



BUBBLELICIOUS
milk tea and fruit tea

BUBBLELICIOUS FOOD SERVICE, LLC

BUBBLELICIOUS MILK TEA AND FRUIT TEA

6525 West Bluemound Road, Suite 10
Milwaukee, Wisconsin 53213
312-451-6299

Bubblelicious Food Service, LLC (“we,” “us,” or “our”) offers for sale a franchise to establish and operate a store that offers bubble tea and related drinks and products under the “Bubblelicious” marks (each, a “Store”).

The total investment necessary to begin operations of a Store franchise is approximately \$85,000. This amount includes the initial franchise fee, training fees, initial FFE package that must be paid to the franchisor or its affiliate prior to opening. This does not include costs or fees associated with your negotiation and consummation of a lease agreement or buildout for the Store location.

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read the 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 payments 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 Xiao Xuan Hu at Bubblelicious Food Service, LLC, 6525 West Bluemound Road, Suite 10, Milwaukee, Wisconsin 53213 and at 312-451-6299.

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

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

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

THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT IS: February 18, 2022.

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF THIS FRANCHISE WITH A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit B for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT CONTAIN A MANDATORY BINDING ARBITRATION CLAUSE GOVERNING NEARLY ALL DISPUTES BETWEEN YOU AND US. THE BINDING ARBITRATION (AND ANY LITIGATION) AND ANY ARBITRATION APPEAL WILL TAKE PLACE IN THE COUNTY IN WHICH OUR THEN-CURRENT HEADQUARTERS IS LOCATED, CURRENTLY, IRVINE, CALIFORNIA, AND THAT MAY COST YOU MORE (AND BE LESS CONVENIENT) THAN IF THOSE PROCEEDINGS TOOK PLACE NEAR YOUR RESIDENCE OR BUSINESS. COSTS OF THE ARBITRATION AND ANY ARBITRATION APPEAL MAY BE GREATER THAN IN LITIGATION. YOU AND WE WILL GENERALLY BEAR EACH OF OUR OWN COSTS IN ANY DISPUTE, BUT THE ARBITRATOR CAN ASSESS COSTS (BUT NOT ATTORNEY'S FEES) AGAINST A LOSING PARTY.
2. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT PROVIDE THAT THE LAWS OF THE STATE OF CALIFORNIA GOVERN THE AGREEMENTS AND THAT LAW MAY NOT PROVIDE YOU WITH THE SAME RIGHTS AND PROTECTIONS AS YOUR LOCAL LAW. THIS DOES NOT APPLY, HOWEVER, WITH RESPECT TO ANY CLAIMS OR DISPUTES ARISING OUT OF OR RELATED TO YOU'RE THE INTERPRETATION OR ENFORCEMENT OF YOUR COVENANTS AGAINST COMPETITION SET FORTH IN THE FRANCHISE AGREEMENT AND, IF APPLICABLE, DEVELOPMENT AGREEMENT (WHICH WILL BE GOVERNED BY THE LAW WHERE YOUR FRANCHISED BUSINESS IS LOCATED). YOU MAY WANT TO CONSULT AN ATTORNEY REGARDING COMPARISON OF THESE LAWS.
3. YOUR SPOUSE MUST SIGN A DOCUMENT THAT MAKES YOUR SPOUSE LIABLE FOR ALL FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT, EVEN IF YOUR SPOUSE HAS NO OWNERSHIP INTEREST IN THE FRANCHISE. THIS GUARANTEE WILL

- PLACE BOTH YOUR AND YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS (PERHAPS INCLUDING YOUR HOUSE) AT RISK IF YOUR FRANCHISE FAILS.
4. 4. YOU MUST MEET A MINIMUM MONTHLY GROSS REVENUE QUOTA REQUIREMENT. YOUR INABILITY TO MEET THIS REQUIREMENT MAY RESULT IN LOSS OF ANY TERRITORIAL RIGHTS YOU ARE GRANTED, TERMINATION OF YOUR FRANCHISE, AND LOSS OF YOUR INVESTMENT.
 5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Documents 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 Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

<u>STATE</u>	<u>EFFECTIVE DATE</u>
WISCONSIN	February 18, 2022
COLORADO	Effective
ILLINOIS	

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EXHIBITS:

- A Financial Statement
- B List of State Administrators and Agents for Service of Process
- C Receipt
- D Franchise Agreement

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

We only do business under the name Bubblelicious Food Service, LLC and/or our proprietary marks, including our current primary mark Bubblelicious®. Our principal business 6525 West Bluemound Road, Suite 10, Milwaukee, Wisconsin, and our business phone number is 312-451-6299. We are a Wisconsin limited liability company formed on April 28, 2016.

We are in the business of offering and awarding franchises for the right to independently own and operate a franchised Store (each, a “Franchised Business”) that utilizes our then-current proprietary marks (the “Marks”) and business operations system that we and our affiliates have developed (the “System”), as disclosed more fully below in this Item.

Except as provided in this Item, we do not offer franchises in any other line of business, and we are not otherwise involved in any substantive business activity. As of the Issue Date, we and our affiliates operate a total of 5 Stores that are operated in a substantially similar manner as the Franchised Business being offered in this Disclosure Document utilizing the Marks and System (the “Affiliate Stores”). The five Stores we and our affiliates operate are located in Appleton, Wisconsin; Milwaukee - Mayfair, Wisconsin; Greendale – Southridge, Wisconsin; Gurnee, Illinois; and Chicago, Illinois.

We have no parent company, predecessor, or other affiliated company. Our registered agent for service of process is Xiao Xuan Hu.

ITEM 2. BUSINESS EXPERIENCE

Xiao Xuan Hu: Ms. Hu has served as the company’s President since April 28, 2016. As president, Ms. Hu has successfully owned and operated five (5) Stores in the Midwest. Ms. Hu obtained a Master of Business Administration degree from Marquette University in Milwaukee, Wisconsin. Bubblelicious started its first operation at a local farmers’ market in 2016 with only 4 drinks on the menu. Inspired by the customers, Ms. Hu got to work making her own unique flavors. Ms. Hu tried many different types of tea leaves, sweeteners, and tapioca pearls to meet rigorous standards for the perfect bubble tea. By the end of 2016, Ms. Hu opened the first Bubblelicious store at Southridge Mall in Greendale, Wisconsin. As of February 2022, Ms. Hu and her affiliates have successfully opened and operated five stores. As the company continues to grow, Ms. Hu’s favorite part continues to be connecting with people and serving them great drinks.

Zheng (John) Wang: Mr. Wang as served as the company’s Director of Marketing since its inception, in April 2016. Mr. Wang obtained a Master Degree of Business Management from Linkoping University in Sweden. Since his graduation from Linkoping University, Mr. Wang has performed the role of Marketing Manager for several different companies. In March 2017, Mr. Wang was promoted to General Manager at Midwest Development and Management, LLC. Mr. Wang joined Bubblelicious in 2020 and serves as the company’s Marketing/Business Manager.

In this role, Mr. Wang oversees the company's marketing, corporate strategy, and business development efforts.

ITEM 3. LITIGATION

We have not been involved in litigation of any kind.

ITEM 4. BANKRUPTCY

We have not been involved in any bankruptcy proceedings of any kind.

ITEM 5. INITIAL FEES

Initial Fee. You must pay an initial franchisee fee of \$40,000 (the "Initial Franchise Fee") to establish a single Store under a Franchise Agreement. The Initial Franchise Fee is due upon the signing of the Franchise Agreement. The Initial Franchise Fee shall be fully earned by Franchisor upon payment and is not refundable, in whole or in part, under any circumstance.

Except as disclosed in this Item, we uniformly impose the Initial Franchise Fee on all parties that are purchasing a single Franchised Business.

Training Fees. You must pay us the appropriate training fees in connection with the Bubblelicious Corporate Training (consisting of three consecutive days of training at the corporate office or other designated location) and Bubblelicious On-Site Initial Training (consisting of 10 days of training on-site at your Store) prior to the opening of your Franchised Business and any Additional Training as required.

We estimate that you will pay: (i) approximately \$2,000 in connection with the Corporate Training; and (ii) approximately \$6,000 in connection with the On-Site Initial Training. This means a total of approximately \$8,000 will be expended in connection with training fees prior to opening. We expect to uniformly impose these fees on our System franchisees, and such fees are deemed fully earned and non-refundable upon payment.

ITEM 6. OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty	7% of the "Gross Revenue" generated by the Store	Paid by you into your account monthly by 12:00 p.m. CST on the 3 rd business day of the month following the month in which the Royalty is due.	We will collect this fee via electronic funds transfer (EFT).
Initial FFE Package	\$25,000 for equipment and fixtures; \$12,000 for opening inventory	This payment is due upon execution of the Franchise Agreement.	You must purchase this initial FFE package to open Store.
Local Advertising Fee	\$500	Paid as incurred to your advertising vendors.	You must spend this amount each month on your local advertising (Item 9).
Advanced and Additional Assistance	Our then-current fee, which is now \$500 per day, plus travel reimbursement.	14 days prior to visit	If you require or request advanced or extraordinary services. The then-current fee will be described in the operations manuals ("Manual" or "Manuals").
Transfer Fee	\$10,000	At execution of then-current Franchise Agreement.	Payable to us if you are permitted to transfer your rights to a third party.
Successor Franchise Fee	\$10,000	At execution of then-current Franchise Agreement.	Successor may be required to sign a contract with terms that are different than found in your current Franchise Agreement.
Renewal Fee	\$20,000	At execution of then-current Franchise Agreement.	Renew an additional 5-year term after fulfillment of the

			initial 7-year Franchisee Agreement.
Technology Maintenance Fee	\$100/month	Payable on a monthly basis at same frequency as Royalty.	
Late Fee	\$100 late fee plus 1.5% interest per month for any payment not timely made.	Immediately upon assessment.	Payable only if you fail to make timely payments.
Indemnification	Varies on case-by-case basis.	As incurred.	You must reimburse the company if the company is liable for any claims arising from your Store.
Financial Audit Expenses	Cost of audit plus 1.5% interest per month. If understatement is 2% or greater, you must pay for company's inspection/audit expenses and fees.	As incurred.	Incurred if you understate your Gross Revenue or fail to make payments. Paid to us or our designated financial representative.
Annual Operation Auditing Expenses	If occurred on-site, it is the then-current expenses.	As incurred.	
Cost of Enforcement	All costs and fees including, but not limited to, attorney's fees and costs.	Upon demand.	You must reimburse the company for all costs and fees connected with having to enforce any agreement or obligation.

1. Unless otherwise specified, all fees are imposed by and are paid to us. All fees are uniform, payable in one lump sum, and are non-refundable except as otherwise stated in this FDD.
2. "Gross Revenue" means the total of all revenues and income from the sale of all products and services from all sources in connection with the Business, whether or not sold at or from the "Franchised Location" (as that term is defined in Item 11), whether received in cash, in services in kind, from barter and/or exchange, on credit (whether or

not payment is received), or otherwise. You may deduct from Gross Revenue all sales tax or similar taxes, which by law are chargeable to clients by any taxing authority. You may also deduct from Gross Revenue the amount of any documented refunds. All payments made to us including Royalties will be paid through an automatic electronic bank-to-bank transfer (EFT).

ITEM 7. ESTIMATED INITIAL INVESTMENT

The estimated initial investment includes certain expenditures required to establish and operate a Store. Note that these amounts may vary widely, and the amounts you have to spend or invest may be higher or lower than the estimated amounts, depending on location, size of the Store, marketing conditions and other factors. We strongly recommend that you verify actual costs in your area, and for your intended location, and prepare a business plan and have it reviewed by your own independent adviser, like an accountant, before making any commitments to us or anyone else. Due to legal restrictions, we will not prepare, review or comment on any business plan for a prospective Franchisee. All amounts payable to us are nonrefundable, unless otherwise noted. Amounts payable to suppliers/vendors are refunded according to arrangements you make with the vendor, if any. We do not offer direct or indirect financing, but we may assist you in obtaining working capital through other sources.

Although the estimated initial investment will vary, these are examples of the total initial investment for three store locations:

- Kiosk in a Shopping Mall: \$180,000
- In-line store in a Shopping Mall: \$280,000
- Store in a strip mall: \$190,000

The Franchisee's Minimum Capital investment is \$300,000 and can be demonstrated by cash, line of credit, or any combination thereof.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate all aspects of your Franchised Business in strict conformity with the methods, standards and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing through our confidential Manuals and other proprietary guidelines and writings that we prepare for your use in connection with the Franchised Business and System. We may periodically change our System standards and specifications from time to time, as we deem appropriate or necessary in our sole discretion, and you will be solely responsible for costs associated with complying with any modifications to the System.

Approved Products and Services

You may only market, offer, sell and provide the Approved Products and Services, as well as any related merchandise and other products that Franchisor authorizes for sale in conjunction with the Approved Products and Services at your Franchised Business in a manner that meets our System standards and specifications. We will provide you with a list of our then-current Approved Products and Services, along with their standards and specifications, as part of the Manuals or otherwise in writing prior to the opening of your Franchised Business. We may update or modify this list in writing at any time.

If you wish to offer any product or service in your Franchised Business other than our Approved Products and Services, or use any item in connection with your Franchised Business that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item.

Approved Suppliers

We have the right to require you to purchase any items or services necessary to operate your Franchised Business from a supplier that we approve or designate (each, an “Approved Supplier”), which may include us or our affiliate(s). We will provide you with a list of our Approved Suppliers in writing as part of the Manuals or otherwise in writing, and we may update or modify this list as we deem appropriate.

ITEM 9. FRANCHISEE'S OBLIGATIONS

Obligation	Section in Agreement	Disclosure Document Item
(a) Site selection and acquisition/lease	1,7	Items 7 and 11
(b) Pre-opening purchases/ leases	1,7	Items 7 and 8
(c) Site development and other pre-opening requirements	1,7	Items 6,7,11
(d) Initial and ongoing training	5	Item 11
(e) Opening	1,7,9	Item 11
(f) Fees	5	Items 5,6,7
(g) Compliance with standards and policies/Manuals	8	Items 8, 11, 14 and 16
(h) Trademarks and proprietary information	4	Items 13 and 14

(i) Restrictions on products/services offered	8	Items 8, 11 and 16
(j) Warranty and Customer service requirements	8	Item 16
(k) Territorial development and sales quotas	8	Item 12
(l) Ongoing product/service purchases	8	Item 8
(m) Maintenance, appearance, and remodeling requirements	7	Item 11
(n) Insurance	10	Items 7,8
(o) Advertising	9	Items 6,7,11
(p) Indemnification	11	Item 6
(q) Owner's participation/management/staffing	7,8	Items 11 and 15
(r) Records/reports	5	Item 11
(s) Inspections/audits	5,10	Item 6
(t) Transfer	14	Item 17
(u) Renewal	1	Item 17
(v) Post-termination obligations	15	Item 17
(w) Non-competition covenants	13	Item 17
(x) Dispute resolution	16	Item 17

ITEM 10. FINANCING

We do not offer direct or indirect financing for any amount due under the Franchise Agreement. We do not guarantee your note, lease or any other obligation. As security for the performance of your obligations under the Franchise Agreement, including payments owed to us for purchases by you, you must grant us a security interest in all of the assets used in the operation of the Store.

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

Subject to the items listed below, we are not required to provide you with any assistance.

- If the Authorized Location for your Studio has not been identified at the time the Franchise Agreement is signed, we will work with you to designate a geographical area within which you must secure an Authorized Location for your Store. We will also comply with our obligations with respect to site selection assistance and site approval.
- Before you open the Store, we will provide you with training at the corporate office and on-site at your Store.
- Prior to you attending your required initial training, we will loan you one copy of the Manual, which contains mandatory and suggested specifications, standards and procedures. The Manual is confidential and remains our property. We may modify the Manual.
- Within 30 calendar days of execution of your Franchise Agreement, we will provide you (through the Manual or otherwise) with specifications for the layout and design of the Store
- Within 30 calendar days of execution of your Franchise Agreement, we will provide you (through the Manual or otherwise) with a list of equipment and ingredients, standard fixtures, furnishings, supplies, and signs to be used in the Store, as well as certain other required items and a list of approved suppliers.
- We will provide you with the Initial FFE Package and Opening Inventory Package to you, provided you have paid the applicable amounts for such items. You will be independently responsible for arranging installation of certain components of the Initial FFE Package and paying a third-party contractor the associated costs. Currently, the items comprising the Initial FFE Package and Opening Inventory Package are purchased directly from us, but we reserve the right to designate another approved supplier in our sole discretion. We do not provide written specifications for the items comprising the Initial FFE Package other than those descriptions that are included in the Manual.
- We will license you the use of our trademarks.
- We will consult and advise you on the advertising, marketing and promotion associated with the grand opening of your Store.

ITEM 12. TERRITORY

You will operate the Store at a specific location approved by us (“Authorized Location”). Once you have secured your Authorized Location, we will provide you a Designated Territory within which you will have certain protected rights. Your Designated Territory shall be a ten 10-mile radius from the Authorized Location. If you have been granted a Designated Territory, neither we nor our affiliates will operate or establish, or authorize another System franchisee to operate or establish, a Store within your Designated Territory. For this reason, your Designated Territory is deemed “exclusive” under applicable franchise disclosure laws (but please note our reserved rights described later in this Item). Your Designated Territory will not be modified by Franchisor for any reason so long as you are not in default of your Franchise Agreement.

ITEM 13. TRADEMARKS

We registered the trademark " BUBBLELICIOUS" and the logo found on the cover of this Disclosure Document on August 10, 2021 with the United States Patent and Trademark Office. These trademarks were assigned Registration Nos. 6,446,740 and 6,446,762. You are permitted to use this trademark under the Franchise Agreement.

This trademark does not necessarily include every trademark that we license to you, and the Franchise Agreement gives us the right to add, modify, or remove marks from those that we license to you. We expect and intend to submit all affidavits and other filings necessary to maintain the registrations above.

There are no presently effective determinations of the United States Patent and Trademark Office, the Trademark Administrator of any State, or any court, nor any pending material litigation involving any of the Marks which are relevant to their use in any State. There are no pending interference actions or opposition or cancellation proceedings that significantly limit our rights to use or license the use of the Marks in any manner material to the System. We have filed all required affidavits for the Marks and will continue to do so. None of the Marks' registrations have come up for renewal at this point so we have not yet renewed any of the Marks' registrations.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents or copyright registrations that are material to the franchise.

We do claim common law copyrights and copyright protection in and on the System and all of the components of the System, including, but not limited to, the Marks, the content of the Manuals and related materials, training modules and techniques, our website, all advertisements in any medium, including the internet, and other promotional and written materials. Each and every component of the system is our proprietary, trade secret, and confidential information ("Proprietary Information," as more fully defined in the Franchise Agreement). Any component of the Proprietary Information can be used by you only as described in the Franchise Agreement.

ITEM 15. OBLIGATION TO PARTICIPATE IN THE OPERATION OF THE FRANCHISED BUSINESS

If you operate the franchise through an entity, you must designate and request our approval of one of your owners (who must be a natural person) as "Operating Principal." You may not change your Operating Principal without our consent. Your Operating Principal must be authorized, on your behalf, to deal with us in respect of all matters whatsoever which may arise in respect of your franchise agreement. Each Store must always be under the direct, full-time, day-to-day "on-premises" supervision of your Principal Operator or Designated Manager. Each such person must attend and satisfactorily complete our initial training program before opening

the Store. You must keep us informed at all times of the identity of your Principal Operator and/or your Designated Manager.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale and sell only and all those Approved Products and Services, and deal only with those suppliers that we authorize or require, and have authorized (See Item 8). Principally, this means you must purchase the amount and type of equipment, including various equipment/supplies for use in connection with the provision of the Approved Products and Services. Failure to comply with our purchasing restrictions may result in the termination of your Franchise Agreement. We may supplement, revise and/or modify our Approved Products and Services as we deem appropriate from time to time, as well as our System standards and specifications associated with the provision of these products/services. These changes will be outlined in our Manuals or otherwise in writing, and there are no contractual limitations on our right to make these types of changes.

If we discontinue any Approved Product or Service offered by the Franchised Business, then you must cease offering or selling such product/service within a reasonable time, unless such product/service represents a health or safety hazard (in which case you must immediately comply upon receipt of notice from us). You may not use the location of your Franchised Business for any other business purpose other than the operation of your Franchised Business.

You may not advertise, offer for sale or sell, any products and/or services that we have not authorized. We reserve the right to change the types of authorized products and services at any time in our discretion. You agree to promptly undertake all changes as we require from time to time, without limit, except we will not require you to thoroughly modernize or remodel the Store any more often than once every five (5) years. You will not make any material alterations to your Store or its appearance as originally approved by us without our prior written approval.

You must refrain from any merchandising, advertising, or promotional practice that is unethical or may be injurious to our business and/or other franchised businesses or to the goodwill associated with the Marks. Subject to the conditions set forth above, we do not impose any restrictions with regards to the customers to whom you may sell goods and services.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

You may renew your franchise for a payment of \$20,000 so long as you are not in default and give written notice of your desire to renew no less than 90 days or more than 180 days before the expiration of the initial term (Franchise Agreement, Section 3).

We may terminate your franchise upon a material breach of the Franchise Agreement and/or where you are in default under the Franchise Agreement (Franchise Agreement, Section 15).

You may transfer your interest in the franchise for a payment of \$10,000 subject to our approval of the party to whom your interest is to be transferred (Franchise Agreement, Section 14).

There is resolution process for all disputes arising under the Franchise Agreement. The process generally requires you to first make every attempt at resolving the dispute internally. If the dispute is not resolved internally, the dispute may be escalated to mediation. If the dispute is not resolved in mediation, the dispute may be escalated to mandatory binding arbitration. The only exception to mandatory binding arbitration is the Franchisor's right to seek injunctive relief in any court of competent jurisdiction. (Franchise Agreement, Section 16).

ITEM 18. PUBLIC FIGURES

Presently, we do not use any public figures to promote our franchise.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document.

- Shopping Mall in-line store with minimum 500 SF.
Annual Sales: \$650,000 - \$800,000
- Shopping Mall kiosk with minimum 180 SF.
Annual Sales: \$450,000 -- \$600,000
- Strip shopping mall in prime location with minimum 1,000 SF.
Annual Sales: \$350,000 -- \$450,000

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

Notes:

1. Your results may vary upon the location of your Franchised Business. Your results may also vary because you will be establishing and operating a start-up business.
2. The analysis above in this Item does not contain complete information concerning the operating costs and expenses that you will incur in operating your Franchised Business. Operating costs and expenses may vary substantially from business to business.
3. The figures provided in this Item exclude certain tax liabilities for which you will be responsible.
4. The figures disclosed in this Item do not include all the professional fees or other administrative expenses that you might incur in connection with opening and

commencing operations of your Franchised Business, including legal and accounting fees.

5. Interest expense, interest income, depreciation, amortization and other income or expenses will vary substantially from business to business, depending on the amount and kind of financing you obtain to establish your Franchised Business. You should consult with your tax advisor regarding depreciation and amortization schedules and the period over which assets of your Franchised Business may be amortized or depreciated, as well as the effect, if any, of any recent or proposed tax legislation. Please note that the figures set forth in this Item 19 do not involve any depreciation or amortization.
6. Expenses and costs, as well as the actual accounting and operational methods employed by a franchisee, may significantly impact profits realized in any particular operation. The revenues and expenses of your business will be directly affected by many factors, such as: (a) your Designated Territory's geographic location and population demographics; (b) advertising effectiveness based on market saturation; (c) whether you operate the business personally or hire a third party to serve as your Designated Manager; (d) your product and service pricing; (e) vendor prices on materials, supplies and inventory; (f) personnel salaries and benefits (life and health insurance, etc.); (g) insurance costs; (h) weather conditions; (i) ability to generate customers; (j) customer loyalty; (k) employment conditions in the market; and (l) the efforts you and your personnel put into your Franchised Business.
7. We suggest strongly that you consult your financial advisor or personal accountant concerning financial projections and federal, state and local income taxes and any other applicable taxes that you may incur in operating a Franchised Business.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Presently, we own five (5) Stores in Wisconsin and Illinois. Those Stores include the following:

Greendale, Wisconsin – Southridge Mall; November 1, 2016

Milwaukee, Wisconsin - Mayfair Mall; June 15, 2019

Appleton, Wisconsin; March 25, 2021

Gurnee Mills, Illinois; August 25, 2021

Chicago, Illinois; November 20, 2021

ITEM 21. FINANCIAL STATEMENTS

Exhibit A contains our financial statement for the past three (3) years.

ITEM 22. CONTRACTS

Exhibit D contains the Franchise Agreement.

ITEM 23. RECEIPT

Exhibit C to this Franchise Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to our President at the following address: Xiao Xuan Hu, 6525 West Bluemound Road, Suite 10, Milwaukee, Wisconsin 53213, and at 312-451-6299.

EXHIBITS:

- A Financial Statement
- B List of State Administrators and Agents for Service of Process
- C Receipt
- D Franchise Agreement

EXHIBIT A

BUSINESS NAME Bubblelicious Food Service

	<u>2018</u>	<u>2019</u>	<u>2020</u>
1a GROSS SALES	158,539	406,020	495,695
RETURNS & ALLOWANCES	1,069	4,542	
2 COST OF GOODS SOLD	34,838	102,447	178,193
BEGINNING INVENTORY	2,639	1,000	1,500
PURCHASE	33,199	102,947	186,693
ENDING INVENTORY	1,000	1,500	10,000
3 GROSS PROFIT	122,632	299,030	317,502
other income		15,000	42,820
9 SALARIES AND WAGES	34,893	86,649	164,351
11 REPAIRS & MAINTENANCE	824	1,532	12,292
13 RENT OR LEASE	39,000	68,800	76,989
PAYROLL TAXES	3,917	10,360	16,263
LICENSES	450	1,200	1,061
16 DEPRECIATION FROM FORM 4562	4,245	68,455	2,086
ACCOUNTING FEE	1,766	1,975	2,871
ADVERTISING	2,506	3,674	1,930
BANK FEES	44	33	18
CAR & TRUCK EXPENSES	3,030	5,220	6,613
CLEANING		800	1,950
CREDIT CARD FEES	2,390	7,805	18,567
DUE	229		
INSURANCE	3,276	4,343	8,076
INTERNET	245		
LEGAL FEE	2,000		2,550
MEALS	989	2,783	1,226
OFFICE SUPPLIES	1,660	5,778	6,184
OUTSIDE CONTRACTORS		1,000	
SUPPLIES	1,657	2,033	13,078
TELEPHONE	522	1,491	3,141
TRAVELING		188	890
SHIPPING COST		15	190
Interest			99
21 TOTAL DEDUCTIONS	103,642	274,135	340,424
28 TAXABLE INCOME BEFORE NET OPERATING LOSS	18,990	39,895	19,898

I hereby certify the above information to be true, correct and complete to the best of my knowledge.

I acknowledge that it is my responsibility to provide proof of the above information.

Taxpayer's Signature: X _____ Date: _____
Xiao Xuan Hu

EXHIBIT B

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Commissioner of Business Oversight
One Sansome Street
Suite 600
San Francisco, CA 94104
Tel: (415) 972-8559
Fax: (415) 972-8590
Toll Free: (866) 275-2677

CONNECTICUT

Department of Banking
Securities and Business Investments Division
260 Constitution Plaza
Hartford, Connecticut 06103-1800
Tel: (860) 240-8230

FLORIDA

Tom Kenny, Regulatory Consultant
Department of Agriculture & Consumer Services
Division of Consumer Services
P.O. Box 6700
Tallahassee, Florida 32314
Tel: (850) 488-2221
Fax: (850) 410-3804

HAWAII

(for service of process)
Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

(state agency)

Department of Commerce &
Consumer Affairs
King Kalakaua Building
335 Merchant Street, Rm 203
Honolulu, Hawaii 96813
Tel: (808)586-2722
Fax: (808) 587-7559

ILLINOIS

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

INDIANA

(for service of process)
Indiana Secretary of State
201 State House
Indianapolis, Indiana 46204

(state agency)

Securities Commissioner
Indiana Secretary of State
Securities Division, Franchise Section
302 West Washington Street,
Room E-111
Indianapolis, Indiana 46204
Tel: (317) 232-6681

IOWA

Dennis Britson
Director of Regulated Industries Unit
Iowa Securities Bureau
340 Maple
Des Moines, Iowa 50319-0066
Tel: (515) 281-4441
Fax: (515) 281-3059

MARYLAND

(for service of process)
Maryland Securities Commissioner
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

(state agency)

Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020
Tel: (410) 576-6360

MICHIGAN

(for service of process)

Michigan Department of Consumer and Industry Services
Bureau of Commercial Services
Corporations Division
PO Box 30054
Lansing, Michigan 48909
Tel: (517) 241-6470

MICHIGAN

(state agency)

Department of the Attorney General
Consumer Protection Division
Antitrust and Franchise Section
670 Law Building
Lansing, MI 48913
Tel: (517) 373-7117

MINNESOTA

Commissioner of Commerce
85 Seventh Place East, Suite 280
St. Paul, MN 55101-2198
Tel: (651) 539-1600

NEBRASKA

Gene Schenkelberg, Securities Analyst
Department of Banking & Finance
1200 N. Street, Suite 311
P.O. Box 95006
Lincoln, Nebraska 68509
Tel: (402) 417-3445

NEW YORK

(for service of process)

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001
(518) 473-2492

TEXAS

Statutory Document Section
Secretary of State
1719 Brazos
Austin, Texas 78701
Attn: Dorothy Wilson
Tel: (512) 475-1769

NEW YORK

(state agency)

Office of the Attorney General
Investor Protection Bureau
28 Liberty Street, 15th Floor
New York, NY 10005
Tel: 212-416-8222

NORTH DAKOTA

(for service of process)

North Dakota Securities Commissioner
North Dakota Securities Department
600 East Boulevard, 5th Floor
Bismarck, North Dakota 58505-0510

(state agency)

North Dakota Securities Department
600 East Boulevard, 5th Floor
Bismarck, North Dakota 58505-0510
Tel: (701) 328-2910

OREGON

Director, Department of Consumer &
Business Services
Division of Finance & Corporate
Securities
Labor and Industries Building
Salem, Oregon 97310
Tel: (503) 378-4140
Fax: (503) 947-7862
Email: dcbs.dfcsmail@state.or.us

RHODE ISLAND

Director
Securities Division
Department of Business Regulation,
Building 69, First Floor
John O. Pastore Center
1511 Pontiac Avenue,
Cranston, Rhode Island 02920
Tel: (401) 462 9582

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

UTAH

Director, Division of Consumer Protection
Utah Dept. of Commerce
160 East Three Hundred South
SM Box 146704
Salt Lake City, Utah 84114-6704
Tel: (801) 530-6601
Fax: (801) 530-6001

VIRGINIA

(for service of process)
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

(state agency)

Director
State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
Tel: (804) 371-9051

WASHINGTON

(for service of process)
Administrator
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501

WASHINGTON

(state agency)
Administrator
Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033
Tel: (360) 902-8760
Fax: (360) 902-0524

WISCONSIN

Commissioner of Securities
Department of Financial Institutions
P.O. Box 1768
Madison, Wisconsin 53701-1768
Tel: (608) 266-2801

EXHIBIT C - RECEIPT

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

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

New York, Oklahoma and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise agreement, or other agreement, or the payment of any consideration that relates to the franchise relationship.

Michigan, Oregon and Wisconsin require that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement, or other agreement, or the payment of any consideration, whichever comes first.

If Bubblelicious Food Service, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal 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 B.

The franchisor is Bubblelicious Food Service, LLC located at 6525 West Bluemound Road, Suite 10, Milwaukee, Wisconsin 53213.

Issuance Date: February 16, 2022. The effective date in each state is listed on the State Cover Page. Bubblelicious Food Service, LLC authorizes the agents listed in Exhibit B to receive service of process for it.

I have received a Franchise Disclosure Document dated February 16, 2022. This Disclosure Document included the following Exhibits:

- A Financial Statement
- B List of State Administrators and Agents for Service of Process
- C Receipt
- D Franchise Agreement

(Print Name) (Signature)

Date

Please sign this copy of the receipt, date your signature, and return this form to us as described in Item 23.

FRANCHISE AGREEMENT

In a number of places in this Franchise Agreement, you are asked to initial certain items to show that they have been fully discussed with you, and read, understood and agreed to by you. Initialing those areas does not lessen the importance of other areas or mean they are not fully enforceable.

This Bubblelicious Franchise Agreement (this “Agreement”) is entered into as of the ____ day of _____, 20__ between: (i) Bubblelicious Food Service, LLC, a Wisconsin limited liability company, doing business as “Bubblelicious” (“Franchisor”) and (ii) _____, or his/her/their assignee, if a partnership, corporation or limited liability company is later formed (“Franchisee”), upon the following terms, conditions, covenants and agreements:

RECITALS

- A. Franchisor owns and has developed and administers a system and franchise opportunity, including various bubble tea recipes, trade secrets, copyrights, confidential and proprietary information and other intellectual property rights (collectively, the “System”) for the establishment and operation of bubble tea stores (each, a “Store”), which operate utilizing Franchisor’s then-current proprietary trademarks, service marks, trade names, logos, taglines that Franchisor designates and has the right to supplement, substitute and/or otherwise modify from time to time (collectively, the “Marks”).
- B. The System includes the Marks and trade secrets, proprietary methods and information and procedures for the establishment and operation of Bubblelicious Stores, including, without limitation, confidential training methods, equipment, marketing, advertising and sales promotions, cost controls, accounting and reporting procedures, personnel management, distinctive interior design and display procedures, Marks and other indicators of source such as color schemes and décor that are used in a typical Store (collectively, the “Trade Dress”).
- C. Franchisor grants to qualified persons who are willing to undertake the required investment and effort, a franchise to own and operate a Bubblelicious Store offering: (i) bubble tea, as well as other services that Franchisor designates from time to time (collectively, the “Approved Services”); and (ii) certain merchandise and other products Franchisor authorizes for sale in conjunction with the Approved Services and Store operations (collectively, the “Approved Products”), all while utilizing the System and Marks.
- D. Franchisee desires to obtain a franchise to use the System and Marks in the development and operation of a Store at the location specified in this Agreement (the “Franchised Business” or “Store”).
- E. Franchisee has independently investigated the business contemplated by this Agreement, and recognizes that the nature of the business may change over time, that an investment in a franchised Store involves business risks, and that the venture’s success depends primarily upon Franchisee’s business abilities and efforts.

NOW, THEREFORE, in consideration of the foregoing, the fees and other sums payable by Franchisee and of the mutual covenants contained in this Agreement, the parties agree as follows:

1. GRANT OF FRANCHISE; LOCATION

1.1 **Grant.** Franchisee represents and agrees at all times to faithfully, honestly and diligently perform its obligations under this Agreement and to use Franchisee’s best efforts to promote the then-current Approved Services, Approved Products and the Franchised Business. In material reliance on the foregoing representation and agreement, Franchisor grants to Franchisee the non-exclusive right and license to:

A. Establish and operate a single Store utilizing only the System and the Marks, at a location that has been authorized by Franchisor (the “Authorized Location”), in accordance with the provisions and for the term specified in this Agreement;

B. Use only the Marks of Franchisor under the terms of this Agreement to identify and promote the Store offered hereunder; and

C. Use the proprietary recipes, ingredients, methods and know-how, as set forth periodically in Franchisor’s operations manual, other manuals, training programs, or otherwise communicated to Franchisee.

1.2 **Site Approval Process.** Franchisor will, as it determines appropriate, assist Franchisee in connection with site selection by: (i) providing Franchisee with its then-current site selection criteria, to the extent such criteria has been reduced to writing; and (ii) providing Franchisee with access to a local real estate broker that is familiar with Franchisor’s confidential site evaluation criteria, to the extent Franchisor has established relationships with such brokers in or around the Designated Market Area (as defined in Section 1.3 below). Franchisor will use commercially reasonable efforts to approve or reject a proposal for an Authorized Location within 30 days of the date Franchisor receives all reasonably-requested information regarding the proposed site. Franchisor’s approval of the proposed site shall be deemed to be a binding addendum to this Agreement upon Franchisor and Franchisee’s execution of Exhibit 1, which is attached hereto and incorporated herein by reference, and which will set forth the Authorized Location. Franchisor agrees not to unreasonably withhold approval of a site that meets its site criteria. Franchisee acknowledges that Franchisor’s approval of a proposed site is permission only and not an assurance or guaranty to Franchisee of the availability, suitability or success of a location, and cannot create a liability for Franchisor. While Franchisor will provide site selection assistance as specified in Section 6.1 herein, Franchisee alone is ultimately responsible for selecting and developing an acceptable location for the Store. Franchisee agrees to hold Franchisor harmless with respect to the selection of the Authorized Location by Franchisee. Franchisee must obtain lawful possession of an Authorized Location by lease, purchase or other method and open for regular, continuous business within nine (9) months of the date that Franchisor accepts this Agreement. The opening date may be extended an additional three (3) months in certain instances, as explained in Section 2.2D, below. Franchisor has the right to terminate this Agreement if Franchisee fails to select a site for the Store that meets Franchisor’s approval, within the time period allotted above.

1.3 **Authorized Location; Designated Market Area; Designated Territory.** If the Authorized Location has not been identified at the time this Agreement is signed, Franchisee must identify a site approved by Franchisor within the following geographical area:

 (“Designated Market Area”). Once the Authorized Location for the Store has been identified in the Authorized Location Addendum, attached hereto as Exhibit 1, Franchisor agrees that, so long as Franchisee is in good standing, neither it nor its affiliates will operate or establish, or authorize another Bubblelicious franchisee to operate or establish, a Store using the System or Marks within a certain geographical area surrounding the Authorized Location (“Designated Territory”). The Designated Territory, if any, will be defined in Exhibit 1, hereto and the parties agree and acknowledge that, unless and until Franchisor signs off on a specific Designated Territory in Exhibit 1, Franchisee’s Designated Territory will be the specific Authorized Location from which the Store is operated.

1.4 **Rights Reserved to Franchisor.** Notwithstanding anything contained in this Agreement, Franchisor and its affiliate(s)/parent(s) hereby reserve the exclusive right to: (i) open and operate, and license third parties the right to open or operate, other Stores utilizing the Marks and System outside the Designated Territory; (ii) market, offer and sell products and services similar to those offered by the franchised business and other Stores (such as private label products that Franchisor may develop) through alternate channels of distribution, including without limitation, via the Internet and other e-commerce channels, catalog sales, direct mail or wholesale, at any location; (iii) acquire, or be acquired by, any company, including a company operating one or more businesses offering products or services similar to those offered by a Store, located within or outside your Designated Territory, and

subsequently operate (or license a third party the right to operate) these locations; (iv) open and operate, or license third parties the right to open or operate, businesses that offer products and services similar to the franchised business under marks other than the Marks at any location; and (v) use, and license others the right to use, the Marks and System to engage in any other activity not expressly prohibited by this Agreement.

I have read Article 1, understand it, and agree to comply with each of its Sections.
Your Initials: _____ / _____

2. ACCEPTANCE BY FRANCHISEE

2.1 **Acceptance by Franchisee.** Franchisee accepts this Agreement and the license granted herein and agrees to develop and operate the Store on the terms and conditions specified herein. Franchisee agrees to follow the System requirements in the operation of its Store, including, without limitation, its facilities, staff, advertising, operations, and all other aspects of Franchisor’s business and the System now in effect and changed periodically. Franchisee (or, if Franchisee is an entity, one of its operating principals) and its proposed Designated Manager (as defined in Section 5.5B of this Agreement) must attend and complete the appropriate training to Franchisor’s satisfaction, as set forth in Section 6.3 of this Agreement.

2.2 **Conditions.** The rights being licensed herein are subject, without limitation, to the following conditions:

A. Franchisee’s business and the Store shall be identified only by those Marks approved in writing by Franchisor with at least one exterior sign as designated by Franchisor.

B. Concurrently, with the signing of this Agreement, Franchisee must execute a personal guaranty in the form attached hereto as Exhibit 4 (“Personal Guaranty”). In the event Franchisee is a legal entity having more than one owner, all owners, shareholders, partners, joint venturers, and any other person who directly or indirectly owns a 10% or greater interest in Franchisee (the "Owners") must execute the Personal Guaranty. Any person or entity that at any time after the date of this Agreement becomes an Owner, pursuant to Section 14 or otherwise, shall, as a condition of becoming an Owner, execute Franchisor’s then-current form of Personal Guaranty.

C. Franchisee shall submit the lease for the Store to Franchisor for its written consent before Franchisee executes the lease for the Authorized Location. The lease must contain the provisions outlined in Section 7.2 and Exhibit 5 (“Lease Addendum”).

D. Franchisee agrees that it must open the Store for regular, continuous business no later than six (6) months after this Agreement is signed by Franchisor. If, through no fault of Franchisee, the Store has not opened after six (6) months, Franchisor may agree in writing to provide Franchisee with an additional three (3) months to open its Store if Franchisee (a) has already secured an approved premises for its Store, and (b) is otherwise making diligent and continuous efforts to buildout and otherwise prepare its franchised business for opening throughout the six (6) month period following the execution of this Agreement.

E. Franchisee agrees at all times to comply with the standards, operating systems, and other aspects of the System (collectively, the “System Standards”) prescribed by Franchisor, which are subject to change at Franchisor’s discretion.

I have read Article 2, understand it, and agree to comply with each of its Sections.
Your Initials: _____ / _____

3. TERM AND RENEWAL

3.1 **Term.** The term of this Agreement shall be for a period of seven (7) years beginning on the date this Agreement is accepted by Franchisor, unless sooner terminated under Section 15. The conditions to obtain a renewal Bubblelicious franchise agreement are those stated below in Section 3.2.

3.2 **Renewal.** Unless terminated at an earlier date, upon the expiration of the initial term, Franchisee shall have the right to renew this Agreement for two (2) consecutive additional five (5) year terms, subject to satisfaction of each of the following conditions:

A. Prior to each such renewal, Franchisee shall execute Franchisor's standard form of franchise agreement being offered at the time of each such renewal. The provisions of each such renewal franchise agreement may differ from and shall supersede this Agreement in all respects, including, without limitation, changes in royalty and advertising fees, except that Franchisee shall pay the renewal fee specified in Section 3.2.F., instead of the initial franchise fee. Franchisee's failure or refusal to execute and return Franchisor's then-current standard form Franchise Agreement to Franchisor within thirty (30) days after receipt by Franchisee shall constitute Franchisee's election not to renew;

B. Franchisee shall demonstrate that it has the right to remain in possession of the Authorized Location for the duration of the renewal term, or that it has been able to secure and develop an alternative site acceptable to Franchisor;

C. In consideration of each such renewal of the franchise, Franchisee shall execute a general release in the form and substance satisfactory to Franchisor, releasing any and all claims against Franchisor and its affiliates, officers, directors, employees and agents;

D. Franchisee shall have completed or made arrangements to make, at Franchisee's expense, such renovation and modernization of the Store, including the interior and exterior of the building, grounds, leasehold improvements, signs, furnishings, fixtures, equipment, surveillance cameras, and decor as Franchisor reasonably requires so the Store conforms with the then-current standards and image of Franchisor;

E. Franchisee, during the term of this Agreement, shall have substantially complied with all of the provisions of this Agreement and all other agreements with Franchisor, and shall be in compliance with Franchisor's policies, standards and specifications on the date of the notice of renewal and at the expiration of the initial term;

F. Franchisee shall pay to Franchisor a renewal fee equal to \$20,000; and

G. Franchisee shall have given Franchisor written notice of renewal no less than 90 days or more than 180 days before expiration of the initial term.

3.3 **Franchisor's Refusal to Renew Franchise.** Franchisor may refuse to renew the franchise if Franchisee is in default under this Agreement, or any other agreement with Franchisor or an affiliate of Franchisor, or if Franchisee fails to satisfy any of the foregoing conditions. Subject to the above, Franchisor will not unreasonably deny renewal of a Franchise.

3.4 **Notice of Expiration Required by Law.** If applicable law requires that Franchisor give a longer period of notice to Franchisee than herein provided prior to the expiration of the initial term or any additional term, Franchisor will give such additional required notice. If Franchisor does not give such required additional notice, this Agreement shall remain in effect on a month-to-month basis until Franchisee has received such required notice.

I have read Article 3, understand it, and agree to comply with each of its Sections.

Your Initials: _____ / _____

4. TRADEMARK STANDARDS

4.1 **Name and Ownership.** Franchisee acknowledges the validity of the Mark Bubblelicious and all other Marks that now or in the future are or will be part of the System and agrees and recognizes that the Marks are the sole and exclusive property of Franchisor and/or the affiliates of Franchisor. Franchisee further acknowledges that Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of a Store pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by Franchisor from time to time. Any unauthorized use of the Marks by Franchisee shall be a breach of this Agreement and an infringement of the rights of Franchisor and its affiliates. Franchisee's use of the Marks inures to the benefit of Franchisor, which owns all goodwill now and hereafter associated with the Marks. Franchisee agrees not to contest ownership or registration of the Marks. Franchisor (and/or its affiliates) owns all right, title and interest in and to the Marks, and Franchisee has and acquires hereby only the qualified license granted in this Agreement. Franchisor agrees to indemnify Franchisee from any claims, costs or fees associated with Franchisee's authorized use of the Marks in connection with the franchised business, subject to the requirement that Franchisor be immediately notified of any third party challenge to Franchisee's authorized use of any Mark under this Agreement, and Franchisor has the right to control any related litigation.

4.2 **Use.**

A. Franchisee shall not use any Mark as part of any corporate or business name with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form. Franchisee shall display and use the Marks only in the manner and form prescribed or authorized by Franchisor and shall conduct no other business than that prescribed by Franchisor. Franchisee shall not use any other mark, name, commercial symbol or logotype in connection with the operation of the Store and shall not market any product relating to the Store without Franchisor's written consent, and if such consent is granted, such product must be marketed in a manner acceptable to Franchisor. Franchisor may also permit Franchisee to use from time to time other trademarks, service marks, trade names and commercial symbols as may be designated by Franchisor in writing.

B. Franchisee agrees to give such notices of trademark and service mark registrations and copyrights as Franchisor specifies and to obtain such fictitious or assumed name registrations as may be required under applicable law.

C. Franchisee is prohibited from using the Marks in advertising, promotion or otherwise, without the appropriate "©" or "®" (copyright and registration marks) or the designations "TM" or "SM" (trademark and service mark), where applicable.

4.3 **Litigation.** Franchisee agrees to notify Franchisor immediately in writing if it becomes aware that any person who is not a licensee of Franchisor is using or infringing upon any of the Marks. Franchisee may not communicate with any person other than Franchisor and its counsel in connection with any such use or infringement. Franchisor will have discretion to determine what steps, if any, are to be taken in any instance of unauthorized use or infringement of any of its Marks and will have complete control of any litigation or settlement in connection with any claim of an infringement or unfair competition or unauthorized use with respect to the Marks. Franchisee will execute any and all instruments and documents and will assist and cooperate with any suit or other action undertaken by Franchisor with respect to such unauthorized use or infringement such as by giving testimony or furnishing documents or other evidence. Franchisor will be responsible for legal expenses incurred by Franchisor in connection with any litigation or other legal proceeding involving such third party. Franchisor

shall not be liable for any legal expenses of Franchisee unless (a) pre-approved in writing by Franchisor in its discretion, and (b) the action proceeds or arises out of Franchisees authorized use of the Marks hereunder.

4.4 **Modification, Discontinuance or Substitution.** Franchisor reserves the right, if necessary in Franchisor's sole judgment, to change the principal Mark(s) of the System on a national or regional basis, and upon reasonable notice, Franchisee shall at its expense adopt a new principal Mark(s) designated by Franchisor to identify the Store. Franchisor shall have no liability or obligation whatsoever with respect to Franchisee's change of any Mark.

4.5 **Franchisor's Revenues.** Franchisor and its affiliates may offer to sell to Franchisee at a reasonable profit various goods and services, and reserve the right to receive fees or other consideration in connection with sales promotion and advertising programs associated with the Marks or from System vendors.

I have read Article 4, understand it, and agree to comply with each of its Sections.

Your Initials: _____ / _____

5. FEES

5.1 **Initial Franchise Fee.** Franchisee agrees to pay Franchisor an initial franchise fee in the sum of Forty Thousand Dollars (\$40,000) for a single Store upon execution of this Agreement (the "Initial Franchise Fee") in the form of a cashier's check or bank wire. The Initial Franchise Fee shall be fully earned by Franchisor upon payment and is not refundable under any circumstance.

5.2 **Royalty Fee.** Beginning on the day the Store starts generating revenue from its business operations, and continuing during the Term of this Agreement, Franchisee agrees to pay Franchisor, monthly, without setoff, credit or deduction of any nature, a royalty fee equal to seven percent (7%) of the Gross Sales (as that term is defined in Section 5.3, below) generated by the Store over the immediately preceding month (the "Royalty" or "Royalty Fee").

5.3 **Gross Sales.** Gross Sales means the total revenue generated by the Store, including all revenue generated from the sale and provision of any and all gift cards and other approved products and services at or through the Store and all proceeds from any business interruption insurance related to the non-operation of the Store, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. "Gross Sales" does not include (a) any sales tax and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, or (b) the value of any allowance issued or granted to any client of the Store that is credited in good faith by Franchisee in full or partial satisfaction of the price of the approved products or services offered in connection with the Store.

5.4 **Initial FFE Package; Opening Inventory Package.**

A. Prior to opening the Store governed by this Agreement, Franchisee must purchase: (i) an initial package of furniture, fixtures and equipment that is designed to provide Franchisee with certain items needed in connection with outfitting, equipping and otherwise building out the Store (the "Initial FFE Package"); and (ii) opening inventory comprised of certain branded and other inventory that may be resold at the Store (the "Opening Inventory Package"). Over the term of this Agreement, Franchisee will be responsible for (a) maintaining and/or replacing the items comprising the Initial FFE Package, and (b) maintaining certain levels of inventory with respect to those items comprising the Opening Inventory Package, as set forth more fully in this Agreement.

B. Franchisee further agrees to install at its expense and use the Store management software that Franchisor designates, which may be used for functions such as membership accounting, cost control, point of

sale (“POS”) and inventory control systems, and acquire such software from the supplier that Franchisor designates. The designated or approved supplier(s) for these services will be updated as changes are made. Over the term of this Agreement, Franchisee will also be required to pay Franchisor’s then-current designated provider for the software that Franchisor prescribes for use in connection with the Store (each, a “Software Fee”), which may be modified upon reasonable written notice to Franchisee.

5.5 **Fund Contribution.** Franchisor has established a creative brand fund to promote the System, Marks and the brand generally (the “Fund”). Franchisee may be required by Franchisor to contribute an amount to the Fund equal to up to two percent (2%) of the Gross Sales of the Franchised Business (the “Fund Contribution”), commencing once the Store opens for operations or is required to be opened for operations hereunder. The Fund Contribution will be paid in the same manner and at the same interval that the Royalty Fee is collected (based on the Gross Sales of the Store over the immediately preceding reporting period).

5.6 **Technology Fee.** Franchisor reserves the right to charge Franchisee its then-current technology fee (the “Technology Fee”) as consideration for certain technology-related services that Franchisor may determine to pay for all or some portion of as part of the System, which may include: (a) website development and hosting, (b) establishing a System-wide intranet or other type of website portal for the System (a “Website Portal”) of any kind, (c) proprietary or customized software licensed by Franchisor or its affiliates to assist with the day-to-day operations of the Store, and/or (d) any other technology that Franchisor determines appropriate, in its discretion, for use in connection with your franchised business and determines to provide as part of the Technology Fee. Franchisor may establish, commence implementing and modify the Technology Fee upon thirty (30) days’ written notice to Franchisee.

5.7 **Training-Related Fees.**

A. *Generally.* As described more fully in this Agreement, Franchisee and certain of its personnel will: (i) be required to attend and complete certain initial training before the Store can open for operations, as well as certain ongoing training, as described more fully in Section 6 of this Agreement; and (ii) if Franchisor determines necessary and appropriate in its discretion, be required to participate in certain kinds of additional training or on-site assistance, subject to the availability of Franchisor’s training personnel.

B. *Bubblelicious Corporate Training.* Franchisees must attend initial training for three (3) consecutive days at Franchisor’s corporate offices or at an office, store, or location designated by Franchisor. Franchisee shall pay all expenses related to Franchisee’s participation in corporate training including, but not limited to, travel, accommodations, food, beverages, etc.

C. *Bubblelicious On-Site Initial Training.* Franchisees must attend initial on-site training prior to the Store opening for operations. The On-Site Initial Training consists of not less than two (2) Bubblelicious Authorized Trainers providing on-site guidance and instructions to the Franchisee at the Store. The On-Site Initial Training shall consist of five (5) consecutive days with two (2) trainers training simultaneously, OR two separate 5-day periods with one (1) trainer for each 5-day period. Franchisee agrees and acknowledges that Franchisee is responsible for covering all costs and expenses associated with sending each Bubblelicious Authorized Trainer to the Store for training purposes.

D. *Additional Training.* In the event Franchisee requests training in addition to the two (2) days of On-Site Initial Training, Franchisee may request Additional Training from Franchisor. Franchisor, in its discretion, may schedule Additional Training with the Franchisee. Franchisee acknowledges that Franchisee is responsible for covering all costs and expenses associated with the Additional Training. Additionally, there may come a time when Franchisor determines, in its discretion and based upon the performance of the Store, that Franchisee requires Additional Training. In this event, Franchisor and Franchisee shall schedule Additional Training at the Store. Franchisee acknowledges that Franchisee is responsible for covering all costs and expenses associated with the Additional Training.

5.8 **Other Amounts Due in Connection with Franchised Business.** Franchisee will also be responsible for timely payment of any other required fees or amounts necessary to purchase marketing materials, inventory or other supplies from Franchisor or its affiliates described in this Agreement.

5.9 **Electronic Transfer; Right to Modify Collection Interval.**

A. The Royalty Fee, Fund Contribution as well as any other fees owed to Franchisor or its affiliates under this Section 5 or otherwise in connection with the franchised business, will be automatically debited from Franchisee’s point-of-sale operating account administered by the designated supplier of point-of-sale services on a monthly basis throughout the Term, unless Franchisor provides reasonable written notice that Franchisor is modifying the collection interval (*e.g.*, notifying Franchisee that Franchisor will be collecting Royalty Fee, Fund Contribution and other recurring amounts due on a weekly rather than monthly basis, with such weekly fees based on the Gross Sales of the Store over the preceding calendar week).

B. All amounts due to Franchisor for the purchase of products, services or otherwise are due upon receipt of an invoice from Franchisor. Any payment or report not actually received by Franchisor on or before the due date is overdue.

C. Franchisee agrees to complete and execute an “Electronic Funds Transfer Agreement” (attached as Exhibit 2 to this Agreement) and any other form, including, without limitation, an “Electronic Debit Authorization” (attached as Exhibit 3 to this Agreement) for the purpose of authorizing an electronic debit, and to submit any information required by Franchisor for such authorization.

D. Franchisee is required to use only the POS system provided by the designated supplier and will pay the designated provider directly for all fees associated with the use of the designated provider’s software. Franchisee is not allowed to use an unapproved external terminal to process transactions.

5.10 **Interest and Late Charges.** Amounts due to Franchisor (except interest on unpaid amounts due) not paid when due shall bear interest from the date due until paid at the lesser of one and one-half percent (1.5%) per month, or the highest rate of interest allowed by law. Franchisor may also recover its reasonable attorneys’ fees, costs and other expenses incurred in collecting amounts owed by Franchisee.

I have read Article 5, understand it, and agree to comply with each of its Sections.
Your Initials: _____ / _____

6. FRANCHISOR SERVICES

6.1 **Site Selection and Lease Negotiations.** Although Franchisor will provide the site selection assistance described in Section 1.2 of this Agreement, Franchisee is solely responsible for locating, obtaining and evaluating the suitability and prospects of the Store location, for the review and negotiation of its lease, and for hiring an attorney or other advisor to review and help negotiate the lease. The Authorized Location must meet Franchisor’s then-current System standards and specifications, as set forth by Franchisor. Franchisor reserves the right to charge a reasonable fee for performing any Franchisee-requested on-site evaluation to cover incurred expenses, including, but not limited to, travel, lodging, meals and wages. Franchisor agrees not to unreasonably withhold approval of a site that meets its site criteria, including the specific lease-related conditions described in this Agreement.

6.2 **Unit Development.** Franchisor shall consult and advise Franchisee on the proper display of the Marks, layout and design, procurement of equipment, furniture, fixtures, surveillance cameras with audio, initial inventories, recruiting personnel, and managing construction or remodeling of the Store. After Franchisee has executed a lease for the Authorized Location, Franchisor shall deliver to Franchisee specifications and standards for building, equipment, furnishings, fixtures, surveillance cameras with audio, layout, design and signs relating

to the Authorized Location and shall provide reasonable consultation in connection with the development of the Store. Franchisee's architect must make any layout, design and specifications provided by Franchisor site-specific. Franchisee agrees to make no changes, alterations or modifications whatsoever to the selected layout and design without obtaining prior written consent from Franchisor.

6.3 **Training Requirements and Remedies.** As discussed more fully in Section 5.7, Franchisee agrees and acknowledges that it must comply with the On-Site Initial Training and any other Additional Training as deemed necessary by the Franchisor. If Franchisee fails to successfully complete the applicable training required by this Section and Section 5.7 before the time Franchisee is required to open the Store hereunder, Franchisor may terminate this Agreement upon written notice to Franchisee. Franchisor, as part of its right to inspect and audit the operations of the franchised business on an ongoing basis, may require that Franchisee demonstrate that all employees of Franchisee are sufficiently competent and trained to provide services as a franchised business and, if appropriate, require Additional Training at Franchisee's sole expense. If Franchisor determines that Additional Training is necessary and Franchisee fails or refused to comply with its obligation to schedule Additional Training, Franchisor reserves the right to charge Franchisee its then-current penalty fee ("Penalty Fee") for each day that Franchisee fails or refuses to comply.

6.4 **Operations Manual.** Franchisor will grant Franchisee online access to an electronic version of the Manual during the term of this Agreement. The Manual is anticipated to codify existing mandatory and suggested specifications, standards and operating procedures currently prescribed by Franchisor. Franchisee acknowledges that Franchisor may from time to time revise its Systems as well as the contents of the Manual, and Franchisee agrees to comply with each new or changed standard and specification upon notice from Franchisor. The Manual shall remain the sole property of Franchisor and shall be kept confidential by Franchisee both during the Term of this Agreement and subsequent to the termination, expiration, or non-renewal of this Agreement. If Franchisee, intentionally or otherwise through its gross negligence, compromises the secure access to the online version of the Manual (or any hard copy of the Manual), including, but not limited to, allowing unauthorized users access to the Manual and its confidential contents, Franchisee will be required to pay Franchisor liquidated damages in the amount of \$10,000, to compensate Franchisor for the breach and related damage to the System.

6.5 **Continuing Services.** Franchisor shall provide such continuing advisory assistance and information to Franchisee in the development and operation of the Store as Franchisor deems advisable in its discretion. Such assistance may be provided, in Franchisor's discretion, by Franchisor's directives, System bulletins, meetings and seminars, telephone, computer, e-mail, fax, personal visits, newsletters or manuals.

6.6 **Approved Lists.** Franchisor shall provide and from time to time, add to, alter or delete, at Franchisor's discretion, lists of specifications, approved distributors and suppliers, approved services and products, including, but not limited to, equipment and ingredients, and other materials and supplies used in the operation of the Store. Franchisor, or an affiliate of Franchisor, may be a designated or approved supplier of certain equipment, ingredients, merchandise, apparel and supplies.

6.7 **Pricing.** Franchisor has developed an image that is based in part on affordable prices for the products it offers by the System. To promote a consistent consumer experience, and to maximize the value of the products and services Stores offer, Franchisor may require fixed minimum prices for any products or services offered by the System and Franchisee. Franchisee is obligated to use the pricing required by Franchisor, unless Franchisor consents to changes in local pricing offered by Franchisee in order to (i) allow Franchisee to respond to unique, local, marketing conditions, competition, or expenses; or (ii) comply with changes or interpretations in state or federal anti-trust laws. Consistent with state or federal law, Franchisor reserves the right to change or eliminate its pricing program in the future, or to move from a required to recommended pricing structure.

6.8 **Fund.** As detailed in Section 9.1 of this Agreement, the Fund will be maintained and administered by Franchisor with, if Franchisor determines appropriate, the advice of the marketing fund committee ("MFC") to meet the costs of conducting regional and national advertising and promotional activities (including the cost of advertising campaigns, test marketing, marketing surveys, public relations activities and marketing materials)

which Franchisor determines beneficial to the System.

6.9 **Grand Opening Marketing Assistance.** Franchisor will consult and advise Franchisee on the advertising, marketing and promotion for the grand opening of the Store, as Franchisor deems appropriate in its discretion.

I have read Article 6, understand it, and agree to comply with each of its Sections.

Your Initials: _____ / _____

7. FACILITY STANDARDS, LEASE AND CONSTRUCTION

7.1 **Facility Specifications.** Franchisee's Store shall meet the following conditions:

A. The Store shall be laid out, designed, constructed or improved, equipped and furnished in accordance with Franchisor's standards and specifications. Equipment, furnishings, fixtures, surveillance cameras with audio, decor and signs for the Store shall be purchased from suppliers approved or designated by Franchisor. Franchisee may remodel or alter the Store, or change its equipment, furniture or fixtures, only with Franchisor's consent. Franchisee must obtain necessary permits, licenses and other legal or architectural requirements. The Store shall contain or display only signage that has been specifically approved or designed by Franchisor.

B. The Store and all equipment shall be maintained in accordance with standards and specifications established by Franchisor or prescribed after inspection of the Store. Franchisee shall promptly repair or replace defective or obsolete equipment, signage, fixtures or any other item of the interior or exterior that is in need of repair, refurbishing or redecorating in accordance with such standards established (and updated from time to time) by Franchisor or as may be required by Franchisee's lease.

C. Franchisee agrees and acknowledges that: (i) the System will evolve; (ii) the bubble-tea industry must respond to new fads, new products, new ingredients, new equipment, and new training techniques; and (iii) the System must change to meet customer demands. Franchisee further understands that equipment wears out, breaks down, or becomes obsolete. Consequently, from time to time, as Franchisor requires, Franchisee must modernize and/or replace items of the Trade Dress or Store equipment as may be necessary for the Store to conform to the standards for new Stores. Further, Franchisee will be required to thoroughly modernize or remodel the Store when requested by Franchisor, but no more than once every 5 years. This may include replacing equipment, fixtures, and products and other updates and improvements. Franchisee acknowledges that this obligation could result in Franchisee making extensive structural changes to, and significantly remodeling and renovating the Store, and Franchisee agrees to incur, without limitation, any capital expenditures required in order to comply with this obligation and Franchisor's requirements. Within 60 days after receiving written notice from Franchisor, Franchisee shall have plans prepared according to the standards and specifications that Franchisor prescribes and Franchisee must submit those plans to Franchisor for its approval. Franchisee agrees to complete all work according to the plans that Franchisor approves within the time period that Franchisor reasonably specifies and in accordance with this Agreement. Franchisor, or its Affiliate, will hold themselves, and the Stores they operate (if any) to the same high standard, and same frequency for replacement and renovation as is expected of Franchisee.

D. The Store shall contain signage prominently identifying Franchisee by name as an independently owned and operated franchisee of Franchisor.

E. The Store must have a surveillance camera with audio purchased from a designated approved supplier installed at the Store. The camera(s) must be web accessible. The camera(s) will be used by Franchisee to monitor performance, quality assurance and safety. Franchisor has an absolute right to also review and monitor

the camera(s) for the same purposes as Franchisee, and to ensure compliance with the System. Franchisee is responsible for ensuring customer consent and for any failure to obtain such consent. Franchisee agrees to indemnify Franchisor for any breaches of privacy from Franchisee's use of any surveillance camera.

7.2 **Lease.** Franchisee is solely responsible for purchasing or leasing a suitable site for the Store. Franchisee must utilize a qualified retail real estate attorney to review and negotiate the lease for the Store. Franchisee must submit the lease for the Store to Franchisor for review before Franchisee executes the lease for the Authorized Location for purposes of confirming compliance with this Section and Franchisor's other site selection criteria. Franchisor will not withhold consent arbitrarily; however, any lease must contain substantially the following provisions: (1) "The leased premises will be used only for the operation of a Bubblelicious Franchise;" (2) "The employees of Franchisor will have the right to enter the leased premises to make any modifications necessary to protect the System and proprietary marks thereof;" (3) "Lessee agrees that Lessor may, upon request of Franchisor disclose to said Franchisor all reports, information or data in Lessor's possession with respect to sales made in, upon or from the leased premises;" and (4) a conditional assignment clause to be contained in a lease rider in a form approved by Franchisor, which shall provide that Franchisor (or its designee) may, upon termination, expiration, non-renewal or proposed assignment of this Agreement, at Franchisor's sole option, take an assignment of Franchisee's interest thereunder, without the consent of the Lessor or property owner, without liability for accrued obligations, payment of additional consideration or increase in rent, and at any time thereafter, reassign the lease to a new franchisee. Franchisor's execution of this Agreement is conditioned upon the (a) above-referenced lease addendum in the form attached hereto as Exhibit 5 ("Lease Addendum") or a lease that otherwise incorporates the terms of said Lease Addendum being signed by Franchisee and the landlord/lessor of the Authorized Location. Franchisee acknowledges that it has been advised to have any lease reviewed by Franchisee's own legal counsel.

7.3 **Unit Development.** Franchisee agrees that after obtaining possession of the Authorized Location, Franchisee will promptly, at Franchisee's sole expense:

- A. Obtain any standard plans and/or specifications from Franchisor;
- B. Employ a qualified licensed architect, as required by state or local codes, to prepare all drawings, designs, plans and specifications for the Store, and submit same to Franchisor for review and approval prior to commencing construction;
- C. Complete the construction or remodeling of the Store in full and strict compliance with plans and specifications approved by Franchisor, and in compliance with all applicable ordinances, building codes and permit requirements;
- D. Purchase or lease, in accordance with Franchisor's standards and specifications, all equipment, fixtures, inventory, supplies and signs required for the Store;
- E. Hire and train the initial operating personnel according to Franchisor's standards and specifications; and
- F. Complete development of and have the Store open for business not later than nine (9) months after the date that Franchisor accepts this Agreement.

7.4 **Franchisee's Responsibility.** Although Franchisor may provide Franchisee with various standard or sample plans and specifications with respect to constructing and equipping the Store, it is Franchisee's sole responsibility to construct and equip the Store in compliance with all applicable federal, state and local laws and regulations, including, without limitation, all building codes, fire and safety codes, environmental laws, Occupational Safety and Health Administration laws, health laws, sanitation laws, Americans with Disabilities Act and all other requirements that may be prescribed by any federal, state or local governmental agency. Franchisee further acknowledges and agrees that Franchisee is, and will continue to be at all times during the

Term, solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Store, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. Franchisee's employees must be competent, conscientious, and properly trained. Franchisee acknowledges that nothing in this Agreement shall, or may be construed to, create any type of employer or joint employer relationship between (a) Franchisee or any of Franchisee's personnel, and (b) Franchisor in any matter.

I have read Article 7, understand it, and agree to comply with each of its sub-sections.

Your Initials: _____ / _____

8. STORE IMAGE AND OPERATING STANDARDS

8.1 **Compliance.** Franchisee acknowledges and agrees that every detail regarding the appearance and operation of the Store is important to Franchisor, Franchisee, the System and other Bubblelicious franchisees in order to maintain high and uniform operating standards, to increase demand for the classes sold by all franchisees, and to protect Franchisor's reputation and goodwill, and, accordingly, Franchisee agrees to comply strictly at all times with the requirements of this Agreement and Franchisor's standards and specifications relating to the appearance or operation of the Store. Franchisee acknowledges that other Stores may operate under different forms of agreement with Franchisor, and that the rights and obligations of the parties to other agreements may differ from those hereunder.

8.2 **Franchisor's Right to Inspection.** To determine whether Franchisee is complying with this Agreement and Franchisor's standards and specifications, Franchisor reserves the right to supervise, determine and approve the standards of appearance, quality and service pertinent to the Store including, without limitation, the right at any reasonable time and without prior notice to Franchisee to: (1) inspect and examine the business premises, equipment, facilities and operation of the Store in person or by web accessible surveillance cameras with audio, which are required to be installed in each Store; (2) interview Franchisee and Franchisee's employees, including any independent contractors; (3) interview Franchisee's members and customers, suppliers and any other person with whom Franchisee does business; (4) confer with members and staff of government agencies with authority over Franchisee about matters relevant to the Store; and (5) use "mystery shoppers," who may pose as customers and evaluate Franchisee and Franchisee's operations.

8.3 **Personnel.** Franchisee agrees to employ in the operation of the Store only persons of high character and ability who maintain and exhibit traits of enthusiasm, cleanliness, neatness, friendliness, honesty and loyalty, it being recognized by Franchisee that such persons are necessary in order to promote and maintain customer satisfaction and the goodwill of the System. Franchisee agrees to staff the Store at all times with a sufficient number of qualified, competent personnel who have been trained in accordance with Franchisor's standards. Franchisee shall be considered the employer of all employees and independent contractors of the Store. It is the sole responsibility of Franchisee to hire, discipline, discharge and establish wages, hours, benefits, employment policies and other terms and conditions of employment for its employees and independent contractors. Franchisee is responsible for obtaining its own independent legal advice regarding the employment of employees and independent contractors, and complying with any and all applicable laws pertaining thereto. Franchisor shall have no responsibility for the terms and conditions of Franchisee's relationship with Franchisee's employees and/or independent contractors. Franchisee shall engage in no discriminatory employment practices and shall in every way comply with all applicable laws, rules and regulations of federal, state and local governmental agencies, including, without limitation, all wage-hour, civil rights, immigration, employee safety and related employment and payroll related laws. Franchisee shall make all necessary filings with, and pay all taxes and fees due to, the Internal Revenue Service and all other federal, state and local governmental agencies or entities to which filings and payments are required.

8.4 **Products and Services to be Offered for Sale.**

A. *Approved Services and Approved Products Generally.* Franchisee acknowledges that the presentation of a uniform image to the public and the offering of uniform services and products is an essential element of a successful franchise system. In order to ensure consistency, quality and uniformity throughout the System, Franchisee agrees: (i) to sell or offer for sale only the services or products that have been expressly approved for sale by Franchisor; (ii) to sell or offer for sale all services and products required by Franchisor; (iii) not to deviate from Franchisor's standards and specifications; and (iv) to discontinue selling and offering for sale any services or products that Franchisor may, in its discretion, disapprove at any time. Franchisor shall supply Franchisee with a list of suppliers from which Franchisee is required to purchase equipment/accessories, ingredients, products or services for the Store. Franchisor may change this list from time to time, and upon notification to Franchisee, Franchisee shall only purchase equipment/accessories, ingredients, products or services from approved suppliers as specified on the changed list. Franchisor, or an affiliate of Franchisor, may be a designated or approved supplier of certain equipment, ingredients, merchandise, apparel and supplies. Franchisee agrees to keep the Store and equipment in clean condition, with all equipment well-maintained and operational, and be able at all times during business hours to provide customers with all services and products specified by Franchisor.

B. *Required Use of Approved Suppliers.* Franchisee agrees that: (i) all equipment and ingredients must be purchased exclusively from approved suppliers and must be maintained according to manufacturer or Franchisor specifications, as applicable; and (ii) Franchisee must use a qualified real estate attorney to review and negotiate the lease for the Store. Franchisee acknowledges and agrees that Franchisor is (or may at any time in future become) an approved or designated supplier for certain equipment, products, logo items, signage and artwork, that Franchisor may derive income from the sale of such items, and that the price charged by Franchisor may reflect a profit.

C. *Non-Approved Services, Products or Suppliers.* If Franchisee proposes to offer for sale any other products or service that have not been approved by Franchisor, Franchisee shall first notify Franchisor in writing and submit sufficient information, specifications and samples concerning such product or service for a determination by the Franchisor whether such product or service complies with the Franchisor's specifications and standards and/or whether such supplier meets the Franchisor's approved supplier criteria. Franchisor shall, within ninety (90) days, notify Franchisee in writing whether or not such proposed product or service is approved, as determined in Franchisor's discretion. Franchisor reserves the right to charge Franchisee reasonable costs in connection with Franchisor's review, evaluation and approval of alternative suppliers. These charges may include reimbursement for travel, accommodations, meal expenses, and personnel wages. Franchisor may from time to time prescribe procedures for the submission of requests for approved products or services and obligations that approved suppliers must assume (which may be incorporated in a written agreement to be executed by approved suppliers). Franchisor reserves the right to revoke its approval of a previously authorized supplier, product or service when Franchisor determines in its discretion that such supplier, product or service is not meeting the specifications and standards established by Franchisor. If Franchisor modifies its list of approved products or suppliers and/or services, Franchisee shall not, after receipt in writing of such modification, reorder any product or utilize any supplier, product or service that is no longer approved.

D. *Franchisor Rights.* Franchisee acknowledges and agrees that Franchisor may sell products and services to members located anywhere, even if such products and services are similar to what Franchisor sells to Franchisee and what Franchisee offers at the Store. Franchisor may use the internet or alternative channels of commerce to sell Bubblelicious brand products and services. Franchisee may only sell the products and services from the Store's approved location, and may only use the internet or alternative channels of commerce to offer or sell the products and services, as permitted by Franchisor, in order to register members for classes. Nothing in the foregoing shall prohibit Franchisee from obtaining members over the Internet provided Franchisee's internet presence and content comply with the requirements of this Agreement.

E. *Advertising Outside Designated Territory.* Unless Franchisor agrees otherwise, Franchisee may not actively solicit potential members or customers, or otherwise promote the franchised business through any

targeted advertising/marketing, outside of the Designated Territory. Nothing in this Agreement, however, shall prohibit Franchisee from servicing members and other customers that contact Franchisee or the Store, regardless of where those members/customers reside or work.

F. *Penalty Fee.* Franchisor reserves the right to charge its then-current per day Penalty Fee of One Thousand Dollars and No Cents (\$1,000.00) for eachday Franchisee offers or sells unauthorized products or services from the Store.

8.5 **Compliance with Laws.** Franchisee agrees to comply with all federal, state and local laws, rules, and regulations and shall as soon as practicable, but in any event prior to the opening for business of the Store, obtain all municipal and state permits, certificates or licenses necessary to operate the Store and shall file and publish, if required by applicable law, a certificate of doing business (whether under a fictitious name or otherwise). Franchisee acknowledges and agrees that it has the sole responsibility to investigate and comply with any applicable laws in the state where the Store is located that are specific to the operation of a Store of this type. Franchisee shall operate and maintain the Store in strict compliance with all employment laws, building codes, fire and safety codes, environmental laws, Occupational Safety and HealthAdministration laws, health and safety laws, sanitation laws, Americans with Disabilities Act and any other requirements that may be prescribed by any federal, state or local governmental agency. Franchisee agrees to immediately provide Franchisor with a copy of any notice received by Franchisee from any state, local or governmental agency pertaining to compliance with any codes or requirements, or the failure to comply with anycodes or requirements, at the Store. Franchisee hereby certifies and represents that Franchisee, and any of its affiliates, any of its partners, members, shareholders or other equity owners, and their respective employees, officers, directors representatives or agents, are not acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by any Executive Order or the United States Treasury Department as a terrorist, “Specially Designated National and Blocked Person,” or other banned or blocked person, entity, nation or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of ForeignAssets Control. Franchisee hereby agrees to defend, indemnify and hold harmless Franchisor from and against any and all claims, damages, losses, risks, liabilities and expenses (including attorneys’ fees and costs) arising from or related to any breach of the certifications set forth in this paragraph.

8.6 **Operational Efforts.**

A. Franchisee may appoint a Designated Manager to assist in the direct, day-to-day, supervision of the operations of the Store, provided that Designated Manager attended the On-Site Initial Training and all Additional Training, if any, prior to commencing any management responsibilities at the Franchised Business. If Franchisee does not have a Designated Manager, then Franchisee (or its Operating Principal, as applicable) must be on-site at the Store during normal business hours to manage day to day operations.

B. Franchisee agrees to keep Franchisor advised, in writing, of the replacement of any Designated Manager, as necessary, for Franchisor to ensure that all required training under this Agreement is completed.

C. Franchisee agrees to keep the Store open for the hours deemed appropriate by Franchisor.

8.7 **Good Standing.** Franchisee will be considered in “Good Standing” if Franchisee is not in default of any obligation to Franchisor or any of Franchisor’s affiliates, whether arising under this Agreement or any other agreement between Franchisee and Franchisor (or any of Franchisor’s affiliates) or other System requirements.

8.8 **Performance Standards.** Franchisee and Franchisor have a shared interest in the Store performing at or above the System Standards. Franchisor would not have entered into this franchise relationship if Franchisor had anticipated that Franchisee would not meet these Performance Standards.

A. *System Standards.* Franchisor may choose, in its sole discretion, to evaluate the Store for

compliance with the System Standards using various methods (including, but not limited to, inspections, field service visits, surveillance camera monitoring, member comments/surveys, and secret shopper reports.) Franchisee must meet minimum standards for cleanliness, equipment condition, repair and function, and customer service. Franchisee’s employees, including any independent contractors, must meet minimum standards for courteousness and customer service.

B. *Minimum Monthly Gross Revenue Quota.* Unless waived by Franchisor due to unique market conditions, Franchisee must meet a certain Minimum Monthly Gross Revenue Quota. If Franchisee fails to achieve and maintain average monthly gross revenues of \$40,000.00 by the 1st year anniversary of the opening of the Store and average monthly gross revenues of \$50,000.00 by the end of the 2nd year anniversary and each succeeding year thereafter, then Franchisor may institute a corrective training program and/or require Franchisee to perform additional local marketing. If Franchisee fails to meet the Minimum Monthly Gross Revenue Quota for 24 consecutive months at any time during the Term of this Agreement, Franchisor, at its sole discretion, may institute a mandatory corrective training program or terminate this Agreement upon written notice to Franchisee.

I have read Article 8, understand it, and agree to comply with each of its sub-sections.
Your Initials: _____ / _____

9. ADVERTISING AND MARKETING

9.1 Fund.

A. Franchisee will be required to pay the appropriate Fund Contribution to Franchisor as described in Section 5.5 of this Agreement. In the event Franchisor increases the Fund Contribution from what it is as of the date this Agreement is signed, Franchisor will provide at least 60 days’ written notice of such increase in the Fund Contribution.

B. The Fund will be administered by Franchisor as it deems appropriate in its discretion. Franchisor may establish a committee to serve in an advisory capacity only with respect to providing guidance and advice on Fund-related matters (the “MFC”), but Franchisor is under no obligation to do so. In the event an MFC is established in connection with the Fund, Franchisor will determine how best to structure and work with the MFC and Franchisor will have the right to dissolve any established MFC upon 30 days’ written notice to Franchisee. The Fund will be maintained and operated by Franchisor, as it deems appropriate in its discretion, to meet the costs of conducting regional and national advertising, promotional, marketing activities, as well as related technology and other brand development activities, that are deemed most beneficial to the System.

C. Franchisor will have complete control and discretion over how to administer the Fund and Fund Contributions to determine the advertising, marketing and public relations programs and activities financed by the Fund, including the creative concepts, materials and endorsements used and the geographic market, media placement and allocation. Franchisee agrees that the Fund may be used to pay the costs of preparing and producing associated materials and programs as Franchisor may determine, including the use of social media; video, audio and written advertising materials employing advertising agencies; sponsorship of sporting, charitable or similar events; administering regional, national and multi-regional advertising programs including purchasing direct mail and other media advertising, website development/operation and to pay Internet, Intranet, URL, (800) or similar number, and other charges, fees and/or expenses, including employing advertising agencies to assist with marketing efforts; and supporting public relations, market research and other advertising, promotional and marketing activities. A brief statement regarding the availability of Bubblelicious franchises and details about the franchise offering may be included in advertising and other items produced using the Fund.

D. Franchisor may spend in any calendar year more or less than the total Fund Contributions to the

Fund in that year. Franchisor may cause the Fund to invest any surplus for future use by the Fund. Franchisor may borrow from Franchisor or other lenders on behalf of the Fund to cover deficits of the Fund.

E. Franchisor and/or any Franchisor-Related Persons/Entities can provide goods, services, materials, etc. (including administrative services and/or “in-house advertising agency” services) and be compensated and/or reimbursed for the same by the Fund, provided that any such compensation must be reasonable in amount. Franchisor can arrange for goods, services, materials, etc. (including administrative services) to be provided by independent persons/companies and all related costs, fees, etc. will be paid by the Fund.

F. The Fund will be accounted for separately from Franchisor’s other funds and Franchisor will not use the Fund for its general operating expenses. All taxes of any kind incurred in connection with or related to the Fund, its activities, contributions to the Fund and/or any other Fund aspect, whether imposed on Franchisor, the Fund or any other related party, will be the sole responsibility of the Fund. Franchisor will not be required to audit the Fund, but will provide an annual accounting of the Fund at the written request of Franchisee that is made 120 days after the fiscal year at issue. All interest earned on monies contributed to, or held in, the Fund will be remitted to the Fund and will be subject to the restrictions of the relevant Franchise Agreement(s).

G. You acknowledge that the Fund Contributions are intended to maximize general public recognition of and the acceptance of the Intellectual Property for the benefit of the System as a whole. Notwithstanding the foregoing, Franchisor undertakes no obligation, in administering the Fund Contributions to make expenditures for you that are equivalent or proportionate to your contribution, or to insure that any particular Bubblelicious business benefits directly or *pro rata* from advertising or promotion conducted with the Fund contributions.

H. Franchisor maintains the right to terminate, dissolve or suspend the collection and disbursement of the Fund Contributions and/or the Fund. Upon termination or dissolution of the Fund, Franchisor will disburse the remaining Fund Contributions in the Fund at that time for any purposes authorized under this Agreement.

9.2 **Grand Opening and Pre-Opening Marketing; Local Marketing Activities.**

A. *Grand Opening and Pre-Opening Marketing.* Franchisee must spend a minimum of \$2,500 in connection with the grand opening and initial launch marketing of the Store prior to and around the time the Store opens, as Franchisor directs (the “Initial Marketing Spend”). Franchisor may require that Franchisee: (i) expend all or any portion of the Initial Marketing Spend on: (i) initial marketing/advertising and/or public relations materials or services that are purchased from an Approved Supplier; and/or (ii) the development and implementation of a plan Franchisee coordinates with Franchisor that is designed to generate clientele and sales prior to the opening of the Store and/or develop leads for prospective clients upon opening.

B. *Local Advertising Requirement.* Franchisee is responsible for local advertising and marketing activities to attract members to the Store. Franchisee must expend at least \$500 per month on approved local advertising and marketing activities designed to promote the Store within the Designated Territory. Upon Franchisor’s written request, Franchisee must provide Franchisor with an accounting of all expenditures made by Franchisee to comply with this Section, along with any invoices or other documentation to support such expenditures.

C. *Advertising Standards.* Franchisee’s advertising will be in good taste and conform to ethical and legal standards and our requirements. Franchisor may require Franchisee to submit samples of all advertising and promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media, including the Internet, World Wide Web or otherwise. Franchisor retains the right to approve or disapprove of such advertising, in its sole discretion. Franchisee agrees not to use any materials or programs disapproved by Franchisor.

D. *Approval.* Franchisor must approve any form of co-branding, or advertising with other brands,

products or services, in writing, in advance.

9.3 **Social Media Activities.** As used in this Agreement, the term “Social Media” is defined as a network of services, including, but not limited to, blogs, microblogs, and social networking sites (such as Facebook, LinkedIn, Twitter, and other platforms similarly situated), video-sharing and photo-sharing sites (such as YouTube and Flickr), review sites (such as Yelp and Urbanspoon), marketplace sites (such as eBay and Craigslist), Wikis, chat rooms and virtual worlds, that allows participants to communicate online and form communities around shared interests and experiences. While it can be a very effective tool for building brand awareness, it can also be devastating to a brand if used improperly. Therefore, Franchisee must strictly follow the Social Media guidelines, code of conduct, and etiquette as set forth by Franchisor. Any use of Social Media by Franchisee pertaining to the Store must be in good taste and not linked to controversial, unethical, immoral, illegal or inappropriate content. Franchisor reserves the right to “occupy” any Social Media websites/pages and be the sole provider of information regarding the Store on such websites/pages (e.g., a system-wide Facebook page). At Franchisor’s request, Franchisee will promptly modify or remove any online communication pertaining to the Store that does not comply with this Agreement or the guidance provided by Franchisor.

9.4 **Franchisee Marketing Group(s) (“Co-Ops”).** Franchisor may decide to form one or more associations and/or sub-associations of Bubblelicious Stores to conduct various marketing-related activities on a cooperative basis (a “Co-Op”). If one or more Co-Ops (local, regional and/or national) are formed covering Franchisee’s area, then Franchisee must join and actively participate. Each Store will be entitled to one (1) vote, but in order to vote the Store must be in Good Standing. Franchisee may be required to contribute such amounts as are determined from time to time by such Co-Ops.

I have read Article 9, understand it, and agree to comply with each of its Sections.
Your Initials: _____ / _____

10. FINANCIAL REPORTS, AUDITS, COMPUTER SYSTEM AND INSURANCE REQUIREMENTS

10.1 **Records and Reports.** Franchisee shall maintain and preserve for four (4) years or such period as may be required by law (whichever is greater) from the date of their preparation such financial information relating to the Store as Franchisor may periodically require, including without limitation, Franchisee’s sales and use tax returns, register tapes and reports, sales reports, purchase records, and full, complete and accurate books, records and accounts prepared in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor. Franchisee agrees that its financial records shall be accurate and up-to-date at all times. Franchisee agrees to promptly furnish any and all financial information, including tax records and returns, relating to the Store to Franchisor on request.

10.2 **Right to Conduct Audit or Review.** Franchisor shall have the right, in its sole determination, to require a review by such representative(s) as Franchisor shall choose, of all information pertaining to the Store including, without limitation financial records, books, tax returns, papers, and business management software programs of Franchisee at any time during normal business hours without prior notice for the purpose of accurately tracking unit and System-wide sales, sales increases or decreases, effectiveness of advertising and promotions, and for other reasonable business purposes. Such review will take place at the Store or Franchisee’s head office (if different), or both, and Franchisee agrees to provide all information pertaining to the Store requested by Franchisor during its review. If the review is done because of a failure by Franchisee to furnish reports, supporting records or other required information or to furnish the reports and information on a timely basis, Franchisee shall reimburse Franchisor for all costs of the audit or review including, without limitation, travel, lodging, wage expense and reasonable accounting and legal expense. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or applicable law.

10.3 **Computer System and Software.** Franchisee must acquire a computer for use in the operation of the Store. Franchisee agrees to record all of its receipts, expenses, invoices, member lists, class and employee schedules and other business information promptly in the computer system and use the software that Franchisor specifies or otherwise approves. Franchisor reserves the right to change the computer system, and the accounting, business operations, customer service and other software at any time. Data, including names, addresses, contact information, and credit card or payment information of members of the Store will be captured on the required software, and will become the joint property of Franchisee and Franchisor during the Term of this Agreement. Franchisee will provide Franchisor with any passwords necessary to access the business information for the Store that is stored on the required software and online. Franchisor may use such information to communicate directly to the members of the Store, and to provide updates, information, newsletters, and special offers to the members. Franchisee must upgrade and maintain the computer system and software in the Store, as required by Franchisor from time to time, and pay any fees associated with such upgrades. Upon expiration or termination of this Agreement, Franchisee shall have no further access or rights to the member information and Franchisor shall be the sole owner of such information.

10.4 **Insurance.**

A. Prior to opening the Store for business and throughout the entire term of this Agreement, Franchisee will keep in force at Franchisee’s own expense and by advance payment of the premium, the following insurance coverages:

(1) Workers’ Compensation and Employer’s Liability Insurance as well as such other insurance, with statutory limits, as required by law in the jurisdiction where the franchised business is located. Employers Liability or “Stop Gap” insurance, with limits of not less than \$1,000,000 each accident;

(2) Commercial General Liability Insurance, Occurrence form, including a per location or project aggregate, with the following coverages: owners and contractors protective liability, broad form property damage, contractual liability, severability of interest clause; personal and advertising injury; and products/completed operations; medical payments and fire damage liability; insuring you and us against all claims, suits, obligations, liabilities and damages, including attorneys’ fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from or occurring in the course of, or on or about or otherwise relating to the franchised business including general aggregate coverage in the following limits:

<u>Required Coverage</u>	<u>Minimum Limits of Coverage</u>
General Aggregate	\$5,000,000
Products/Completed Operations Aggregate	\$5,000,000
Personal and Advertising Injury	\$1,000,000
Each Occurrence	\$1,000,000
Participant Legal Liability	\$1,000,000
Professional Liability	\$1,000,000
Employee Benefits Liability (per employee)	\$1,000,000
Employee Benefits Liability (aggregate)	\$2,000,000
Damage to Rented Premises (per occurrence)	\$1,000,000
Medical Expense (any one person)	\$5,000

(3) “ALL RISK” or special form property coverage of no less than current replacement cost of the Store’s equipment, fixtures and leasehold improvements (tenant improvements) sufficient in the amount to restore the Store to full operations. Glass coverage no less than a limit of \$25,000 and sign coverage no less than a limit of \$10,000 in addition to equipment, fixtures and leasehold improvements;

(4) Business interruption insurance with coverage for at least twelve (12) months for actual losses. (For purposes of this Agreement, “Gross Sales” shall include any proceeds received by Franchisee in

connection with a “business interruption” insurance claim);

(5) Auto Liability (Hired and Non-owned autos) with a \$1,000,000 Combined Single Limit Each Accident for Bodily Injury and Property Damage, if Franchisee utilizes a vehicle in connection with the operation of the Store; and

(6) Employment Practices Liability with a limit no less than \$1,000,000 per claim and \$1,000,000 aggregate per location. The retention may not exceed \$1,000.

B. All insurance policies must be written by an insurance company licensed in the state in which Franchisee operates its Store. The insurance company must have at least an “A” Rating Classification as indicated in A.M. Best’s Key Rating Guide.

C. Franchisor reserves the right, from time to time, in its discretion, to upgrade the insurance requirements or lower the required amounts as to policy limits, deductibles, scope of coverage, or rating of carriers in response to current industry standards, market conditions and/or landlord requirements. Within sixty (60) days of receipt of notice from Franchisor, Franchisee agrees to revise its coverage, as specified in any notice from Franchisor.

D. Franchisee’s obligation to obtain and maintain insurance shall not be limited by reason of any insurance that may be maintained by Franchisor nor relieve Franchisee of liability under the indemnity provisions set forth in this Agreement. All insurance policies and coverage must name Franchisor as an additional insured, waive any subrogation rights or other rights to assert a claim back against Franchisor and shall contain a clause requiring notice to Franchisor thirty (30) days in advance of any cancellation or material change or cancellation to any such policy. Franchisee shall give Franchisor certificates of coverage at least annually. Failure to obtain or the lapse of any of the required insurance coverage shall be grounds for the immediate termination of this Agreement pursuant to Section 15.1, and Franchisee agrees that any losses, claims or causes of action arising after the lapse of or termination of insurance coverage will be the sole responsibility of Franchisee and that Franchisee will hold Franchisor harmless from all such losses, claims and/or causes of action. In addition, but not to the exclusion of the foregoing remedy, if Franchisee fails to procure or maintain the required insurance, Franchisor shall have the right and authority, but not the obligation, to procure immediately the insurance and Franchisee shall reimburse Franchisor for the cost of the insurance plus reasonable expenses immediately upon written notice. Franchisee is required to submit to Franchisor a copy of a Certificate of Insurance, with Franchisor as an additional insured, showing compliance with the foregoing requirements at least thirty (30) days before Franchisee commences operation of the Store. Franchisor shall have a security interest in all insurance proceeds to the extent Franchisee has any outstanding obligations to Franchisor.

I have read Article 10, understand it, and agree to comply with each of its Sections.
Your Initials: _____ / _____

11. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

11.1 **Independent Contractor.** The only relationship between Franchisor and Franchisee created by this Agreement is that of independent contractor. The business conducted by Franchisee is completely separate and apart from any business that may be operated by Franchisor and nothing in this Agreement shall create a fiduciary relationship between them or constitute either party as agent, legal representative, subsidiary, joint venturer, partner, employee, servant or fiduciary of the other party for any purpose whatsoever. Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a license from Franchisor, and Franchisee agrees to take such action including exhibiting a notice to that effect in such content, form and place as Franchisor may specify. It is further specifically agreed that Franchisee is not an affiliate of Franchisor and that

neither party shall have authority to act for the other in any manner to create any obligations or indebtedness that would be binding upon the other party. Neither party shall be in any way responsible for any acts and/or omissions of the other, its agents, servants or employees and no representation to anyone will be made by either party that would create an implied or apparent agency or other similar relationship by and between the parties.

11.2 **Indemnification.** Franchisee, as a material part of the consideration to be rendered to Franchisor, agrees to indemnify, defend and hold Franchisor, as well as Franchisor’s directors, officers, principals/owners, managers, shareholders, affiliates, subsidiaries, employees, servants, agents, successors and assignees (collectively, the “Indemnitees”), harmless from and against any and all losses, damage, claims, demands, liabilities and causes of actions of every kind or character and nature, as well as costs and expenses incident thereto (including reasonable attorneys’ fees and court costs), that are brought against any of the Indemnitees (collectively, the “Claims”) that arise out of or are otherwise related to Franchisee’s (a) breach or attempted breach of, or misrepresentation under, this Agreement or in connection with the offer/sale of the Store prior to the execution of this Agreement, (b) ownership, construction, development, management, or operation of the Store in any manner; and/or (c) gross negligence or intentional misconduct. Notwithstanding the foregoing, at Franchisor’s option, Franchisor may choose to engage counsel and defend against any such Claim and may require immediate reimbursement from the Franchisee of all expenses and fees incurred in connection with such defense.

I have read Article 11, understand it, and agree to comply with each of its Sections.
Your Initials: _____ / _____

12. CONFIDENTIAL INFORMATION

12.1 Franchisor’s Confidential Information.

A. Franchisee acknowledges and agrees that all information relating to the System and to the development and operation of the Store, including, without limitation, Franchisor’s training program, members and supplier lists, or other information or know-how distinctive to a Bubblelicious Store (all of the preceding information is referred to herein as the “Confidential Information”) are considered to be proprietary and trade secrets of Franchisor. Franchisee agrees that all Confidential Information is to be held in the strictest of confidence during and after the term of this Agreement and is not to be divulged to anyone directly or indirectly at any time, except to Franchisee’s Store employees, including any independent contractors, with a need to know the information in order to operate the Store. Upon Franchisor’s request, Franchisee shall require the Store’s employees and any independent contractors to execute a nondisclosure and non-competition agreement in a form satisfactory to Franchisor. Franchisee shall not acquire any interest in the Confidential Information other than the right to utilize it in the Store and agrees not to copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, nor otherwise make them available to any unauthorized person, nor use them in any other business or in any manner not specifically authorized or approved in writing by Franchisor. Franchisee shall adopt and implement all reasonable procedures to prevent unauthorized use, duplication or disclosure of Franchisor’s Confidential Information. If Franchisee or Franchisee’s employees or any independent contractors learn about an unauthorized use of any trade secret or confidential materials, Franchisee must promptly notify Franchisor. Franchisor is not obligated to take any action, but will respond to the information as it deems appropriate. If Franchisee at any time conducts, owns, consults with, is employed by or otherwise assists a similar or competitive business to that franchised hereunder, the doctrine of “inevitable disclosure” will apply, and it will be presumed that Franchisee is in violation of this covenant; and in such case, it shall be Franchisee’s burden to prove that Franchisee is not in violation of this covenant.

B. Franchisee agrees that any new concept, process or improvement in the operation or promotion of the Store developed by or on behalf of Franchisee that relates to or enhances the System, or any aspect of Store operations or Franchisor’s franchise offering generally, shall be the sole property of Franchisor, and Franchisee shall promptly notify Franchisor and shall provide Franchisor with all necessary information and execute all

necessary documents to memorialize said ownership, or, if necessary, Franchisee’s assignment of such ownership to Franchisor, without compensation. Franchisee acknowledges that Franchisor may utilize or disclose such information to other Franchisees. To the extent permissible under applicable law, such new concepts, processes and/or improvements described in this Section shall be deemed a “work for hire” for copyright purposes for the benefit and ownership of Franchisor.

12.2 **No Other Interests.** Franchisee further acknowledges that Franchisor would be unable to protect its Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among System franchisees if its franchisees were permitted to hold an interest in other businesses involving the creation, manufacturing, and/or sale of bubble tea and/or other conduct that otherwise would compete with Franchisor. In light of the foregoing, Franchisee represents, warrants and covenants that it will comply with the in covenants against competition, including all non-competition provisions, set forth in Article 13 below.

12.3 **Injunctive Relief.** Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising out of this Agreement, shall not constitute a defense to the enforcement of this Article 12. Franchisee acknowledges and agrees that any failure to comply with the requirements of this Article 12 will cause Franchisor irreparable injury for which no adequate remedy at law is available, and Franchisee accordingly agrees that Franchisor shall be entitled to injunctive relief as specified in Section 16.2 herein to enforce the terms of this Article 12. Franchisee shall pay all costs and expenses, including, without limitation, reasonable attorneys’ fees, incurred by Franchisor in connection with the enforcement of this Article 12. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or applicable law.

I have read Article 12, understand it, and agree to comply with each of its Sections.
Your Initials: _____ / _____

13. COVENANTS NOT TO COMPETE

13.1 Non-Competition Covenants of Franchisee.

A. *During the Term of this Agreement.* Neither Franchisee, its principals, owners, or guarantors, nor any immediate family of Franchisee, its principals, owners, or guarantors (“Restricted Parties”), may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money or extend credit to, lease/sublease space to, or have any interest in or involvement with any (a) bubble tea store or business, (b) any business offering Approved Services of a similar nature to those of the Store, or (c) in any business or entity which franchises, licenses or otherwise grants to others the right to operate such aforementioned businesses described in subparts (a)-(b) of this Section (each, a “Competing Business”). Furthermore, the Restricted Parties shall not divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

B. *After the Term of this Agreement.*

(1) **Prohibition on Franchising Activities Involving Competing Business.** For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any business that competes in whole or in part with Franchisor by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of a Competing Business. The geographic scope of the covenant contained in this Section is any location where Franchisor can demonstrate it has offered or sold franchises as of the date this Agreement is terminated or expires.

(2) **Prohibition on Other Involvement with Competing Businesses.** For two (2) years after the expiration, termination or non-renewal (by Franchisor or by Franchisee for any reason) of this Agreement or after Franchisee has assigned its interest in this Agreement, the Restricted Parties shall not own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to, lease/sublease space to, or have any interest in or involvement with, any other Competing Business: (i) at the Authorized Location; or (ii) within a ten (10) mile radius of (a) the Authorized Location, or (b) any other Franchised Store that is open, under lease or otherwise under development as of the date this Agreement expires or is terminated.

13.2 **Non-Solicitation Covenants.**

A. *During the Term of this Agreement.* Franchisee agrees not to (a) divert or seek to divert customers from another Store or System franchisee, or (b) employ or seek to employ any person employed by Franchisor or by any other franchisee of Franchisor, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment during the term of this Agreement, without first obtaining the consent of Franchisor or any other franchisee of Franchisor. Franchisee acknowledges that Franchisor has the right to offer, sell or otherwise award a franchise for the right to operate a Store to any employee of Franchisee.

B. *After the Term of this Agreement.* For two (2) years after the expiration, termination or non-renewal (by Franchisor or by Franchisee for any reason) of this Agreement or after Franchisee has assigned its interest in this Agreement, the Restricted Parties shall not: (i) solicit business from customers of Franchisee's former Store; (ii) contact any of Franchisor's suppliers or vendors for any competitive business purpose; or (iii) solicit any of Franchisor's other employees, or the employees of Franchisor's affiliates or any other System franchisee, to discontinue employment.

13.3 **Enforcement of Covenants.**

A. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising out of this Agreement, shall not constitute a defense to the enforcement of the covenants in this Article 13. Franchisee acknowledges and agrees that in view of the nature of the System and the business of Franchisor, the restrictions contained in this Article 13 are reasonable and necessary to protect the legitimate interests of the System and Franchisor. Franchisee further acknowledges and agrees that Franchisee's violation of the terms of this Article 13 will cause irreparable injury to Franchisor for which no adequate remedy at law is available, and Franchisee accordingly agrees that Franchisor shall be entitled to preliminary and permanent injunctive relief and damages, as well as, an equitable accounting of all earnings, profits, and other benefits arising from such violation, which remedies shall be cumulative and in addition to any other rights or remedies to which Franchisor shall be entitled. Franchisee agrees to waive any bond that may be required or imposed in connection with the issuance of any preliminary or provisional relief. Franchisee shall pay all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by Franchisor in connection with the enforcement of this Article 13. If Franchisee violates any restriction contained in this Article 13, and it is necessary for Franchisor to seek equitable relief, the restrictions contained herein shall remain in effect until two (2) years after such relief is granted. If Franchisee contests the enforcement of Article 13 and enforcement is delayed pending litigation, and if Franchisor prevails, the period of non-competition shall be extended for an additional period equal to the period of time that enforcement of this Article 13 is delayed.

B. Franchisee agrees that the provisions of this covenant not to compete are reasonable. If, however, any court should find this Article 13 or any portion of this Article 13 to be unenforceable and/or unreasonable, the court is authorized and directed to reduce the scope or duration (or both) of the provision(s) in issue to the extent necessary to render it enforceable and/or reasonable and to enforce the provision so revised.

C. Franchisor shall have the right, in Franchisor's discretion, to reduce the scope of any covenant not to compete set forth in this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee shall comply with any covenant

as so modified.

I have read Article 13, understand it, and agree to comply with each of its Sections.
Your Initials: _____ / _____

14. TRANSFER OF INTEREST

14.1 **Franchisor’s Approval Required.** All rights and interests of Franchisee arising from this Agreement are personal to Franchisee and except as otherwise provided in this Article 14, Franchisee shall not, without Franchisor’s prior written consent, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, pledge or encumber its interest in this Agreement, in the license granted hereby, in the assets of the Store, any of its rights hereunder, or in the lease for the premises at which the Store is located, and any purported sale, assignment, transfer, pledge or encumbrances shall be null and void. If Franchisee is a corporation, limited liability, partnership, or an individual or group of individuals, any assignment (or new issuance), directly or indirectly, occurring as a result of a single transaction or a series of transactions that alters the Percentage of Ownership Interest reflected in Section 17.3 of this Agreement must promptly be reported to Franchisor and is a “transfer” within the meaning of this Article 14.

14.2 **Conditions for Approval of Transfer.** Franchisor shall not unreasonably withhold its approval of a proposed transfer, provided that the prospective transferee, in Franchisor’s reasonable judgment, is of good moral character and reputation, has no conflicting interests, has a good credit rating and sufficient and competent business experience, aptitude and financial resources acceptable to Franchisor’s then-current standards for franchisees; and that the following conditions are met: (1) Franchisee pays Franchisor a transfer fee amounting to \$10,000; (2) Franchisee signs a prescribed form of general release in favor of Franchisor and related parties; (3) the Store and equipment must be upgraded, refurbished or repaired if Franchisor, in its sole discretion, decides it is necessary; and (4) the transferee completes (or has its Operating Principal complete) On-Site Initial Training and, if applicable, Additional Training.

14.3 **Permitted Transfers to a Corporation or LLC or Affiliate Company.** If Franchisee is an individual or partnership, and desires to assign and transfer its rights, assets and obligations under this Agreement to a corporation or limited liability company that is wholly-owned by Franchisee and formed for the convenience of ownership, it may do so without approval from Franchisor, and without payment of a transfer fee, so long as the terms and conditions of this Agreement remain unchanged, and the Franchisee shall own and control all of the equity and voting power of all issued and outstanding stock of the transferee corporation or all of the equity and voting power of the limited liability company and, if Franchisee is more than one individual, each individual shall have the same proportionate ownership interest in the corporation or limited liability company as he or she had in Franchisee prior to the transfer.

14.4 **Death or Disability of Franchisee.** In the event of the death or disability of Franchisee, if an individual, or of a stockholder of a corporate Franchisee, or of a partner of a Franchisee which is a partnership, or a member of a Franchisee which is a limited liability company, the transfer of Franchisee’s or the deceased stockholder’s, partner’s or member’s interest in this Agreement to his or her heirs, trust, personal representative or conservators, as applicable, must occur within six (6) months of the death or disability, but, shall not be deemed a transfer by Franchisee (provided that the responsible management employees or agents of Franchisee have been satisfactorily trained at Franchisor’s On-Site Initial Training) nor obligate Franchisee to pay any transfer fee. If Franchisor determines (i) there is no imminent transfer to a qualified successor or (ii) there is no heir or other principal person capable of operating the Store, Franchisor shall have the right, but not the obligation, to immediately appoint a manager and commence operating the Store on behalf of Franchisee. Franchisee shall be obligated to, and shall pay to Franchisor all reasonable costs and expenses for such management assistance, including without limitation, the manager’s salary, room and board, travel expenses and all other related expenses of the Franchisor appointed

manager. Operation of the Store during any such period shall be for and on behalf of Franchisee, provided that Franchisor shall only have a duty to utilize reasonable efforts and shall not be liable to Franchisee or its owners for any debts, losses or obligations incurred by the Store, or to any creditor of Franchisee for any supplies, inventory, equipment, furniture, fixtures or services purchased by the Store during any period in which it is managed by a Franchisor appointed manager. Franchisor may, in its sole discretion, extend the six (6) month period of time for completing a transfer contemplated by this Section.

14.5 **Relocation.** Except in cases when Franchisee is in default of this lease, Franchisee may identify a new Authorized Location within the same site selection area in which the Store was located, subject to the written consent and approval of Franchisor.

14.6 **Transfer by Franchisor.** Franchisor shall have the right to transfer or assign all or any part of its rights or obligations herein to any person or legal entity, directly or indirectly, by merger, assignment, pledge or other means.

I have read Article 14, understand it, and agree to comply with each of its Sections.

Your Initials: _____ / _____

15. DEFAULT AND TERMINATION OF AGREEMENT

15.1 **Termination of Franchise by Franchisor.** Franchisor shall have the right to terminate this Agreement for “good cause” upon delivering notice of termination to Franchisee. For purposes of this Agreement, “good cause” shall include, without limitation: (i) a material breach of this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor’s affiliates, (ii) intentional, repeated or continuous breach of any provision of this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor’s affiliates, and (iii) the breaches (and, if applicable, failure to cure such breaches) described below in this Section 15.

A. **Immediate Termination.** Franchisee shall be deemed to be in default and Franchisor may terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Franchisee, and such termination shall be for good cause where the grounds for termination are:

(1) Franchisee has made any material misrepresentation or omission in applying for the franchise or in executing or performing under this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor’s affiliates;

(2) Franchisee becomes insolvent by reason of Franchisee’s inability to pay debts as they become due, or makes an assignment for the benefit of creditors or makes an admission of Franchisee’s inability to pay obligations as they become due;

(3) Franchisee files a petition in bankruptcy, or an involuntary petition in bankruptcy is filed against Franchisee or a receiver is appointed for Franchisee’s business, or a final judgment remains unsatisfied or of record for 30 days or longer; or if Franchisee is a corporation, limited liability company or partnership, Franchisee is dissolved;

(4) Franchisee voluntarily or otherwise abandons the Store. For purposes of this Agreement, the term “abandon” means: (i) failure to actively operate the Store for more than two (2) business days without Franchisor’s prior written consent; or (ii) any other conduct on the part of Franchisee or its principals that

Franchisor determines indicates a desire or intent to discontinue operating the Store in accordance with this Agreement or directives from Franchisor.

(5) Franchisee or any of its principal officers, directors, partners or managing members is convicted of or pleads no contest to a felony or other crime or offense that adversely affect the reputation of the System or the goodwill associated with the Marks;

(6) Franchisee makes an unauthorized direct or indirect transfer or attempted or purported transfer of this Agreement, or makes an unauthorized direct or indirect transfer or attempted or purported transfer of an ownership interest in the Franchise, or fails or refuses to transfer the Franchise or the interest in the Franchise of a deceased or disabled controlling owner thereof as required;

(7) Franchisee falsifies any financial reports or records required to be provided by Franchisee to Franchisor under this Agreement;

(8) Franchisee's: (i) disclosure, utilization, or duplication of any portion of the System or other proprietary or Confidential Information relating to the Store that is contrary to the provisions of this Agreement; or (ii) material misuse of the Marks in any manner not expressly authorized by Franchisor;

(9) Franchisee violates any health or safety law, ordinance or regulation or operates the Store in a manner that presents a health or safety hazard to its members or to the public;

(10) Franchisee fails to obtain lawful possession of an Authorized Location and/or open the Store within six (6) months after this Agreement is accepted by Franchisor, unless Franchisor agrees otherwise in writing;

(11) Franchisee defaults under the lease agreement or otherwise loses the right to possess the premises at the location at which the Store is located;

(12) Franchisee fails to comply with the covenants not to compete as required in Article 13 herein; or

(13) Franchisee permits the offer or sale of products and services other than the Approved Services at the Store in violation of the terms of this Agreement on two (2) or more occasions in any 24-month period, regardless of whether Franchisee subsequently cured the prior default(s); or

(14) Franchisee, after curing a default pursuant to Section 15.1B herein, commits the same act of default again within any twelve (12) consecutive month period whether or not such default is cured after notice thereof is delivered to Franchisee, or if Franchisee received three (3) or more default notices from Franchisor within any twelve (12) consecutive monthly period whether or not such defaults were related to the same problem or were cured after notice thereof was delivered to Franchisee.

B. **Termination with Notice.** In addition to the provisions of Section 15.1A, if Franchisee shall be in default under the terms of this Agreement and the default shall not be cured or remedied (to Franchisor's satisfaction) within thirty (30) days after receipt of written notice from Franchisor (or 10 days' prior notice in the event of a default that is described in Subsections (6), (7) or (8) below), in addition to all other remedies available to Franchisor at law or in equity, Franchisor may immediately terminate this Agreement. If any such default is not cured within the specified cure period, this Agreement shall terminate without further notice to Franchisee effective immediately upon expiration of the cure period. Franchisee shall be in default, and each of the following shall constitute good cause for termination under this Agreement:

(1) Failure, refusal or neglect by Franchisee to obtain Franchisor's prior written approval or consent any time such approval or consent is required by this Agreement;

(2) Franchisee's failure to comply with any provision of this Agreement that does not otherwise provide for immediate termination, or Franchisee's bad faith in carrying out the terms of this Agreement;

(3) Failure by Franchisee to maintain books and financial records for the Store suitable for proper financial audit or failure by Franchisee to permit Franchisor to carry out its rights to conduct an inspection or audit as provided in this Agreement or failure by Franchisee to submit as required by this Agreement all reports, records and information of the Bubblelicious franchised business;

(4) Franchisee or its Operating Principal fail to complete the On-Site Initial Training or Additional Training to Franchisor's satisfaction within the time period set forth in this Agreement;

(5) Franchisee fails to pay when due any amount owing to Franchisor or its affiliates under this Agreement or any other agreement, or is unable to obtain adequate financing to cover all costs of developing, opening and operating the Store;

(6) Franchisee fails to pay when due any amounts owing to any person or entity in connection with the construction, leasing, financing, operation or supply of the Store;

(7) Franchisee closes any bank account without completing all of the following after such closing: (i) immediately notifying Franchisor in writing, (ii) immediately establishing another bank account, and (iii) executing and delivering to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account by electronic funds transfer as Exhibit 2 to this Agreement permits;

(8) Franchisee fails to maintain or suffers cancellation of any insurance coverage required under this Agreement;

(9) Franchisee allows the Approved Services to be provided by anyone other than an authorized manager of the Franchisee;

(10) Any transfer or attempted transfer by Franchisee or any partner, member or shareholder in Franchisee of any rights or obligations under this Agreement to any third party without the prior written consent of Franchisor;

(11) Franchisee offers in conjunction with the operation of the Store products or services that have not been approved by Franchisor;

(12) Franchisee fails to abide by the pertinent marketing and advertising requirements and procedures and participate in marketing programs for the business as established by Franchisor; or

(13) Franchisee fails to comply with the Performance Standards as set forth in the provisions of this Agreement or as prescribed by Franchisor including, but not limited to, the Minimum Monthly Gross Revenue Quota for a period of 24 consecutive months, System Standards for cleanliness, customer service, equipment maintenance, and any other System Standards which effect or enhance the member experience at the Store.

15.2 **Cross-Default.** If there are now, or hereafter shall be, other franchise agreements or any other agreements in effect between Franchisee and Franchisor and/or any of Franchisor's affiliates, a default by Franchisee under

the terms and conditions of this or any other such agreement, shall at the option of Franchisor, constitute a default under all such agreements.

15.3 **Obligations of Franchisee upon Termination, Expiration or Non-Renewal.** Immediately upon termination, expiration or non-renewal of this Agreement for any reason:

A. All rights, privileges and licenses granted by Franchisor to Franchisee shall immediately cease and be null and void and of no further force and effect, and all such rights, privileges and licenses shall immediately revert to Franchisor;

B. Franchisee shall cease to be an authorized franchise owner hereunder, and shall immediately, at its own expense, remove all signs, obliterate or remove all letterheads, labels or any other item or form of identification that would in any way link or associate Franchisee, its goods and/or services with Franchisor, and shall immediately cease to use, in any manner, the Marks, System and any other copyrighted information or materials or any confidential information Franchisee obtained as a result of the franchise granted to Franchisee;

C. Franchisee shall immediately terminate all advertising and promotional efforts and any other act that would in any way indicate that Franchisee is or was ever an authorized Bubblelicious franchisee;

D. Franchisee shall cancel any assumed name of Franchisee or equivalent registration that contains any Proprietary Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination, expiration or non-renewal of this Agreement;

E. Franchisee agrees not to use any reproduction, counterfeit, copy, or colorable imitation of the Marks that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in and to the Marks, and further agrees not to use any trade dress or designation of origin or description or representation that falsely suggests or represents an association or connection with Franchisor;

F. Franchisee shall pay all sums owing to Franchisor and its approved suppliers for outstanding amounts owed under the Franchise Agreement and otherwise in connection with the Store. In the event of termination for any default of Franchisee, such sums shall include all damages, costs and expenses, including reasonable legal fees, incurred by Franchisor as a result of the default;

G. Franchisee shall comply with the covenants set forth in Articles 12 and 13 of this Agreement; and

H. Franchisee shall, at Franchisor's option, assign to Franchisor any interest that Franchisee has in any lease for the premises of the Store;

I. Franchisor shall have the option, exercisable by giving written notice thereof within thirty (30) days from the date of such termination, expiration or non-renewal to purchase any and all equipment, furniture, fixtures, signs, sundries and supplies owned by Franchisee and used in the Store, at the lesser of (i) Franchisee's cost less depreciation computed on a reasonable straight line basis (as determined in accordance with generally accepted accounting principles and consistent with industry standards and customs) or (ii) fair market value of such assets, less (in either case) any outstanding liabilities of the Store. In addition, Franchisor shall have the option to assume Franchisee's lease for the lease location of the Store, or if an assignment is prohibited, a sublease for the full remaining term on the same terms and conditions as Franchisee's lease. No value will be attributed to the value of the Marks or the System or to the assignment of the lease (or sublease) for the premises or the assignment of any other assets used in conjunction with the Store, and Franchisor will not be required to pay any separate consideration for any such assignment or sublease. If the parties cannot agree on fair market value within thirty (30) days of Franchisor's notice of intent to purchase, fair market value shall be determined by an experienced, professional and impartial third party appraiser without regard to goodwill or going concern value,

designated by Franchisor and acceptable to Franchisee, whose determination shall be final and binding on both parties. The cost of such appraisal shall be borne equally by Franchisor and Franchisee. If the parties cannot agree upon an appraiser one shall be appointed by the American Arbitration Association, upon petition of either party. Franchisor shall have the right to withhold from the purchase price funds sufficient to pay all outstanding debts and liabilities of Franchisee and the Store and to pay such debts and liabilities from such funds.

J. Termination, expiration or non-renewal of this Agreement shall not affect, modify or discharge any claims, rights, causes of action or remedies, which Franchisor may have against Franchisee, whether under this Agreement or otherwise, for any reason whatsoever, whether such claims or rights arise before or after termination.

15.4 Franchisor’s Rights and Remedies in Addition to Termination.

A. If Franchisee shall be in default in the performance of any of its obligations or breach any term or condition of this Agreement, in addition to Franchisor’s right to terminate this Agreement, and without limiting any other rights or remedies to which Franchisor may be entitled at law or in equity, Franchisor may, at its election, immediately or at any time thereafter, and without notice to Franchisee cure such default for the account of and on behalf of Franchisee including, without limitation, entering upon and taking possession of the Store and to taking in the name of Franchisee, all other actions necessary to effect the provisions of this Agreement and any such entry or other action shall not be deemed a trespass or other illegal act, and Franchisor shall not be liable in any manner to Franchisee for so doing, and Franchisee shall pay the entire cost thereof to Franchisor on demand, including reasonable compensation to Franchisor for the management of the Store.

B. As an alternative to Franchisor’s exercising its rights under Section 15.5(A), above, and only in the event of a premature termination of this Agreement, Franchisee shall pay Franchisor liquidated damages in an amount equal to the sum of the royalties paid to Franchisor for the twenty four (24) months prior to the termination of this Agreement; provided, however exercise of this right shall not preclude Franchisor’s right to seek injunctive relief as outlined in Section 16.5. Franchisee’s payment to Franchisor would not be a penalty for breaching this Franchise Agreement, but rather a reasonable estimate of the losses Franchisor would incur in the event of the closure of Franchisee’s franchised business. Should Franchisor elect to enforce its right to liquidated damages under this Section, Franchisee’s obligation to pay such damages would be in addition to Franchisee’s obligations to (i) pay all amounts still owed to Franchisor, and (ii) adhere to Franchisee’s other post-termination obligations. Franchisor’s right to payment of liquidated damages would be in addition to all other post-termination remedies available to Franchisor under the law.

I have read Article 15, understand it, and agree to comply with each of its Sections.
Your Initials: _____ / _____

16. RESOLUTION OF DISPUTES

16.1 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin, without reference to this state’s conflict of laws principles. Notwithstanding the foregoing, the parties specifically agree and acknowledge that all claims, causes of actions or disputes related to Franchisee’s covenants not to compete set forth in Section 13 of this Agreement, including the interpretation, validity and enforcement thereof, shall be governed by the laws of the state where the Store is located.

16.2 **Internal Dispute Resolution.** Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor’s management and make every effort to resolve the dispute internally. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee’s dispute before a third

party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

16.3 **Mediation.** At Franchisor's option, all claims or disputes between Franchisee and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 16.1 above, will be submitted first to mediation to take place at Franchisor's then-current corporate headquarters under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Franchisee will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (a) any federally protected intellectual property rights in the Marks, the System, or in any Confidential Information or other confidential information; (b) any of the restrictive covenants contained in this Agreement; and (c) any of Franchisee's payment obligations under this Agreement.

16.4 **Mandatory Binding Arbitration.** Subject to Sections 16.2, 16.3 and 16.5 of this Agreement, Franchisee and Franchisor agree that any claim, dispute, suit, action, controversy, or proceeding of any type whatsoever including any claim for equitable relief and/or where either party is acting as a "private attorney general," suing pursuant to a statutory claim or otherwise, between or involving Franchisee and Franchisor on whatever theory and/or facts based and whether or not arising out of this Agreement (each, a "Claim") will be processed in the following manner:

A. Franchisee and Franchisor each expressly waives all rights to any court proceeding, except as expressly provided in Section 16.5 below;

B. All Claims shall be submitted to and resolved by binding arbitration that will take place at Franchisor's headquarters or other location that Franchisor designates in Wisconsin, before and in accordance with the arbitration rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrator shall be entered in any Court having jurisdiction thereof.

C. Franchisor and Franchisee agree that any arbitration between Franchisor and Franchisee shall be of Franchisee's individual claim and that the claim subject to arbitration shall not be arbitrated on a class-wide basis.

D. This arbitration provision shall be deemed to be self-executing, and in the event either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party notwithstanding said failure to appear.

E. In no event shall Franchisor be liable to Franchisee for punitive damages in any action arising out of or relating to this Agreement, or any breach, termination or cancellation hereof.

F. Any arbitration proceeding involving this Agreement or the Store generally, including all demands, other filings and evidence submitted in connection with such proceeding, must be kept strictly confidential by Franchisee and its representatives, unless Franchisor agrees otherwise in writing.

16.5 **Right to Injunctive Relief.** Franchisee acknowledges and agrees that irreparable harm could be caused to Franchisor by Franchisee's violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Franchisee's use of the Marks and Confidential Information (including any proprietary software used in connection with the Store); (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement; (iii) Franchisee's obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, or otherwise involving the Marks, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement; and (vi) the prohibition of any act or omission by Franchisee or its employees that constitutes a violation of applicable law, threatens Franchisor's franchise system or threatens other franchisees of Franchisor. Franchisee's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Franchisee waives all damage claims if the injunction is wrongfully issued.

16.6 **Choice of Forum.**

A. Franchisee acknowledges and agrees that this Agreement is entered into in Wisconsin and that, subject to the requirements of Sections 16.4 and Section 16.5 above, any action brought by either party against the other for the purpose of enforcing the terms and provisions of this Agreement (provided such action is not subject to the arbitration proceeding pursuant to the terms of this Agreement or applicable law) shall be instituted solely in a state or federal court having subject matter jurisdiction thereof only in Wisconsin in the judicial district in which Franchisor has its principal place of business and in no other court and that Franchisee irrevocably waives any objection Franchisee may have to the exclusive jurisdiction or the exclusive venue of such court.

B. If Franchisee institutes any arbitration or other legal proceedings in any venue or other court other than those specified, Franchisee shall assume all of Franchisor's costs in connection therewith, including, without limitation, reasonable attorney fees regardless of the outcome of such arbitration or legal proceedings.

C. Franchisee acknowledges that Franchisor may bring an action in any other court of competent jurisdiction to seek and obtain injunctive relief as set forth in Section 16.5 above, including to enforce Franchisee's non-compete obligations hereunder.

16.7 **Waiver of Punitive Damages.** Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Franchisee's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.

16.8 **WAIVER OF JURY TRIAL.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS

OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.

16.9 **WAIVER OF CLASS ACTIONS.** THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

16.10 **Attorneys' Fees and Costs.**

A. If legal action or arbitration is necessary to enforce the terms and conditions of this Agreement, the prevailing party shall be entitled to recover reasonable compensation for preparation, investigation, court costs, arbitration costs (if applicable) and reasonable attorneys' fees, from the non-prevailing party as fixed by an arbitrator or court of competent jurisdiction.

B. Separate and distinct from the right of a prevailing party to recover expenses, costs and fees in connection with any legal proceeding or arbitration, the prevailing party shall also be entitled to receive all expenses, costs and reasonable attorneys' fees incurred in connection with the enforcement of any arbitration award or judgment entered. Furthermore, the right to recover post-arbitration award and post-judgment expenses, costs and attorneys' fees shall be severable and shall survive any award or judgment and shall not be deemed merged into such judgment.

16.11 **No Withholding of Payments.** Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.

16.12 **Limitation of Actions.** Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after (a) the act, transaction or occurrence upon which such action is based, or (b) Franchisee becomes aware, or should have become aware after reasonable investigation, of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner. Any claim, action or other proceeding not brought against Franchisor or its affiliates within this period shall be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

16.13 **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in this Section 21, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.

<p>I have read Article 16, understand it, and agree to comply with each of its Sections.</p> <p>Your Initials: _____ / _____</p>
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17. MISCELLANEOUS PROVISIONS

17.1 **Severability.** Except as provided in Section 13.4, each article, section, paragraph, term and provision of this Agreement, or any portion thereof, shall be considered severable and if, for any reason, any such portion of this Agreement is held by an arbitrator or by a court of competent jurisdiction to be unenforceable due to any applicable existing or future law or regulation, such portion shall not impair the operation of or have any effect upon, the remaining portions of this Agreement which will remain in full force and effect. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but, each shall be cumulative of every other right or remedy.

17.2 **Waiver and Delay.** No failure, refusal or neglect of Franchisor to exercise any right, power, remedy or option reserved to it under this Agreement, or to insist upon strict compliance by Franchisee with any obligation, condition, specification, standard or operating procedure in this Agreement, shall constitute a waiver of any provision of this Agreement and the right of Franchisor to demand exact compliance with this Agreement, or to declare any subsequent breach or default or nullify the effectiveness of any provision of this Agreement. Subsequent acceptance by Franchisor of any payment(s) due it under this Agreement shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

17.3 **Designation of Responsible Parties.** Franchisee represents and warrants to Franchisor that the list below states: (i) the name, mailing address and equity interest of each person holding any shares or other form of ownership, or security interest convertible into an equity interest, in Franchisee, showing percentage of ownership held by each and (ii) the name and mailing address of the individual(s) who will be the Operating Principal(s) of the Store. Each Operating Principal named below has the authority to act for Franchisee in all matters relating to the franchised Store granted hereunder, including voting responsibilities. Only those individuals who are party to this Agreement and have an ownership interest in the franchise entity may be listed as an Operating Principal. Franchisee shall promptly notify Franchisor of any change in any such information. Any change in the Operating Principal(s), or in ownership information of Franchisee, is subject to Article 14 and the training requirements of this Agreement:

Franchisee is a _____, organized under the laws of _____, or Franchisee is an individual or group of individuals, and hereby represents and warrants that the information stated below is true and accurate as of the date set forth below:

Shareholder, Partner, Member or Individual Name and Address	Percentage of Ownership Interest
_____	_____
_____	_____

Operating Principal (may also be referred to as the “Designated Operator” in the FDD):

17.4 **Franchisor’s Discretion.** Except as otherwise specifically referenced herein, all acts, decisions, determinations, specifications, prescriptions, authorizations, approvals, consents and similar acts by Franchisor may be taken or exercised in the sole and absolute discretion of Franchisor, regardless of the impact upon Franchisee. Franchisee acknowledges and agrees that when Franchisor exercises its discretion or judgment, its

decisions may be for the benefit of Franchisor or the Bubblelicious franchise network and may not be in the best interest of Franchisee as an individual franchise owner.

17.5 **Notices.**

A. All notices which the parties hereto may be required or permitted to give under this Agreement shall be in writing and shall be personally delivered or mailed by certified or registered mail, return receipt requested, postage paid, or by reliable overnight delivery service, addressed as follows:

If to Franchisor:

If to Franchisee:

B. The addressees herein given for notices may be changed at any time by either party by written notice given to the other party as herein provided. Notices delivered by certified or registered mail shall be deemed to have been given three (3) business days after postmark by United States Postal Service, or the next business day after deposit with reliable overnight delivery service or when delivered by hand.

17.6 **No Recourse Against Nonparty Affiliates.** All claims, obligations, liabilities, or causes of action (whether in contract or in tort, in law or in equity, or granted by statute) that may be based upon, in respect of, arise under, out or by reason of, be connected with, or relate in any manner to this Agreement, or the negotiation, execution, or performance of this Agreement (including any representation or warranty made in, in connection with, or as an inducement to this Agreement, but not including separate undertakings such as guarantees of performance, personal guaranties, or corporate guarantees), may be made only against (and are those solely of) the entities that are expressly identified as parties in the preamble to this Agreement (“Contracting Parties”). No Person who is not a Contracting Party, including without limitation any director, officer, employee, incorporator, member, partner, manager, stockholder, affiliate, agent, attorney, or representative of, and any financial advisor or lender to, any of the foregoing (“Nonparty Affiliates”), shall have any liability (whether in contract or in tort, in law or in equity, or granted by statute) for any claims, causes of action, obligations, or liabilities arising under, out of, in connection with, or related in any manner to this Agreement or based on, in respect of, or by reason of this Agreement or its negotiation, execution, performance, or breach; and, to the maximum extent permitted by law, each Contracting Party hereby waives and releases all such liabilities, claims, causes of action, and obligations against any such Nonparty Affiliates, unless such liabilities, claims, causes of action, and obligations arise from deliberately fraudulent acts. Without limiting the foregoing, to the maximum extent permitted by law, (a) each Contracting Party hereby waives and releases any and all rights, claims, demands or causes of action that may otherwise be available at law or in equity, or granted by statute, to avoid or disregard the entity form of a Contracting Party or otherwise impose liability of a Contracting Party on any Nonparty Affiliate, whether granted by statute or based on theories of equity, agency, control, instrumentality, alter ego, domination, sham, single business enterprise, piercing the veil, unfairness, undercapitalization, or otherwise; and (b) each Contracting Party disclaims any reliance upon any Nonparty Affiliates with to the performance of this Agreement or any representation or warranty made in, in connection with, or as an inducement to this Agreement. Nothing herein is intended to prevent a Contracting Party from pursuing any distinct legal rights it may have against a Nonparty Affiliate which arise from a separate document, such as a guaranty of performance, personal guaranty, corporate guaranty or similar agreement. Notwithstanding any other provision of this Agreement which limits the right of

prospective Third Party Beneficiaries, any Nonparty Affiliate may rely on this provision and enforce it against any Contracting Party or other Person or entity.

I have read Article 17, understand it, and agree to comply with each of its Sections.

Your Initials: _____ / _____

18. ACKNOWLEDGMENTS

18.1 THE SUBMISSION OF THIS AGREEMENT DOES NOT CONSTITUTE AN OFFER AND THIS AGREEMENT SHALL BECOME EFFECTIVE ONLY UPON THE EXECUTION HEREOF BY THE FRANCHISOR AND THE FRANCHISEE. THE DATE OF EXECUTION BY THE FRANCHISOR SHALL BE CONSIDERED TO BE THE DATE OF EXECUTION OF THIS AGREEMENT.

18.2 THIS AGREEMENT SHALL NOT BE BINDING ON THE FRANCHISOR UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF THE FRANCHISOR.

18.3 FRANCHISEE ACKNOWLEDGES THAT IT RECEIVED A COMPLETE COPY OF THIS AGREEMENT FOR A PERIOD NOT LESS THAN FOURTEEN (14) CALENDAR DAYS, DURING WHICH TIME FRANCHISEE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS LICENSED HEREUNDER TO THE EXTENT OF FRANCHISEE'S DESIRE TO DO SO. FRANCHISEE RECOGNIZES AND ACKNOWLEDGES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS, AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF THE FRANCHISEE AS AN INDEPENDENT BUSINESSPERSON. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, THAT FRANCHISEE WILL BE SUCCESSFUL IN THIS VENTURE OR THAT THE BUSINESS WILL ATTAIN ANY LEVEL OF SALES VOLUME, PROFITS, OR SUCCESS. FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT, THE FRANCHISE DISCLOSURE DOCUMENT ("FDD"), AND THE EXHIBITS HERETO CONSTITUTE THE ENTIRE AGREEMENT OF THE PARTIES. THIS AGREEMENT TERMINATES AND SUPERSEDES ANY PRIOR AGREEMENT BETWEEN THE PARTIES CONCERNING THE SAME SUBJECT MATTER. FRANCHISEE REPRESENTS, WARRANTS AND ACKNOWLEDGES THAT IT HAS NOT RELIED ON ANY INFORMATION NOT SPECIFICALLY DISCLOSED IN THE FDD IN MAKING ITS DETERMINATION TO ENTER INTO THIS AGREEMENT.

18.4 FRANCHISEE AGREES AND ACKNOWLEDGES THAT FULFILLMENT OF ANY AND ALL OF FRANCHISOR'S OBLIGATIONS WRITTEN IN THIS AGREEMENT OR BASED ON ANY ORAL COMMUNICATIONS WHICH MAY BE RULED TO BE BINDING IN A COURT OF LAW SHALL BE FRANCHISOR'S SOLE RESPONSIBILITY AND NONE OF FRANCHISOR'S AGENTS, REPRESENTATIVES, NOR ANY INDIVIDUALS ASSOCIATED WITH FRANCHISOR'S FRANCHISE COMPANY SHALL BE PERSONALLY LIABLE TO FRANCHISEE FOR ANY REASON. THIS IS AN IMPORTANT PART OF THIS AGREEMENT. FRANCHISEE AGREES THAT NOTHING THAT FRANCHISEE BELIEVES FRANCHISEE HAS BEEN TOLD BY FRANCHISOR OR FRANCHISOR'S REPRESENTATIVES SHALL BE BINDING UNLESS IT IS WRITTEN IN THIS AGREEMENT. THIS IS AN IMPORTANT PART OF THIS AGREEMENT. DO NOT SIGN THIS AGREEMENT IF THERE IS ANY QUESTION CONCERNING ITS CONTENTS OR ANY REPRESENTATIONS MADE.

I have read Article 18, understand it, and agree to comply with each of its Sections.

Your Initials: _____ / _____

19. ENTIRE AGREEMENT

This Agreement, the documents referred to herein, and the exhibits hereto, constitute the entire and only agreement between the parties concerning the granting, awarding and licensing of Franchisee as an authorized Bubblelicious Franchisee at the Store location, and supersede all prior and contemporaneous agreements. There are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties other than those set forth herein. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. This Agreement does not alter agreements between Franchisor and Franchisee for other locations. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations Franchisor made in the FDD that Franchisor furnished to Franchisee.

***THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK
SIGNATURES ON THE FOLLOWING PAGE***

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates set forth below to be effective upon execution by Franchisor.

“FRANCHISOR”

BUBBLELICIOUS FOOD SERVICE, LLC

By: _____

Title: _____

Accepted: _____

“FRANCHISEE”

If Franchisee is an individual:

Signature: _____

Date: _____

Signature: _____

Date: _____

If Franchisee is a corporation or other entity:

[Name of Franchisee]

By: _____

Title: _____

Date: _____

By: _____

Title: _____

Date: _____

EXHIBIT 1

AUTHORIZED LOCATION ADDENDUM

This Addendum is made to the Bubblelicious Franchise Agreement (the "Franchise Agreement") between Bubblelicious Food Service, LLC ("Franchisor"), and _____ ("Franchisee"), dated _____, 20__.

1. **Preservation of Agreement.** Except as specifically set forth in this Addendum, the Franchise Agreement shall remain in full force and effect in accordance with its terms and conditions. This Addendum is attached to and upon execution becomes an integral part of the Franchise Agreement.

2. **Authorized Location.** The parties hereto agree that the Authorized Location referred to in Section 1.3 of the Franchise Agreement shall be the following:

_____.

3. **Designated Territory, if any.** Pursuant to Section 1.3 of the Franchise Agreement, Franchisee's Designated Territory will be defined as follows (if identified on a map, please attach map and reference attachment below):

_____.

This Addendum is agreed to and accepted by the parties this ___ day of _____, 20__.

FRANCHISOR:

By: _____

Title: _____

FRANCHISEE:

By: _____

Title: _____

EXHIBIT 2

ELECTRONIC FUNDS TRANSFER AGREEMENT

This Electronic Funds Transfer Agreement (the "Agreement") is made on this ___ day of _____, 20__ by and between Bubblelicious Food Services, LLC ("Franchisor"), and _____ or their assignee, if a partnership, corporation or limited liability company is later formed ("Franchisee").

Whereas, Franchisor and Franchisee are parties to a Bubblelicious Franchise Agreement executed herewith (the "Franchise Agreement") and desire to enter into an Addendum to the Franchise Agreement;

Now, therefore in consideration of the mutual promises contained herein and as an inducement to Franchisor to execute the Franchise Agreement, the parties agree as follows:

A. Franchisee shall pay any and all fees and other charges in connection with this Addendum and the Franchise Agreement (including, without limitation, the Royalty Fees, contributions to the Fund and any other payments due to Franchisor by Franchisee, and any applicable late fees and interest charges) by electronic, computer, wire, automated transfer, ACH debiting, and bank clearing services (collectively, "electronic funds transfers" or "EFT"), and Franchisee shall undertake all action necessary to accomplish such transfers.

B. Upon execution and delivery of this Agreement, Franchisee shall execute and deliver two (2) originals of the "Electronic Debit Authorization" attached as Exhibit 3 to the Franchise Agreement, which authorizes Franchisee's bank or other financial institution to accept debit originations, electronic debit entries, or other EFT, and electronically deposit fees and contributions owing Franchisor directly to Franchisor's bank account(s). Upon Franchisor's request, Franchisee shall deliver to Franchisor all additional information that Franchisor deems necessary (including, without limitation, financial institution of origin and relevant accounts and ABA/transit numbers for any new bank accounts that Franchisee opens after the date of this Addendum) in connection with such EFT.

C. By executing this Addendum, Franchisee authorizes Franchisor to withdraw funds at such days and times as Franchisor shall determine via EFT from Franchisee's bank account for all fees and other charges in connection with the Franchise Agreement and this Addendum, as described in the first sentence of this paragraph. Franchisee authorizes weekly ACH debits via EFT based on an amount equal to the total weekly amount due Franchisor, as set forth in Section 5 of the Franchise Agreement.

D. Franchisee is responsible for paying all service charges and other fees imposed or otherwise resulting from action by Franchisee's bank in connection with EFT by Franchisor, including, without limitation, any and all service charges and other fees arising in connection with any EFT by Franchisor not being honored or processed by Franchisee's bank for any reason and a Fifty Dollar (\$50) charge by Franchisor for processing the EFT. Upon written notice by Franchisor to Franchisee, Franchisee may be required to pay any amount(s) due under the Franchise Agreement and/or this Addendum directly to Franchisor by check or other non-electronic means in lieu of EFT at Franchisor's discretion. It shall be a non-curable event of default under Article 15 of the Franchise Agreement if Franchisee closes any bank account without completing all of the following forthwith after such closing: (1) immediately notifying Franchisor thereof in writing, (2) immediately establishing another bank account, and (3) executing and delivering

to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account by EFT as this Addendum permits.

E. Except as specifically set forth in this Addendum, the Franchise Agreement shall remain in full force and effect in accordance with its terms and conditions. This Addendum is attached to and upon execution becomes an integral part of the Franchise Agreement.

F. Wherefore, the parties have set forth their hand and seal on the day and date first above written.

FRANCHISOR:

By: _____

Title: _____

FRANCHISEE:

By: _____

Title: _____

EXHIBIT 3

ELECTRONIC DEBIT AUTHORIZATION

[SAMPLE – MAY OBTAIN INFORMATION IN DIFFERENT MANNER]

FRANCHISOR: Bubblelicious Food Service, LLC

FRANCHISOR ID NUMBER: _____

The undersigned hereby authorizes Bubblelicious Food Service, LLC (the “Franchisor”), to initiate debit entries to the undersigned’s checking account indicated below and the depository named below (the “Depository”), to debit the same to such account.

Depository Name: _____

Branch: _____

City State and Zip Code: _____

Transit/ABA No.: _____

Account Number: _____

This authority is to remain in full force and effect until the underlying obligations under the Franchise Agreement have been satisfied in full or released in writing by Franchisor.

This authorization further confirms my understanding of Exhibit 2 to the Franchise Agreement signed by me/us in which I/we expressly agree that this authorization shall apply to any and all Depositories and bank accounts with which I/we open accounts during the term of the Franchise Agreement and any renewals. Without limiting the generality of the forgoing, I/we understand that if I/we close any bank account, I/we are obligated immediately to: (i) notify Franchisor thereof in writing, (ii) establish another bank account, and (iii) execute and deliver to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account/depository by ACH debiting or other electronic means. I/we specifically agree and declare that this Authorization shall be the only written authorization needed from me/us in order to initiate debit entries/ACH debit originations to my/our bank account(s) established with any Depository in the future.

DATE: _____

ID NUMBER: _____

PRINT NAME(S):

SIGNATURE(S):

EXHIBIT 4

GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGEMENT

For value received, and in consideration for, and as an inducement to Bubblelicious Food Service, LLC (the "Franchisor") to execute the Bubblelicious Franchise Agreement (the "Franchise Agreement"), of even date herewith, by and between Franchisor and _____ or his assignee, if a partnership, corporation or limited liability company is later formed (the "Franchisee"), _____ (the "Guarantor(s)"), jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns the full and timely performance by Franchisee of each obligation undertaken by Franchisee under the terms of the Franchise Agreement, including all of Franchisee's monetary obligations arising under or by virtue of the Franchise Agreement.

Upon demand by Franchisor, Guarantor(s) will immediately make each payment required of Franchisee under the Franchise Agreement. Guarantor(s) hereby waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Franchise Agreement; (b) proceed against or exhaust any security from Franchisee; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee. Without affecting the obligations of Guarantor(s) under this Guarantee, Indemnification and Acknowledgment, Franchisor may, without notice to Guarantor(s), extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust or compromise any claims against Franchisee.

Guarantor(s) waive notice of amendment of the Franchise Agreement and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Franchise Agreement.

Guarantor(s) hereby agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, without limitation, reasonable attorneys' fees, reasonable costs of investigations, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Franchise Agreement, any amendment, or any other agreement executed by Franchisee referred to therein.

Guarantor(s) hereby acknowledge and agree to be individually bound by all obligations and covenants of Franchisee contained in the Franchise Agreement, including those related to non-competition and confidentiality.

This Guarantee shall terminate upon the expiration or termination of the Franchise Agreement, except that all obligations and liabilities of Guarantor(s) that arise from events that occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by Guarantor(s), and all covenants that by their terms continue in force after termination or expiration of the Franchise Agreement shall remain in force according to their terms. Upon the death of an individual Guarantor, the estate of such Guarantor will be bound by this Guarantee, but only for defaults and obligations existing at the time of death, and the obligations of the other Guarantor(s) will continue in full force and effect.

The validity of this Guarantee and the obligations of Guarantor(s) hereunder shall in no way be terminated, restricted, diminished, affected or impaired by reason of any action that Franchisor might

take or be forced to take against Franchisee, or by reason of any waiver or failure to enforce any of the rights or remedies reserved to Franchisor in the Franchise Agreement or otherwise.

The use of the singular herein shall include the plural. Each term used in this Guarantee, unless otherwise defined herein, shall have the same meaning as when used in the Franchise Agreement.

This Guarantee is to be performed in Milwaukee County, Wisconsin and shall be governed by and construed in accordance with the laws of the State of Wisconsin. Notwithstanding the foregoing, the undersigned specifically agree and acknowledge that any claims, causes of action or disputes arising out of or related to Franchisee's or any of Guarantor's covenants not to compete (set forth in the Franchise Agreement and now incorporated by reference as if fully set forth in this Guaranty), including the interpretation, validity and enforcement thereof, shall be governed by the laws where the Store is located. Guarantor(s) specifically agree that the provision of the Franchise Agreement related to dispute resolution (internal dispute resolution, non-binding mediation and arbitration), injunctive relief, waivers, attorneys' fees and other enforcement of the Franchise Agreement shall apply equally with respect to all claims or causes of action arising out of or related to this Guaranty in any manner (including the interpretation thereof). Franchisor and Guarantor(s) agree that any dispute under this Guarantee shall be resolved by arbitration as set forth in the Franchise Agreement (subject to the exceptions described therein).

In connection therewith, each of the undersigned hereby appoints the Secretary of State for the State of Wisconsin as his/his agent for service of process to receive summons issued by the court in connection with any such litigation. Franchisor and Guarantor(s) agree that any dispute under this Guarantee shall be resolved by arbitration pursuant to Article 16 of the Franchise Agreement (except as otherwise provided in Article 16 of the Franchise Agreement).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Franchise Agreement.

WITNESS:

GUARANTOR(S)

[NAME]

[Name], Individually

[NAME]

[Name], Individually

EXHIBIT 5

ADDENDUM TO LEASE

This Addendum to Lease (this "Addendum") modifies and supplements that certain lease dated _____ and entered into by Tenant and Landlord concerning the Location at _____ (the "Lease").

Landlord and Tenant, intending that Bubblelicious Food Service, LLC, a Wisconsin limited liability company, ("Franchisor") (and its successors and assigns) be a third-party beneficiary of this Addendum, agree as follows:

- (1) Landlord shall, during the term of the Lease and thereafter, provide Franchisor all sales and other information it may have, whether provided by Tenant or otherwise, related to the operation of Tenant's Studio as Franchisor may reasonably request;
- (2) Tenant may display the trademarks, service marks and other commercial symbols owned by Franchisor and used to identify the service and/or products offered at the Studio, including the name "Bubblelicious," the Store design and image developed and owned by Franchisor, as it currently exists and as it may be revised and further developed by Franchisor from time to time, and certain associated logos in accordance with the specifications required by the Bubblelicious Manual, subject only to the provisions of applicable law and in accordance with provisions in the Lease no less favorable than those applied to other tenants of Landlord;
- (3) Tenant shall not, and the Landlord shall not permit the tenant to, sublease or assign all or any part of the Lease or the Premises, or extend the term or renew the Lease, without Franchisor's prior written consent;
- (4) Landlord shall concurrently provide Franchisor with a copy of any written default notice sent to Tenant and thereupon grant Franchisor the right (but not the obligation) to cure any deficiency or default under the Lease, should Tenant fail to do so, within five (5) days after the expiration of the period in which Tenant may cure the default;
- (5) The Premises shall be used only for the operation of a Store operating (a) under the Franchisor's proprietary marks and operating system that Franchisor designates for use the Manuals or otherwise, and (b) pursuant to a valid Franchise Agreement with Franchisor that has not been terminated by Franchisor;
- (6) Tenant may, without Landlord's consent (but subject to providing Landlord with written notice thereof), at any time assign this Lease or sublease the whole or any part of the Premises to Franchisor or any successor, subsidiary or affiliate of Franchisor;
- (7) Nothing in the Lease shall prevent or otherwise affect the ability of Franchisor's affiliates to open or operate, or license a third party the right to open and operate, one (1) or more of their respective food service concepts (franchised or otherwise) within the same shopping center, strip mall, mall, outlets venue, corporate park or other dedicated shopping venue associated with the subject Premises;
- (8) In the event of an assignment of the Lease to Franchisor as described in (6) above, Franchisor may further assign this Lease, subject to Landlord's consent, such consent not to be unreasonably withheld

based on the remaining obligations of assignee under the Lease, to a duly authorized franchisee of Franchisor, and thereupon Franchisor shall be released from any further liability under the Lease;

(9) Until changed by Franchisor, notice to Franchisor shall be sent as follows: Bubblelicious Food Service, LLC, 6525 West Bluemound Road, Suite 10, Milwaukee, Wisconsin 53213, Attn: Xiao Xuan Hu, President.

(10) None of the provisions in this Addendum or any rights granted Franchisor hereunder, may be amended absent Franchisor's prior written consent.

AGREED:

TENANT

LANDLORD

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____