

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes by arbitration or litigation with us only in California. Out of state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate or litigate with us in California than in your home state.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **Inventory/Supplier Control.** You must purchase all or nearly all the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
4. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
5. **Going Concern.** The auditor's report on the franchisor's financial statements expresses substantial doubt about the franchisor's ability to remain in business. This means that the franchisor may not have the financial resources to provide services or support to you.
6. **Unregistered Trademark.** If you will operate your Store(s) under the Doka brand, the primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

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

for the first Store you develop, or any Initial On-Site Assistance for your second or subsequent Store (if applicable) (as further described in Item 11); however, the estimate above assumes that no such additional Initial On-Site Assistance is required for Your Store(s).

8. As described in Item 8, you must purchase certain opening supplies and inventory from our designated exclusive supplier, including tea leaf, creamer, tapioca, tea brewer, sealing machine, fructose dispenser machine, coffee, juices, smoothies, other hot and cold beverages, pre-packaged snacks and other merchandise or products sold by Your Store(s). Due to differences in local laws, prices, suppliers, geography and commercial practices, you may elect to carry a larger inventory. ~~The cost of your opening supplies and inventory will depend on the brands purchased, local costs, amounts purchased, and other factors.~~

9. Leasehold improvements include lighting, flooring, cooling/heating systems and other costs associated with initial build-out. Depending on the terms you negotiate with your landlord, the landlord may contribute to your interior build-out and your costs will vary based on the level of contribution from the landlord. The cost of your initial interior build-out will also depend on the brands purchased, local market conditions and other factors.

10. The cost of the furniture and fixtures will depend on the brands purchased, freight and installation costs, applicable state and local taxes and other factors. This estimate also includes the cost of the Computer System (as defined in Item 11), including hardware and the point-of-sale system we require you to maintain.

11. The cost of acquiring or leasing your Premises will vary significantly depending upon the market in which the proposed site is located. A suitable building for a Store will be at least 1,000 square feet. Local market conditions, changes in the economy and inflation will all contribute to your real property costs. The location of the parcel of real property, its relationship to and the nature of any adjoining uses, and its accessibility will affect both its size and price. Lease agreements vary but usually require the lessee to pay for maintenance, insurance, taxes and any other charges or expenses for the land and building and the operation of Your Store(s) or they may require that the lessee reimburse the lessor for its proportionate share of these payments (plus interest) made for the lessee and pay minimum monthly rent and/or percentage rent. We will approve your Premises. The estimate above includes our estimate for 3 months' rent, plus a 1-month security deposit.

12. Utilities include gas service, electric service and other utilities as you might need to operate Your Store(s). Utility companies may also require you to place a deposit before installing telephone, gas, electricity and related utility services. These deposits may be refundable in accordance with the agreements made with the utility companies.

13. Other inventory and opening supplies consist of ice makers, induction cookers, boilers or any other product we recommend to you. Due to differences in local laws, prices, suppliers, geography and commercial practices, you may elect to carry a larger inventory. ~~The cost of your opening supplies and inventory will depend on the brands purchased, local costs, amounts purchased, and other factors.~~

14. You will obtain and maintain certain types and amounts of insurance. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, Net Sales, number of employees, wages paid, square footage, location, business contents, and other factors bearing on risk

ILLINOIS

1. The following is added to the end of Items 5 and 7:

Pursuant to an order of the Illinois Attorney General's Office, imposed based on our financial condition, we will defer collection of the Initial Franchise Fee and other fees that you owe us and our affiliates until we have completed all of our pre-opening obligations under the Franchise Agreement and you have begun operating Your Store(s).

2. The following paragraphs are added to the end of Item 17:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.

MARYLAND

1. The following is added to the end of Items 5 and 7:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the Franchise Agreement. In addition, all fees and initial payments by franchisees with multiple Stores shall be deferred until the first franchise under the Development Schedule opens.

2. The following is added to the end of Item 17(h):

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The following is added to the end of Item 17(c) and Item 17(m):

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

4. The following sentence is added to the end of Item 17(v):

A franchisee may bring suit in Maryland for claims arising under the Maryland Franchise Registration Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

MINNESOTA

1. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. ~~1.~~ The following is added at the end of Items 5 and 7:

Notwithstanding anything to the contrary, all fees that are described herein as being owed prior to the opening of Your Store will not be due and payable until the day on which Your Store opens for business in accordance with the Franchise Agreement, which is when we will have completed all of our pre-opening obligations.

3. The following is added to the end of Item 13:

The State of Minnesota considers it unfair to not protect a franchisee's right to use the trademarks. Minnesota Statute 80C.12 Subd. 1(G). To the extent required by applicable law, we will protect your right to use the Marks or indemnify you from any loss, costs, or expenses arising out of any claim, suit, or demand regarding your lawful use of the Marks in accordance with the Franchise Agreement.

4. ~~2.~~ The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statutes, Section 80C.14, Subd. 3, 4, and 5, which require (except in certain specified cases) that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement. Consent to transfer of the franchise will not be unreasonably withheld.

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) might prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as

provided for in Minnesota Statutes, Chapter 80C or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

The franchisor may seek, but a franchisee cannot consent to, the franchisor obtaining injunctive relief. See Minnesota Rule 2860.4400(J). A court will determine if a bond is required.

Any release required as a condition of transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule ~~2860.4400D~~2860.4400(D).

5. ~~3.~~ At least 7 days before you sign your Franchise Agreement, you will receive~~,~~ the terms of the current public offering statement together with a copy of all proposed agreements relating to the sale of the franchise as required by Minnesota law, 80C.06, subd. 5.

NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN MARYLAND**

THIS RIDER is made and entered into by and between **INFINILUSH COMPANY LIMITED**, a California corporation, with its principal business address at 652 Market Street, San Francisco, California 94104 (“we”), and _____ a(n) _____ whose principal business address is _____ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20__ (the “**Franchise Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of the State of Maryland; or (b) Your Store(s) will be operated in the State of Maryland; or (c) the offer to sell is made in the State of Maryland; or (d) the offer to buy is accepted in the State of Maryland.

2. **FEE DEFERRAL.** The following is added to the end of Section 3A of the Franchise Agreement:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under this Agreement. In addition, all fees and initial payments by franchisees with multiple Stores shall be deferred until the first franchise under the Development Schedule opens.

3. **RELEASES.** The following is added to the end of 12C(9), 12D, 13A(6), and 15D of the Franchise Agreement:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

4. **INSOLVENCY.** The following sentence is added to the end of Section 14B(21) of the Franchise Agreement:

This Section may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **CONSENT TO JURISDICTION.** The following sentences are added to the end of Section 17G of the Franchise Agreement:

You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

THIS RIDER is made and entered into by and between **INFINILUSH COMPANY LIMITED**, a California corporation, with its principal business address at 652 Market Street, San Francisco, California 94104 (“we”), and _____ a(n) _____ whose principal business address is _____ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____, 20__ (the “**Franchise Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the Store(s) that you will operate under the Franchise Agreement will be operated wholly or partly in the State of Minnesota; and/or (b) you either a resident of, domiciled in, or actually present in the State of Minnesota.

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. ~~2-FEE DEFERRAL.~~ Section 3A of the Franchise Agreement is amended by adding the following:

Notwithstanding anything to the contrary, all fees that are described herein as being owed prior to the opening of Your Store will not be due and payable until the day on which Your Store opens for business in accordance with the Franchise Agreement, which is when we will have completed all of our pre-opening obligations.

4. ~~3-INTEREST ON LATE PAYMENTS.~~ The following language is added to the end of the first paragraph of Section 3E of the Franchise Agreement:

Notwithstanding the foregoing, you and we acknowledge that under Minnesota Statute 604.113 your penalty for an insufficient funds check will be limited to \$30 per occurrence.

5. ~~INJUNCTIVE RELIEF.~~ The following language is added to the end of Section 5A and Section 17E:

We may seek, but a you cannot consent to, us obtaining injunctive relief. See Minnesota Rule 2860.4400(J). A court will determine if a bond is required.

6. **USE OF MARKS.** The following is added to the end of Section 5B of the Franchise Agreement:

The State of Minnesota considers it unfair to not protect a franchisee's right to use the trademarks. Minnesota Statute 80C.12. Subd. 1(G). To the extent required by applicable law, we will protect your right to use the Marks or indemnify you from any loss, costs, or expenses arising out of any claim, suit, or demand regarding your lawful use of the Marks in accordance with this Agreement.

7. ~~4.~~**RELEASES.** The following is added to the end of Sections 12C(9), 12D, 13A(6), and 15D of the Franchise Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

8. ~~5.~~**RENEWAL AND TERMINATION.** The following is added to the end of Sections 13A and 14B of the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement. Consent to transfer of the franchise will not be unreasonably withheld.

9. ~~6.~~**CONSENT TO JURISDICTION.** The following statement is added at the end of Section 17G of the Franchise Agreement:

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400(J) prohibit us, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your rights to any procedure, forum or remedies that the laws of the jurisdiction provide.

10. ~~7.~~**LIMITATIONS OF CLAIMS AND CLASS ACTION BAR.** The following language is added to the end of Section 17J of the Franchise Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

11. ~~8.~~**MINNESOTA LAW.** Notwithstanding anything to the contrary contained in the Franchise Agreement, Minn. Stat. Sec. 80C.21 and Minn. Rule ~~2860.4400J~~2860.4400(J) prohibit us from requiring you to waive your rights to a jury trial or to waive your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties or judgment notes.

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