

FRANCHISE DISCLOSURE DOCUMENT

Yummy-town USA LLC

a Delaware limited liability company
500 N. Atlantic Blvd., Suite 112
Monterey Park, California 91754
(609) 954-3335
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www.happy-lemon.com



We offer area development rights and single unit franchises awarding the right to operate a store under the Happy Lemon trademarks and business systems featuring tea beverages with fresh fruits, milk, salted cheese, boba and other specialty items, as well as other complementary menu items.

The total investment necessary to begin operation of a Happy Lemon store is \$296,000 to \$553,000. This includes \$100,000 to \$180,000 that must be paid to us or our affiliate.

The total investment necessary to begin operation as an area developer depends on the number of stores you commit to open. You pay us an Area Development Fee of \$20,000 for each store in your Development Schedule when you sign the Area Development Agreement. We will then give you a credit of \$20,000 against the total Initial Franchise Fee due each time you sign the Franchise Agreement applicable to each Happy Lemon store you commit to open.

This Disclosure Document summarizes certain provisions of your Franchise Agreement, Area Development Agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Stephanie Lin, Vice President of Franchising, Yummy-town USA LLC, 500 N. Atlantic Blvd., Suite 112, Monterey Park, California 91754, (609) 954-3335, stephanie_lin@yummy-town.com.

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

Happy Lemon
Franchise Disclosure Document

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

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

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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 A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit E 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:

Risk Factors:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION. IF MEDIATION IS UNSUCCESSFUL, THEN DISPUTES WILL BE RESOLVED BY ARBITRATION, WITH LIMITED EXCEPTIONS. ANY MEDIATION OR ARBITRATION WILL BE HELD AT A NEUTRAL LOCATION IN LOS ANGELES COUNTY, CALIFORNIA. OUT-OF-STATE MEDIATION OR ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE OR ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. YOU MUST COMPLY WITH MINIMUM AND/OR MAXIMUM PRICES SET BY THE FRANCHISOR FOR THE GOODS AND SERVICES YOU SELL. THIS REQUIREMENT MAY REDUCE YOUR ANTICIPATED REVENUE AND PROFIT.
4. YOU MUST PARTICIPATE IN ANY PROMOTIONAL PRICING ESTABLISHED BY THE FRANCHISOR. THIS REQUIREMENT MAY REDUCE YOUR ANTICIPATED REVENUE AND PROFIT.
5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: See the next page of this Disclosure Document.

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