cash	\$ 279,804
Short-term investments	11,324
Restricted cash	1,006
Accounts receivable, net	110,483
Inventories	35,624
Prepaid expenses and other current assets	44,325
Total current assets	482,566
Non-current assets:	
Long-term investments	9,999
Property, plant and equipment, net	29,303
Operating lease right-of-use assets, net	40,561
Intangible assets, net	3,254
Deferred income tax	1,907
Other non-current assets	10,690
Total non-current assets	95,714
Total assets	\$ 578,280
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Accounts and notes payable	\$ 88,731
Accrued expenses and other current liabilities	34,170
Income tax payable	35,185
Current portion of operating lease liabilities	91
Current portion of deferred revenue	17,869
Other current liabilities	17,148
Total current liabilities	193,194
Non-current liabilities:	
Non-current portion of operating lease liabilities	41,595
Non-current portion of deferred revenue	23,788
Other long-term liabilities	43,134
Total non-current liabilities	108,517
Total liabilities	\$ 301,711
Commitments and contingencies	
Shareholders' equity:	
Common stock, NT\$10 par value per share, 4,000,000 shares authorized and issued	\$ 70,000
Retained earnings	
Legal reserve	1,864
Unappropriated earnings (accumulated deficit)	197,409
Subtotal	199,273
Other Equity	7,296
Total shareholders' equity of the Group	276,569
Non-controlling interests	-
Total shareholders' equity	276,569
Total liabilities and shareholders' equity	\$ 578,280

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME
(Amounts in thousands of NTD, unless otherwise stated)

	For The Three Months Ended of Mar 31
	2024
Net revenues	\$ 324,777
Costs and expenses	
Cost of revenues	(219,577)
General and administrative	(76,309)
Total costs and expenses	(295,886)
Income from operations	28,891
Other income (expense), net	491
Income before income taxes	29,382
Income tax expenses	(6,203)
Net income	23,179
Net income attributable to non-controlling interests	–
Net income attributable to the Group	23,179
Other comprehensive income (loss):	
Change in foreign currency translation adjustment	1,615
Other comprehensive income (loss) attributable to the group	1,615
Comprehensive income	24,794
Comprehensive income attributable to non-controlling interests	–
Comprehensive income attributable to the Group	\$ 24,794

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MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Amounts in thousands of New Taiwan Dollar ("NTD"), unless otherwise stated)

Items	Numbers of Common shares	Common shares	Stock dividends to be distribtued	Retaining Earnings		Other Equity	Total shareholders' equity of the Group	Non-controlling interests	Total shareholders' equity
				Legal reseve	Unappropriated earnings (accumulated deficit)				
Balance at December 31 2023	7,000,000	\$ 70,000		\$ 1,864	\$ 174,230	\$ 5,681	\$ 251,775	\$ -	\$ 251,775
Net income for the three months ended of Mar. 31, 2024					23,179		23,179	-	23,179
Foreign exchange difference						1,615	1,615	-	1,615
Balance at Mar 31 2024	7,000,000	\$ 70,000	\$ -	\$ 1,864	\$ 197,409	\$ 7,296	\$ 276,569	\$ -	\$ 276,569

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUTAN AUDIT. INVESTORS IN OR
SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS
AUDITED THESE FIGURES OR EXPRESSED HIS POINION WITH REGARD TO THEIR CONENTS OR
FORM.

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASHFLOW
(Amounts in thousands of NTD, unless otherwise stated)

	Mar 31
	2024
Cash flow from operating activities	
Net income	\$ 23,179
Adjustments for:	
Depreciation and amortization	7,274
Losses (gains) on disposal of property, plant and equipment	
Changes in operating assets and liabilities	
Accounts receivable	(13,408)
Inventories	(7,582)
Prepaid expenses and other current assets	(24,984)
Other non-current assets	(2,010)
Accounts and notes payable	14,554
Accrued expenses and other current liabilities	(619)
Contract liabilities	(13,378)
Other current liabilities	10,683
Tax Paid	6,353
Net cash provided by operating activities	62
 Cash flow from investing activities	
Investing activities	
Maturities and sales of short-term investments	16,338
Purchases of property and equipment	(7,525)
Net cash used in investing activities	8,813
 Cash flow from financing activities	
Payments of operating lease liabilities	(4,434)
Other	3,439
Net cash provided by (used in) financing activities	(995)
Effect of foreign exchange rate changes on cash and	1,615
Net increase (decrease) in cash and restricted cash	9,495
Cash and restricted cash at beginning of year	271,315
Cash and restricted cash at July 31 2023	\$ 280,810
 Reconciliation of cash and restricted cash to the consolidated balance sheets	
	Mar 31
	2024
Cash	\$ 279,804
Restricted cash	1,006
Total cash and restricted cash	\$ 280,810

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

AUDITED FINANCIAL STATEMENTS

**MILKSHOP INTERNATIONAL CO., LTD.
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023 AND 2022,
AND FOR THE YEARS ENDED
DECEMBER 31, 2023, 2022 AND 2021
WITH REPORT
OF INDEPENDENT AUDITORS**

Report of Independent Auditors

To the Shareholders and the Board of Directors of Milkshop International Co., Ltd.

Qualified Opinion

We have audited the consolidated financial statements of Milkshop International Co., Ltd. and subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and other comprehensive income, changes in equity and cash flows for the years ended December 31, 2023, 2022 and 2021, and the related notes (collectively referred to as the “financial statements”).

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years ended December 31, 2023, 2022 and 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

The financial statements of the subsidiary, Milkshop Japan Co., Ltd., were not audited by independent auditors. Those statements reflected total assets of NT\$4,116 thousand and NT\$2,508 thousand and total liabilities of NT\$60,333 thousand and NT\$54,655 thousand as of December 31, 2023 and 2022, respectively; and total comprehensive losses of NT\$4,070 thousand, NT\$5,727 thousand and NT\$36,504 thousand for the years ended December 31, 2023, 2022 and 2021, respectively.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Group 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 qualified audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of 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 judgment made by a reasonable user based on the 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 the Group's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group'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.

Ernst & Young

March 27, 2024

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands of New Taiwan Dollar (“NTD”), unless otherwise stated)

	Notes	December 31	
		2023	2022
ASSETS			
Current assets:			
Cash		\$ 270,309	\$ 230,311
Short-term investments	10	27,662	8,874
Restricted cash		1,006	1,001
Accounts receivable, net	5	97,075	98,423
Inventories		28,042	30,323
Prepaid expenses and other current assets		19,341	13,802
Total current assets		<u>443,435</u>	<u>382,734</u>
Non-current assets:			
Long-term investments	6	9,999	9,999
Property, plant and equipment, net		24,476	25,353
Operating lease right-of-use assets, net	7	43,077	44,490
Intangible assets, net		3,378	3,485
Deferred income tax		2,056	3,273
Other non-current assets		8,680	7,413
Total non-current assets		<u>91,666</u>	<u>94,013</u>
Total assets		<u>\$ 535,101</u>	<u>\$ 476,747</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts and notes payable		\$ 74,177	\$ 90,036
Accrued expenses and other current liabilities		34,789	27,712
Income tax payable	9	28,981	28,754
Current portion of operating lease liabilities	7	14,318	15,588
Current portion of deferred revenue	4	25,375	36,800
Other current liabilities		6,465	8,959
Total current liabilities		<u>184,105</u>	<u>207,849</u>
Non-current liabilities:			
Non-current portion of operating lease liabilities	7	29,866	29,328
Non-current portion of deferred revenue	4	29,660	21,913
Other long-term liabilities		39,695	24,712
Total non-current liabilities		<u>99,221</u>	<u>75,953</u>
Total liabilities		<u>\$ 283,326</u>	<u>\$ 283,802</u>
Commitments and contingencies	11		
Shareholders' equity:			
Common shares, NT\$10 par value per shares, 20,000,000 shares authorized and 7,000,000 share issued, and 4,000,000 shares authorized and issued, as of December 31, 2023 and 2022, respectively		\$ 70,000	\$ 40,000
Capital surplus		1,864	1,864
Retained earnings		174,230	146,723
Accumulated other comprehensive income		5,681	4,358
Total shareholders' equity		<u>251,775</u>	<u>192,945</u>
Total liabilities and shareholders' equity		<u>\$ 535,101</u>	<u>\$ 476,747</u>

The accompanying notes are an integral part of these consolidated financial statements

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME
(Amounts in thousands of NTD, unless otherwise stated)

	Notes	For Years Ended December 31		
		2023	2022	2021
Net revenues	4	\$ 1,189,497	\$ 1,105,450	\$ 911,989
Costs and expenses				
Cost of revenues	7	(815,399)	(774,314)	(650,169)
General and administrative	7	(271,156)	(225,673)	(194,507)
Total costs and expenses		<u>(1,086,555)</u>	<u>(999,987)</u>	<u>(844,676)</u>
Income from operations		102,942	105,463	67,313
Other income (expense), net	7	3,418	(13,262)	4,648
Income before income taxes		106,360	92,201	71,961
Income tax expenses	9	(22,254)	(26,188)	(16,589)
Net income		84,106	66,013	55,372
Net income attributable to non-controlling interests		–	–	(2,806)
Net income attributable to the Group		<u>84,106</u>	<u>66,013</u>	<u>52,566</u>
Other comprehensive income:				
Change in foreign currency translation adjustment		1,323	3,378	1,114
Other comprehensive income attributable to non-controlling interests		–	–	–
Other comprehensive income attributable to the Group		<u>1,323</u>	<u>3,378</u>	<u>1,114</u>
Comprehensive income		85,429	69,391	56,486
Comprehensive income attributable to non-controlling interests		–	–	(2,806)
Comprehensive income attributable to the Group		<u>\$ 85,429</u>	<u>\$ 69,391</u>	<u>\$ 53,680</u>

The accompanying notes are an integral part of these consolidated financial statements

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Amounts in thousands of NTD, unless otherwise stated)

	<u>Number of common shares</u>	<u>Common shares</u>	<u>Capital surplus</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Total shareholders' equity of the Group</u>	<u>Non-controlling interests</u>	<u>Total shareholders equity</u>
Balance at January 1, 2021	4,000,000	\$ 40,000	\$ 900	\$ 38,144	\$ (134)	\$ 78,910	\$ 10,681	\$ 89,591
Net income	–	–	–	52,566	–	52,566	2,806	55,372
Foreign exchange difference	–	–	–	–	1,114	1,114	–	1,114
Changes in non-controlling interests	–	–	964	–	–	964	(13,487)	(12,523)
Balance at December 31, 2021	4,000,000	40,000	1,864	90,710	980	133,554	–	133,554
Cash dividends	–	–	–	(10,000)	–	(10,000)	–	(10,000)
Net income	–	–	–	66,013	–	66,013	–	66,013
Foreign exchange difference	–	–	–	–	3,378	3,378	–	3,378
Balance at December 31, 2022	4,000,000	40,000	1,864	146,723	4,358	192,945	–	192,945
Cash dividends	–	–	–	(26,599)	–	(26,599)	–	(26,599)
Stock dividends	3,000,000	30,000	–	(30,000)	–	–	–	–
Net income	–	–	–	84,106	–	84,106	–	84,106
Foreign exchange difference	–	–	–	–	1,323	1,323	–	1,323
Balance at December 31, 2023	<u>7,000,000</u>	<u>\$ 70,000</u>	<u>\$ 1,864</u>	<u>\$ 174,230</u>	<u>\$ 5,681</u>	<u>\$ 251,775</u>	<u>\$ –</u>	<u>\$ 251,775</u>

The accompanying notes are an integral part of these consolidated financial statements

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands of NTD, unless otherwise stated)

	For Years Ended December 31		
	2023	2022	2021
Cash flow from operating activities			
Net income	\$ 84,106	\$ 66,013	\$ 55,372
Adjustments for:			
Depreciation and amortization	27,613	24,702	22,968
Losses (gains) on disposal of property, plant and equipment	(952)	287	(592)
Losses on lease modifications	328	–	–
Impairment loss on non-financial assets	–	11,094	–
Deferred income taxes	1,217	(2,586)	411
Changes in operating assets and liabilities:			
Accounts receivable	1,348	(17,915)	5,910
Inventories	2,281	(9,690)	2,392
Prepaid expenses and other current assets	(5,539)	7,964	(723)
Other non-current assets	(971)	54	217
Accounts and notes payable	(15,859)	21,305	(4,896)
Accrued expenses and other liabilities	4,810	19,505	(10,940)
Contract liabilities	(3,678)	30,934	(6,531)
Net cash provided by operating activities	<u>94,704</u>	<u>151,667</u>	<u>63,588</u>
Cash flow from investing activities			
Purchases of short-term investments	(37,213)	(51,929)	(7,000)
Maturities and sales of short-term investments	18,425	48,555	3,755
Purchases of property and equipment	(8,959)	(20,179)	(4,385)
Proceeds from sales of property, plant and equipment	2,095	1,810	1,000
Purchases of intangible assets	(1,337)	(1,175)	(709)
Other	(296)	867	(723)
Net cash used in investing activities	<u>(27,285)</u>	<u>(22,051)</u>	<u>(8,062)</u>
Cash flow from financing activities			
Proceeds from short-term bank borrowings	–	–	22,500
Repayment of short-term bank borrowings	–	(12,500)	(44,500)
Proceeds from long-term bank borrowing	–	–	20,000
Repayment of long-term bank borrowings	–	(13,889)	(6,111)
Cash dividends	(26,599)	(10,000)	–
Payments of operating lease liabilities	(17,123)	(17,318)	(15,853)
Non-controlling interests	–	–	(12,523)
Other	14,983	15,524	1,766
Net cash used in financing activities	<u>(28,739)</u>	<u>(38,183)</u>	<u>(34,721)</u>
Effect of foreign exchange rate changes on cash and restricted cash	1,323	3,378	1,114
Net increase in cash and restricted cash	<u>40,003</u>	<u>94,811</u>	<u>21,919</u>
Cash and restricted cash at beginning of year	231,312	136,501	114,582
Cash and restricted cash at end of year	<u>\$ 271,315</u>	<u>\$ 231,312</u>	<u>\$ 136,501</u>
Supplemental disclosures			
Interest paid	–	592	787
Income tax paid	<u>20,679</u>	<u>15,584</u>	<u>11,602</u>
Reconciliation of cash and restricted cash to the consolidated balance sheets			
	December 31		
	2023	2022	
Cash	\$ 270,309	\$ 230,311	
Restricted cash	1,006	1,001	
Total cash and restricted cash	<u>\$ 271,315</u>	<u>\$ 231,312</u>	

The accompanying notes are an integral part of these consolidated financial statements

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of NTD, unless otherwise stated)

1. SUMMARY OF THE ORGANIZATION

MILKSHOP INTERNATIONAL CO., LTD. (the “Company”) was incorporated under the law of the Republic of China in Taiwan (the “ROC”) on March 24, 2008. Upon obtaining consent from all shareholders, the Company was reorganized into a company limited by shares on December 14, 2018. The main activities of the Company and its subsidiaries (the “Group”) are the franchise of chain beverage stores and the sales of related products. The Company’s subsidiaries are summarized as follows:

Name of subsidiaries	Date of incorporation	Place of incorporation	Percentage of direct ownership by the Company	Principal activities
Lihong Beverages Co., Ltd. (“Lihong”)	February 2, 2016	ROC	100%	Wholesale of beverages and tea
Wanlien Co., Ltd. (“Wanlien”)	January 4, 2017	ROC	100%	Wholesale of beverages and tea
Yaxiang Enterprise Co., Ltd. (“Yaxiang”)	August 14, 2014	ROC	100%	Retailing of agricultural products
Milkshop Japan Co., Ltd.	April 5, 2019	Japan	100%	The franchise of chain beverage stores in Japan and the U.S. and the sales of related products.

In the fourth quarter of 2021, Wanlien and Yaxiang, were restructured and became subsidiaries of the Company. The Company obtained 100% ownership of these two entities for a total cash consideration of NT\$55,800 thousand. Upon the completion of the restructuring, for all the periods presented, the restructuring was accounted for in a manner similar to a pooling of interest with acquired assets and liabilities recognized at their historical amount in the consolidated financial statements. Accordingly, the Group retrospectively adjusted its consolidated financial statements to include the related assets, liabilities and operations for all periods presented.

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of NTD, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Preparation

The consolidated financial statements of the Company are presented in thousands of New Taiwan Dollars (“NTD”), which is also the functional currency of the Company, and have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements have been prepared under the historical cost convention.

(b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and demand deposits placed with banks which are unrestricted as to withdrawal and use and have original maturities less than three months. All highly liquid investments with a stated maturity of three months or less from the date of purchase are classified as cash equivalents. As of December 31, 2023 and 2022, the Group did not have cash equivalents.

(c) Short-term Investments

Short-term investments are time deposits that are short-term bank deposits with maturities of more than three months but less than one year at the date of origination.

(d) Restricted Cash

Restricted cash mainly represents amounts held by a bank in escrow as security for credit facilities, which was not released from restriction as of December 31, 2023 and 2022 due to the incompleteness of administration process. The credit facilities provided by the bank were expired in January 2022.

The Group adopted ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, effective January 1, 2018 using the retrospective transition method and included all restricted cash with cash and cash equivalent when reconciling beginning-of-period and end-of-period total amounts presented in the consolidated statements of cash flows.

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of NTD, unless otherwise stated)

(e) Accounts Receivable and Allowance for Credit Losses

Accounts receivable represents the Group's unconditional right to the payments from its customers and are recognized and carried at the original invoiced amount less an allowance for credit losses. The Group maintains an allowance for credit losses in accordance with ASC Topic 326, Credit Losses ("ASC 326") and records the allowance for credit losses as an offset to accounts receivable and contract assets, and the estimated credit losses charged to the allowance is classified as "general and administrative" in the consolidated statements of operations and comprehensive income. The adoption of ASC Topic 326 does not have an impact on its financial position, results of operations and cash flows. The balance of allowance of credit losses was both NT\$173 thousand as of December 31, 2023 and 2022. The Group assesses collectability by reviewing accounts receivable and contract assets on a collective basis where similar characteristics exist, primarily based on similar risk characteristics on a group basis when the Group identifies specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses, the Group considers historical collectability based on past due status, the age of the accounts receivable balances and contract assets balances, credit quality of the Group's customers based on ongoing credit evaluations, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect the Group's ability to collect from customers.

(f) Inventories

Inventories represent products available for sale and are accounted for using the weighted average cost method, and are valued at the lower of cost or net realizable value. Adjustments are recorded to write down the cost of inventory to the net realizable value due to slow-moving merchandise and broken assortments, which are dependent upon factors such as historical trends with similar merchandise, inventory aging, and historical and forecasted consumer demand. The write-down of inventories recorded in cost of revenues in the consolidated statements of operations and other comprehensive income were nil for the years ended December 31, 2023, 2022 and 2021, respectively.

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of NTD, unless otherwise stated)

(g) Long-term Investments

Equity investments, except for those accounted for under the equity method and those that result in consolidation of the investee and certain other investments, are measured at fair value, and any changes in fair value are recognized in earnings. For equity securities without readily determinable fair value and do not qualify for the existing practical expedient in ASC Topic 820, Fair Value Measurements and Disclosures (“ASC 820”), to estimate fair value using the net asset value per share (or its equivalent) of the investment, the Group elected to use the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. Equity securities with readily determinable fair value are measured at fair values, and any changes in fair value are recognized in earnings.

Pursuant to ASC Topic 321, Investments – Equity Securities, for equity investments measured at fair value with changes in fair value recorded in earnings, the Group does not assess whether those securities are impaired. For those equity investments that the Group elects to use the measurement alternative, the Group makes a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the entity has to estimate the investment’s fair value in accordance with the principles of ASC 820. If the fair value is less than the investment’s carrying value, the entity has to recognize an impairment loss in net loss equal to the difference between the carrying value and fair value.

(h) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recorded impairment. Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and improvements	3 to 5 years
Machinery and equipment	5 to 6 years
Office equipment	2 to 10 years
Transport equipment	5 years
Other equipment	3 to 10 years

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of NTD, unless otherwise stated)

Repair and maintenance costs are charged to expense as incurred, whereas the costs of betterments that extend the useful life of property, plant and equipment are capitalized as additions to the related assets. Retirements, sale and disposals of assets are recorded by removing the cost and accumulated depreciation with any resulting gain or loss reflected in the consolidated statements of operations and other comprehensive income.

(i) Leases

At the commencement date of a lease, the Group determines the classification of the lease based on the relevant factors present and records a right-of-use (“ROU”) asset and lease liability for operating lease, and records property, plant and equipment and finance lease liability for finance lease. ROU assets and property, plant and equipment acquired through lease represent the right to use an underlying asset for the lease term, and operating lease liabilities and finance lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are calculated as the present value of the lease payments not yet paid. If the rate implicit in the Group’s leases is not readily available, the Group uses an incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. This incremental borrowing rate reflects the fixed rate at which the Group could borrow on a collateralized basis the amount of the lease payments in the same currency, for a similar term, in a similar economic environment. ROU assets include any lease prepayments and are reduced by lease incentives. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Lease terms are based on the non-cancelable term of the lease and may contain options to extend the lease when it is reasonably certain that the Group will exercise that option.

Leases with an initial lease term of 12 months or less are not recorded on the consolidated balance sheets. Lease expense for these leases is recognized on a straight-line basis over the lease term.

(j) Accounts Payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of NTD, unless otherwise stated)

(k) Income Taxes

Income taxes are provided using the asset and liability method. Under this method, deferred income taxes are recognized for tax credits and net operating losses available for carry forwards and significant temporary differences. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws and regulations applicable to the Group as enacted by the relevant tax authorities. The income tax for undistributed earning is recognized as income tax expense in the current year.

(l) Revenue from Contracts with Customers

The Group applies the five-step model outlined in ASC 606. The Group accounts for a contract when it has approval and commitment from the customer, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Pursuant to the various franchise agreements with customers (i.e., the franchisee), there are franchise services that the Group provides such as training, renovation and redecoration for franchise stores and franchise fees. Such fees in fixed amounts collected by the Group before all material franchise services and conditions are substantially performed are recorded as deferred revenue. The revenue from franchise services such as training, renovation and redecoration for franchise stores are recognized at a point in time when the services are provided whereas the franchise fees are recognized as revenue over time during the life of the underlying franchise agreement which is typically 6 years. In the event an agreement is terminated between the Group and the franchisee, the remaining deferred fees are recognized as revenue at the time of termination.

For the contracts with customers for the sale of beverage products, the revenue is recognized at a point in time when the beverage goods are delivered to the customer.

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of NTD, unless otherwise stated)

For certain arrangements, customers are required to pay the Group before the goods or services are delivered. When either party to a revenue contract has performed, the Group recognizes a contract asset or a contract liability in the consolidated balance sheets, depending on the relationship between the Group's performance and the customer's payment. The Group classifies contract liabilities as current based on the timing of when the Group expects to recognize revenue, which typically occurs within one year. Contract liabilities mainly represent the consideration received upfront (or an amount of consideration is due) from franchise services to be provided, which were presented as deferred revenue on the consolidated balance sheets.

(m) Cost of Revenues

Cost of revenues primarily includes costs incurred to support and maintain franchise activities including product costs, freight, rental costs, salaries and benefits for employees directly involved in revenue generation activities

(n) Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the increase (decrease) in equity of the Company during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Accumulated other comprehensive income (loss) of the Company includes only foreign currency translation adjustments related to the Company and its overseas subsidiaries, whose functional currency is Japanese Yen.

(o) Fair Value of Financial Instruments

The Group's financial instruments include cash, restricted cash, short-term investments, accounts receivable and payable, other receivables and payables. The carrying values of these financial instruments approximate their fair values due to their short-term maturities.

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(Amounts in thousands of NTD, unless otherwise stated)

(p) Recent Accounting Pronouncements

New accounting pronouncement adopted

Credit losses

The Group adopted ASU 2016-13, (“ASC 326”), Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments on January 1, 2023, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASC 326 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. There was no material impact upon initial application of ASC 326 on the Group’s financial position, results of operations or cash flows.

3. CONCENTRATION OF RISKS

Credit risk

Financial instruments that potentially subject the Group to significant concentrations of credit risk consist primarily of cash, short-term investments and accounts receivable. As of December 31, 2023 and 2022, the aggregate amount of cash, restricted cash and short-term investments of NT\$298,977 thousand and NT\$240,186 thousand, respectively, were held at major financial institutions located in the ROC. Management believes that these financial institutions are of high credit quality and continually monitors the credit worthiness of these financial institutions.

Business, supplier, and customer risk

The Group participates in a relatively dynamic and competitive industry that is heavily reliant operation excellence of the services. The Group believes that changes in any of the following areas could have a material adverse effect on the Group’s future financial position, result of operations or cash flows:

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of NTD, unless otherwise stated)

(i) Business Risk

Third parties may develop business model innovations in a manner that is, or is perceived to be, equivalent or superior to the Group's services. If competitors introduce products or services that compete with, or surpass the quality, price or performance of the Group's products or services, the Group may be unable to renew its agreements with existing customers or attract new customers at the prices and levels that allow the Group to generate reasonable rates of return on its investment.

(ii) Supplier Risk

The Group's operations are dependent upon goods and products provided by the third-party beverage suppliers. There can be no assurance that the Group will be able to secure the goods and products supply from the third-party suppliers for a variety of reasons, such as contractual disputes, or the financial health of its third-party providers. Any failure of these suppliers and providers to provide the capacity the Group requires may result in a reduction in, or interruption of, goods or service to its customers. A significant portion of the Group's total purchases are from its five largest suppliers, who collectively accounted for 62.18%, 63.55% and 74.97% of the Group's total purchase for the years ended December 31, 2023, 2022 and 2021, respectively.

(iii) Customer Risk

The success of the Group's business going forward will rely in part on Group's ability to continue to obtain and expand business from existing customers while also attracting new customers. The Group has a diversified base of franchise stores covering its goods and services and therefore, there was no revenue from a single entity customer accounted for more than 10% of the Group's total net revenues for the years ended December 31, 2023, 2022 and 2021, respectively.

Interest rate risk

The Group is exposed to interest rate risk on its interest-bearing assets and liabilities. As part of its asset and liability risk management, the Group reviews and takes appropriate steps to manage its interest rate exposures on its interest-bearing assets and liabilities. The Group has not been exposed to material risks due to changes in market interest rates, and not used any derivative financial instruments to manage the interest risk exposure during the periods presented.

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of NTD, unless otherwise stated)

4. REVENUE AND DEFERRED REVENUE

The following table presents the Group's revenues from contracts with customers disaggregated by material revenue category:

	For the years ended December 31,		
	2023	2022	2021
Franchise services			
Recognized at a point in time	\$129,505	\$121,011	\$42,216
Recognized over time	10,503	10,855	8,553
Subtotal	140,008	131,866	50,769
Sale of beverage products recognized at a point in time	1,049,489	973,584	861,220
Total revenues	<u>\$1,189,497</u>	<u>\$1,105,450</u>	<u>\$911,989</u>

Deferred revenue and customer advances primarily consist of deferred revenue from franchise services such as training, renovation and redecoration for franchise stores and the advanced consideration received from customers for the sales of beverage products, which are recognized as contract liability until services are provided and products are delivered to the customer.

The opening and closing balances of contract liabilities from contracts with customers:

	December 31, 2023	December 31, 2022	January 1, 2022
Deferred revenue	<u>\$55,035</u>	<u>\$58,713</u>	<u>\$27,779</u>

5. ACCOUNTS RECEIVABLE, NET

	As of December 31,	
	2023	2022
Accounts receivable	\$97,248	\$98,596
Allowance for credit losses	(173)	(173)
Accounts receivable, net	<u>\$97,075</u>	<u>\$98,423</u>

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(Amounts in thousands of NTD, unless otherwise stated)

The movements in the allowance for credit losses were as follows:

	For the years ended December 31,		
	2023	2022	2021
Balance at beginning of the year	\$173	\$7,295	\$7,257
Write-off	-	(7,121)	-
Exchange difference	-	(1)	38
Balance at end of the year	<u>\$173</u>	<u>\$173</u>	<u>\$7,295</u>

6. LONG-TERM INVESTMENTS

The Group's long-term investments are equity investments without readily determinable fair values consisting of common shares of unlisted companies, the carrying value of which are as follows:

	As of December 31,	
	2023	2022
Initial cost basis	\$21,093	\$21,093
Cumulative unrealized losses (including impairment)	(11,094)	(11,094)
Total carrying value	<u>\$9,999</u>	<u>\$9,999</u>

Due to the declined financial performance of certain investee, the Group recognized impairment charges on equity investments without readily determinable fair value in the amount of NT\$11,094 thousand for the year ended December 31, 2022.

7. OPERATING LEASES

The Group's operating leases mainly related to building and office facilities. For leases with terms greater than 12 months, the Group records the related asset and liability at the present value of lease payments over the term. As of December 31, 2023 and 2022, the operating leases have terms ranging from one to ten years and weighted average discount rate was 1.34%.

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(Amounts in thousands of NTD, unless otherwise stated)

Lease costs consist of the following:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Operating lease cost		
Depreciation	\$17,476	\$16,743
Interest expenses	607	627
Total	<u>\$18,083</u>	<u>\$17,370</u>

Other information related to leases was as follows:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash payments for operating leases	<u>\$17,123</u>	<u>\$17,318</u>

Future lease payments under operating leases as of December 31, 2023 was as follows:

	<u>Operating leases</u>
2024	\$14,809
2025	9,036
2026	8,108
2027	6,796
2028	4,434
2029 and thereafter	<u>2,277</u>
Total future leases payments	45,460
Less: imputed interest	<u>(1,276)</u>
Present value of future lease payments (Note)	<u>\$44,184</u>

Note: present value of future operating lease payments consisted of current portion of operating lease liabilities and non-current portion of operating lease liabilities, amounting to NT\$14,318 thousand and NT\$29,866 thousand for the year ended December 31, 2023, respectively.

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of NTD, unless otherwise stated)

8. EQUITIES

As of December 31, 2023 and 2022, the Company's authorized capital was 20,000,000 shares and 4,000,000 shares, respectively; the Company's issued capital was 7,000,000 shares with NT\$70,000 thousand, and 4,000,000 shares with NT\$40,000 thousand, respectively, each at a par value of NT\$10. Each share has one voting right and a right to receive dividends.

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

According to the Company Act of the ROC, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders. As of December 31, 2023 and 2022, legal reserve of NT\$11,685 thousand and NT\$5,396 thousand was included in retained earnings presented in the consolidated balance sheets, respectively.

The Company had no earnings distributions for 2020 as approved and resolved by the shareholders in their meeting on June 30, 2021. The Company's distributions of earnings for 2022 and 2021 were approved and resolved by the shareholders in their meetings on June 30, 2023 and June 30, 2022, respectively, which were as follows:

	2022	2021
Legal reserve	\$6,289	\$1,632
Cash dividends	26,599	10,000
Stock dividends	30,000	-
Total	\$62,888	\$11,632

The company has not yet proposed earnings distributions for 2023.

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(Amounts in thousands of NTD, unless otherwise stated)

9. TAXATION

Income (loss) before income taxes comprised of:

	For the years ended December 31,		
	2023	2022	2021
ROC	\$111,752	\$101,306	\$109,579
Non-ROC	(5,392)	(9,105)	(37,618)
Total	\$106,360	\$92,201	\$71,961

Income tax expenses (benefits) comprised of:

	For the years ended December 31,		
	2023	2022	2021
Current	\$21,037	\$28,774	\$16,178
Deferred	1,217	(2,586)	411
Total	\$22,254	\$26,188	\$16,589

The Group's income tax expense is mainly generated by its subsidiaries in the ROC. The Company and the Company's subsidiaries in the ROC are governed by the Income Tax Law of the ROC and subject to a statutory tax rate on income reported in the statutory financial statements at 20% and a tax on undistributed earnings at 5%. As of December 31, 2023 and 2022, the Group had current tax payable of NT\$28,981 thousand and NT\$28,754 thousand for Taiwan income taxes, respectively.

10. FAIR VALUE MEASUREMENTS

The Group applies ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 requires disclosures to be provided on fair value measurement.

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of NTD, unless otherwise stated)

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 — Unobservable inputs which are supported by little or no market activity.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (i) market approach; (ii) income approach; and (iii) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Time deposits are classified within Level 1 because they are valued by using quoted market prices.

The Group measures equity investments elected to use the measurement alternative at fair value on a nonrecurring basis, in the cases of an impairment charge is recognized, fair value of an investment is remeasured in an acquisition/a disposal, and an orderly transaction for identical or similar investments of the same issuer was identified. There were no such remeasurement of equity investments for the years ended December 31, 2023 and 2022.

Assets measured at fair value on a recurring basis were summarized below:

	Fair value measurement using:			Fair value at December 31, 2023
	Level 1	Level 2	Level 3	
Short-term investments:				
- Time deposits	\$27,662	\$-	\$-	\$27,662
Assets	\$27,662	\$-	\$-	\$27,662

	Fair value measurement using:			Fair value at December 31, 2022
	Level 1	Level 2	Level 3	
Short-term investments:				
- Time deposits	\$8,874	\$-	\$-	\$8,874
Assets	\$8,874	\$-	\$-	\$8,874

MILKSHOP INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(Amounts in thousands of NTD, unless otherwise stated)

11. COMMITMENTS AND CONTINGENCIES

The Group is currently not involved in any legal or administrative proceedings that may have a material adverse impact on the Group's business, financial position or results of operations.

12. SUBSEQUENT EVENTS

The Group has evaluated subsequent events through the date these consolidated financial statements were issued and determine that there were no subsequent events or transactions that require recognition or disclosures in the consolidated financial statement except for those have disclosed in other notes.

GUARANTY OF PERFORMANCE

For value received, **MILKSHOP INTERNATIONAL CO., LTD.**, a Company incorporated under the laws of the Republic of China in Taiwan located at **7F.-3, NO. 271, SEC. 4, XIMEN RD., NORTH DIST., TAINAN CITY 70465, TAIWAN (R.O.C.)** (the “Guarantor”), absolutely and unconditionally guarantees the performance by **MILKSHOP JAPAN INC.** located at **BLINK ROPPONGI, 3-1-6 MOTOAZABU MINATO CITY, TOKYO, JAPAN** (the “Franchisor”), of all of the obligations of Franchisor in accordance with the terms and conditions of the franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2024 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees as amended, modified or extended from time to time. This guarantee continues in full force and effect until all obligations of the Franchisor under its franchise registrations and Franchise Agreements are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive notice of Franchisor’s default. This guarantee is binding on the Guarantor and its successors and assignees.

The Guarantor signs this guarantee at Tainan City, Taiwan, Republic of China on the 24th day of June, 2024.

GUARANTOR:

MILKSHOP INTERNATIONAL CO., LTD.


By: 
Name: Tony Tan Caktiong
Title: Chairman of the Board

EXHIBIT F

STATE ADDENDA AND AGREEMENT RIDERS

**ADDITIONAL DISCLOSURES FOR THE
FRANCHISE DISCLOSURE DOCUMENT OF
MILKSHOP JAPAN INC.**

The following are additional disclosures for the Franchise Disclosure Document of Milkshop Japan Inc. required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

FOR THE FOLLOWING STATES: MICHIGAN, SOUTH DAKOTA, AND WISCONSIN.

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.

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
Michigan	Pending
South Dakota	Pending
Wisconsin	June 26, 2024

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 G

RECEIPTS

**ITEM 23
RECEIPT**

This Disclosure Document summarizes certain provisions of the Area Development Agreement and Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Milkshop Japan, Inc. 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. Under Iowa law, Milkshop Japan, Inc. must give you this Disclosure Document at the earlier of the 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, franchisor or an affiliate in connection with the proposed franchise sale. Under Michigan law, Milkshop Japan, Inc. must provide this Disclosure Document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Milkshop Japan, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

Issuance date: June 24, 2024.

The Franchisor is Milkshop Japan, Inc., located at Blink Roppongi, 3-1-6 Motoazabu, Minato City, Tokyo, Japan. Its telephone number is +81-368239989. The franchise seller who offered you an Milksha Tea Shop franchise is:

- | | | |
|---|--|--|
| <input type="checkbox"/> George Chang
Milkshop Japan, Inc.
Blink Roppongi, 3-1-6 Motoazabu,
Minato City, Tokyo, Japan
+81-368239989 | <input type="checkbox"/> _____
Milkshop Japan, Inc.
Blink Roppongi, 3-1-6 Motoazabu,
Minato City, Tokyo, Japan
+81-368239989 | <input type="checkbox"/> _____
Milkshop Japan, Inc.
Blink Roppongi, 3-1-6 Motoazabu,
Minato City, Tokyo, Japan
+81-368239989 |
|---|--|--|

Milkshop Japan, Inc. authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated June 24, 2024 that included the following Exhibits:

- | | |
|--|--|
| Exhibit A - State Administrators/Agents for Service of Process | Exhibit C - Table of Contents to Operations Manual |
| Exhibit B-1 - Franchise Agreement | Exhibit D-1 - List of Franchisees |
| Exhibit B-2 - Area Development Agreement | Exhibit D-2 - List of Former Franchisees |
| Exhibit B-3 - Purchase and Supply Agreement | Exhibit E - Financial Statements |
| Exhibit B-4 - Representations Statement | Exhibit F - State Addenda and Agreement Riders |
| Exhibit B-5 - Sample General Release | Exhibit G - Receipts |

PROSPECTIVE FRANCHISEE:

If a business entity:

If an individual:

Name of Business Entity

(Print Name): _____

By: _____

Its: _____

Dated: _____

(Print Name): _____

Dated: _____

Please sign this copy of the receipt, print the date on which you received this Disclosure Document, and return it, by mail or e-mail, to Milkshop Japan, Inc., Blink Roppongi, 3-1-6 Motoazabu, Minato City, Tokyo, Japan; joinus@milksha.com.

**ITEM 23
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If Milkshop Japan, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

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| Exhibit B-5 - Sample General Release | Exhibit G - Receipts |

PROSPECTIVE FRANCHISEE:

If a business entity:

Name of Business Entity

By: _____

Its: _____

(Print Name): _____

Dated: _____

If an individual:

(Print Name): _____

Dated: _____

You may keep this copy of the receipt for your own records.