

LOLLICUP[®]**LOLLICUP**[®] *fresh*[®]**FRANCHISE DISCLOSURE DOCUMENT****Lollicup Franchise System LLC**

a California limited liability company

6185 Kimball Ave.

Chino, California 91708

626-965-8882

Alan@lollicup.com

Lollicup.com

Lollicupfresh.com

Lollicup Franchise System LLC grants franchises involving a distinctive system for the operation of a brick and mortar retail store offering and selling beverages with or without tapioca ("boba"), including teas, iced teas, tea-based smoothies, frozen tea confections, coffee based drinks, flavored milk based drinks and juices, as well as complementary menu items, such as soups and popcorn chicken. The Initial Franchise Fee for a single Lollicup Store franchise is \$35,000 and is payable when you sign your Franchise Agreement. However, if you are in the inaugural group of franchisees (the first 15 franchisees signing a franchise agreement after November 15, 2016) we will discount the Initial Franchise Fee to \$10,000. The total investment necessary to begin operation of a Lollicup Store is \$275,000 to \$532,000. This includes the \$53,000 to \$60,000 (excluding any area Development Fees) that must be paid to the franchisor and/or its Affiliate, as appropriate.

We also offer candidates who we believe to be qualified an area development agreement, which requires an area developer to establish and open more than one Lollicup Store within a defined geographical area. Under an area development agreement you must pay a Development Fee of \$17,500 multiplied by the number of Stores you agree to open. We then give you a credit of \$17,500 against the total Initial Franchise Fee due each time you sign the Franchise Agreement applicable to each Store you commit to open. However, if you sign a franchise agreement with an inaugural addendum in conjunction with your Area Development Agreement, then the development fee will be \$10,000, plus \$17,500 for the second and each subsequent unit to be developed under the Area Development Agreement. In that case, you will receive a \$10,000 credit against the franchise fee owed under the inaugural franchise agreement and a \$17,500 credit against the total Initial Franchise Fee due each time you sign the franchise agreements applicable to the second and subsequent Stores you commit to open.

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the 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.**

LOLLICUP FRANCHISE SYSTEM LLC

Franchise Disclosure Document - Washington

May 2018

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 Alan Yu at 6185 Kimball Ave., Chino, California 91708 or 626-965-8882.

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 an accountant.

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

Issuance Date: May 25, 2018

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 SAN BERNARDINO 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. IF YOU SIGN AN AREA DEVELOPMENT AGREEMENT, WE CAN REFUSE TO PERMIT YOU TO OPEN OR DEVELOP A STORE IF I) YOU AND YOUR AFFILIATES ARE NOT COMPLYING WITH ANY AGREEMENT YOU HAVE WITH US OR OUR ASSOCIATES; II) YOU HAVEN'T MET THE DOCUMENT REQUIREMENTS TO OPEN; III) YOU DON'T DEMONSTRATE THE FINANCIAL CAPACITY TO OPEN OR DEVELOP ANOTHER STORE; OR IV) YOU ARE NOT OPERATING IN GOOD STANDING THE NUMBER OF STORES REQUIRED TO THEN BE OPEN UNDER YOUR DEVELOPMENT SCHEDULE.
4. THE FRANCHISOR IS AT AN EARLY STAGE OF DEVELOPMENT AND HAS A LIMITED OPERATING HISTORY. THIS FRANCHISE COULD BE A HIGHER RISK INVESTMENT THAN A SYSTEM WITH A LONGER OPERATING HISTORY.
5. THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT FOR A SINGLE STORE RANGING FROM \$275,000 TO \$532,000. THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDER'S EQUITY OF \$64,056 AS OF DECEMBER 31, 2017.

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