HOW YOU CAN RECEIVE OUR FRANCHISE DISCLOSURE DOCUMENT

Our Franchise Disclosure Document is available in the formats listed below. We will choose the format in which we deliver the Franchise Disclosure Document to you from one of these alternatives.

Hard copy by personal delivery

Hard copy by overnight delivery

Electronic copy as a PDF by electronic mail. To receive and open the PDF, you must have a computer with an internet connection, an email address, Adobe Acrobat®, and a capacity of no less than 3 MB.

FRANCHISE DISCLOSURE DOCUMENT

Dripp Franchising Inc.,
a California corporation
4300 Edison Avenue
Chino, California 91710
(909) 465-4101
www.dripp.com

We offer franchises for the operation of Dripp® shops that sell our unique selection of coffee, tea, and other hot and cold beverages, ice cream, cookies, chocolates, and fresh deli sandwiches. We also offer franchises to operate from kiosks that sell only some of our standard menu products. Each of our coffee and tea products is individually designed and prepared with our specially sourced ingredients; our beverages and ice cream sandwiches are made to order, our cookies are made in small batches, and all our products are always made fresh in the Dripp® location to provide rich, full flavors. Dripp® franchisees must bring this same sensibility to the franchised business and be willing to take the time and invest the money required to produce our unique line of quality products in the carefully crafted atmosphere of our proprietary shop design. Each Dripp® location is selected by the franchisee to fit our demanding requirements and operated to our high standards for quality, freshness, product presentation, and sparkling cleanliness.

The total investment necessary to begin operation of a franchised Dripp® shop is $583,575 to $967,675 if you lease the Dripp® shop location, as we anticipate you will. The total investment necessary to begin operation of a franchised Dripp® kiosk is $364,575 to $651,675. This includes $177,075 to $261,675 that must be paid to the franchisor or its affiliate(s) to begin operation of a Dripp® shop and $143,075 to $189,675 that must be paid to the franchisor or its affiliates to begin operation of a Dripp® kiosk.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **NOTE, HOWEVER, THAT NO GOVERNMENTAL AGENCY HAS VERIFIED THE INFORMATION CONTAINED IN THIS DOCUMENT.**

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, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date: March 19, 2019

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 A 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:

THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN CALIFORNIA. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.

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.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

This Franchise Disclosure Document is registered in California with an effective date of __________________________, 2019.

DRIPP® SHOP
FRANCHISE DISCLOSURE DOCUMENT

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EXHIBITS

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

The franchisor is Dripp Franchising Inc., to which we refer as "we", "us", or "our". "You" means the franchise purchaser; if the franchise purchaser is a corporation, partnership, limited liability company, or other entity, "you" includes every owner of the entity.

The Franchisor, Its Predecessors, and Affiliates

We are a California corporation organized February 6, 2017. We have no predecessors. Our principal business address is 4300 Edison Avenue, Chino, California 91710 ("Dripp® Headquarters"). We do business under the name Dripp®.

Our sole shareholder owns Dripp, Inc., a California corporation ("DI") that owns and operates two Dripp® locations and owns and licenses to us the trade names, trade and service marks, trade dress, container and paper goods designs and patent, and other intellectual property you will use in your franchised Dripp® business (collectively, the "IP"). DI may open and sell, lease, or operate additional Dripp® locations in the future. Our sole shareholder also owns Espresso Republic, LLC, a California limited liability company ("ER") that sources, roasts, and distributes coffee beans and coffee beverage products and sources and distributes tea and tea beverage products. You will purchase from ER the coffee beans and other coffee products and the teas and other tea products you will use and sell in your franchised Dripp® business.

We started our business in January 2017, when we began preparing to offer and sell Dripp® franchises. We do not presently operate any company-owned Dripp® locations and do not expect to open or operate any company-owned Dripp® locations, but DI may develop additional company-owned Dripp® locations that it may later lease or sell to an operator that enters into a Franchise Agreement with us.

We began offering Dripp® shop franchises on the date of this Franchise Disclosure Document. Although we were registered to offer and sell franchises in the State of California on September 14, 2018, we have not yet offered or sold any Dripp® franchises. We have not offered franchises in other lines of business nor do we presently engage in any other businesses.

Our agent for service of process is Rabih Sater, 4300 Edison Avenue, Chino, California 91710.

Dripp® Franchises

We offer franchises for the development and operation of a Dripp® shop (individually, a "shop location" and collectively, "shop locations") or kiosk (individually a "kiosk location" and collectively, "kiosk locations") (both, individually a "Dripp® Shop" and collectively "Dripp® Shops") at a specified location. Each Dripp® Shop sells a limited, carefully curated selection of coffee and tea beverages, store-made cookies, select other freshly made or bottled beverages, chocolates, and deli sandwiches; shop locations (but not kiosk locations) also sell handmade ice cream sandwiches.

A shop location will typically occupy between 1,000 and 2,000 square feet of space, usually in a freestanding location adjacent to or part of a local or regional shopping center. A typical kiosk location will be between 400 and 800 square feet of space, usually in a local or regional shopping center. Every shop location will have sit down space, usually both indoor and outdoor, and customers are encouraged to settle in at a table to talk, use the internet, study, or work. A typical kiosk location will have six to eight stools at the counter for seating.

Dripp® Shops use the Dripp® trade name (the "Name") and the registered trade and service mark Dripp® and other registered and not yet registered marks, commercial symbols, logos, and trade identifiers we may designate at any time that are owned by DI and licensed to us (all of which together we call the "Marks"). Dripp® Shops also use the unique methods and techniques for the design, development, and operation of limited menu specialty shops and kiosks serving freshly made coffee and tea beverages and a select mix of other beverages and food products, including proprietary layout, décor, and trade dress, unique beverages, food items, and product mix and variety, a customized approach to customer service, proprietary business management and operating methods and procedures DI developed during more than five years of operating experience, and proprietary training and quality maintenance procedures and standards, as well as other Dripp® Shop business operating, management, accounting, and administration techniques and methods, all of which together we call the "Dripp® Method" and all of which are licensed to us by DI.

The success of your relationship with us and the success of the Dripp® franchise system (the "Dripp® System") depend on your strict adherence to our specific practices, procedures, methods, and standards of quality and performance that you are required to follow meticulously in all aspects of the development, maintenance, and operation of your Dripp® franchise. We can change our requirements as we deem necessary and those changes may make it necessary for you to spend additional money on your franchised business.

Like every business, investing in and operating a Dripp® franchise involves many significant economic risks that cannot be eliminated. Significant investment beyond what is described in this Franchise Disclosure Document may be required for you to succeed. Your revenue, profit, income, and success are dependent on many factors, including your personal financial, management, and other business skills, resources, acumen, and judgment, your willingness to work hard and invest in the success of your business, and your adherence to the Dripp® Method. We cannot and do not guarantee your success.

The Market and Competition

Although sales volume may decline when local educational facilities are on vacation, the beverages and other food products you will sell at your Dripp® Shop are not seasonal and appeal to people of all ages, backgrounds, and tastes throughout the day. Demand for some things you will sell, like hot or cold beverages and ice cream, may fluctuate with the weather but those fluctuations may not be noticeable.

There are many, many retail facilities that prepare and sell coffee and tea, some that are limited menu specialty stores and others that sell coffee and tea along with a full complement of consumer products (convenience stores, for example); some that are part of regional, national, and even international chains, and some locally owned, independently operated neighborhood shops. You will compete with all of those. Retail outlets of many different kinds and sizes sell many of the items you will sell in your Dripp® Shop. You will also carry ER branded coffee and tea that is sold in other retail facilities and specialty stores, both under the ER brand name and under other brand names and private labels. You will have many direct and indirect competitors in the well-developed and highly competitive general marketplace as well as in the beverage specialty store marketplace. You may also compete with Dripp® Shops owned by DI and those owned by other franchisees.

Industry Laws

In addition to the usual licensing and other laws and requirements applicable to businesses generally, you must comply with the many federal, state, county, and municipal laws and regulations affecting businesses that sell food products. Some localities (Los Angeles County, California, for example) may require that at least one certified food handler be present during all operating hours. You should investigate and become thoroughly familiar with all the licensing, permitting, sales, and other legal requirements in your area that apply to the various beverages and food products you will sell, consulting with your own attorney and other advisors as necessary, before you sign any contract or make any investment with us. You are personally responsible for complying with all laws applicable to the Dripp® business you operate and must obtain and maintain all permits and licenses required by governmental entities or agencies in your particular area.

ITEM 2. BUSINESS EXPERIENCE

Rabih Sater—President, Chief Financial Officer, Secretary, and Sole Board Member

Mr. Sater has been our President, Chief Financial Officer, Secretary and sole member of our Board of Directors since our formation in February 2017. From December 2010 through the present Mr. Sater has been the President, Chief Financial Officer, Secretary and sole member of the Board of Directors of DI. Since February 2011 Mr. Sater has also been the sole Member and Manager of ER. Mr. Sater is based at the Dripp® Headquarters.

Gabriel Venegas—Relationship Manager

Mr. Venegas has been our Relationship Manager since September 2017. From March 2017 until August 2017 he was the Relationship Manager for Kean Coffee. From February 2014 through February 2017 he was general manager of Restoration Roasters. From December 2012 through January 2014 he was a barista at Clatch Coffee. Mr. Venegas is based at the Dripp® Headquarters.

Ash Sater—Franchise Consultant

Mr. Sater became our Franchise Consultant on September 1, 2018. Mr. Sater has been employed by Saterbros, LLC, a family company that operates convenience store franchises, as Director of Operations and technical officer since 2010. Mr. Sater has also been the owner and operator of eddi, Inc., a technology venture, since December 2012. Mr. Sater is based at Dripp® Headquarters.

ITEM 3. LITIGATION

There is no litigation that must be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5. INITIAL FEES

Initial Franchise Fee

All franchisees must pay us a $45,000 initial franchise fee in a lump sum when they sign the Franchise Agreement. Among other things, the initial franchise fee includes the initial training described in Item 11. The initial franchise fee is fully earned when paid. It is not refundable for any reason except if at any time during or upon completion of our initial training program we terminate your Franchise Agreement because we in our sole discretion conclude that you, your Owner Operator, and/or your General Manager (each as defined in Item 15) cannot operate a Dripp® Shop to our satisfaction. If that occurs, we will refund $25,000 of the initial franchise fee after you sign and deliver to us our form of General Release and Covenant Survival Acknowledgment.

Security Deposit

All franchisees must pay us a $15,000 security deposit in a lump sum when they sign the Franchise Agreement. If you default in performance of any provision of the Franchise Agreement or any other agreement between you and us or any of our affiliates, we may use the security deposit, or any portion of it, to cure the default or to compensate us for any and all damages or expenses we incur because of your default. We may also use the security deposit to pay any late charges, interest, penalties, and fees and any costs and charges due us for performing obligations that you do not perform and we are entitled to perform for you. If monies are owed to us or become due to us because of or on or after termination or expiration of the Franchise Agreement for any reason, we may use all or any part of the security deposit to pay those sums.

If we use any part of the security deposit before the end of the Franchise Agreement term, you must replenish it. If we terminate the Franchise Agreement because you do not locate a site that meets our site selection criteria within the time period required by the Franchise Agreement or you do not successfully complete our training program, we will refund the security deposit you have paid us after you sign and deliver our form of General Release and Covenant Survival Acknowledgment. If you are not in default in performance under the Franchise Agreement or any other agreement with us or any of our affiliates on the date the Franchise Agreement expires or is terminated for any other reason, we will return the remaining balance of the security deposit to you within 30 days after you sign and deliver our form of General Release and Covenant Survival Acknowledgment.

Furnishings, Fixtures, and Equipment

You must install and use in your Dripp® Shop all the furnishings, fixtures, and equipment we designate or specify, some of which you will purchase from us or a supplier that may be our affiliate. The exact amount you pay us or our affiliates for those items will depend on the size of your Dripp® Shop but we estimate you will pay us for furnishings, fixtures, and equipment $90,000 to $150,000 for a shop location and $60,000 to $90,000 for a kiosk location. The cost of these goods is nonrefundable.

Initial Inventory, Promotional Materials, Expendable Supplies, and Graphics Kit

Before opening, all franchisees must stock their Dripp® Shop with coffee beans, tea leaves, coffee- and tea-making supplies, bottled beverages, prepackaged snacks, branded paper goods, straws, wooden ice cream spoons, patented containers, cleaning supplies, branded uniform aprons and pins, branded merchandise, branded promotional and point of service materials, a graphics kit including various posters with proprietary operational instructions and recipes, and gift cards you will purchase from us or a supplier that may be our affiliate. The exact amount you pay will depend on the size of your Dripp® Shop and the volume of these items you purchase but we estimate you will pay us or our affiliates for these items $13,400 to $26,000 for a shop location and $9,400 to $14,000 for a kiosk location. The cost of these goods is not refundable.

Small Wares

Before opening, all franchisees must equip their Dripp® Shop with various small wares you will purchase from us or a supplier that may be our affiliate. The exact amount you pay will depend on the size of your Dripp® Shop and the volume of these items you purchase but we estimate you will pay us $12,000 to $24,000 for these items. The cost of these goods is not refundable.

Dripp® Operations Portal Software License Fee

The Dripp® Operations Portal contains practices, procedures, policies, rules, regulations, and other instructions and materials you will use to operate your Dripp® Shop. Every franchisee pays us a $1,500 license fee for the Dripp® Operations Portal software. The license fee is nonrefundable.

Annual Dripp® Digital Menu Display Content License Fee for First Year

You must install in your Dripp® Shop digital menu displays that contain our proprietary content. You will pay us a $150 annual license fee for the use of that content. You will pay us the first year's license payment, prorated as necessary, before you open your Dripp® Shop.

Monthly Dripp® Operations Portal Software Maintenance Fee for First Month

You will pay us a monthly maintenance fee for the maintenance and support of the Dripp® Operations Portal software and for any upgrades to it. You will pay us the $25 monthly maintenance fee for the first month of your use of the Dripp® Operations Portal Software, prorated as necessary, before we first give you access to the Dripp® Operations Portal.

ITEM 6. OTHER FEES[1]

Type of Fee	Amount	Date Due	Remarks
Monthly Royalty	7% of Gross Revenue[2] during preceding calendar month but not less than $3,000, subject to reduction as described in Note 3.[3]	7th day of each calendar month.	See Note 3.

[1] All these payments are to us and are not refundable, both except as noted in the Remarks column or Notes.

[2] Gross Revenue includes the gross selling price or barter value of all goods and services sold, delivered, or performed in or from your Dripp® Shop or using the Name or any of the Marks, or any part of the Dripp® Method, whether payment is by cash, check, credit, credit card, debit card, PayPal or similar account, charge account, barter, or exchange, including (without limitation and whether or not authorized or permitted under this Franchise Agreement) the gross amount received for orders taken, originated, accepted, or received elsewhere but filled at or from your Dripp® Shop and orders taken, originated, accepted, or received at your Dripp® Shop but filled, delivered, or performed elsewhere; less permitted refunds made to *bona fide* customers in good faith; amounts actually paid for sales or excise taxes that were added to the selling price of goods and collected from customers; redemption of gift cards; complimentary items provided to your paid employees, which cannot exceed the maximum amount permitted in the latest version of the Dripp® Operations Portal; and sales of assets of the Dripp® business other than inventory sold in the ordinary course of business.

[3] The minimum royalty payment becomes applicable for the second full month of operation. For each calendar month during which you (a) participate in all marketing and advertising campaigns we conduct during the calendar month as required by the Franchise Agreement and (b) receive the highest available grade on every health department inspection or evaluation of your Dripp® Shop conducted during the calendar month (collectively, the "Performance Requirements"), so long as you fully and timely perform all of your obligations under the Franchise Agreement and all other agreements between you and us or any of our affiliates during the calendar quarter that includes those months (the "Measuring Quarter") and through the date the rebate described in this sentence is to be paid, on the 15th day of the calendar month after the end of the Measuring Quarter we will rebate to you 2% of your Gross Revenue during each month of the Measuring Quarter in which you have fulfilled the Performance Requirements by crediting that amount against royalties to become due in the calendar month following the end of the Measuring Quarter.

Type of Fee	Amount	Date Due	Remarks
Coffee beans	Variable based on purchases but presently estimated to be between $2,500 and $10,000 per month depending on sales volume and market price. May increase in the future because the price of coffee beans is likely to increase over time.	When ordered.	You must purchase all the coffee beans you use in your Dripp® Shop from ER. To assure freshness, you may have to order beans in small volume weekly.
Tea leaves	Variable based on purchases but presently estimated to be between $700 and $2,500 per month, depending on sales volume and market price. May increase in the future because the price of tea leaves is likely to increase over time.	When ordered.	You must purchase all the tea leaves you use in your Dripp® Shop from ER. To assure freshness, you may have to order tea leaves in small volume weekly.
Dripp® Operations Portal software monthly maintenance fee	$25 per month.	7th day of each calendar month.	You will pay us the monthly fee for the first month of operation, prorated as necessary, before we first give you access to the Dripp® Operations Portal.
Digital menu display content annual license fee	$150 per year.	January 15.	You will pay us an annual license fee for use of our proprietary menu content on your digital menu displays. You will pay the license fee for the first year, prorated as necessary, before you open your Dripp® Shop.

Type of Fee	Amount	Date Due	Remarks
Branded Paper and Wooden Goods, Straws, and Patented Container	Variable based on purchases. Presently estimated to be between \$100 and \$2,000 per month depending on sales volume, which may be seasonal. May increase in the future because we may add additional products and goods and because the price of goods is likely to increase over time.	When ordered.	DI contracts with a third party supplier to produce our branded paper and wooden goods, straws, and patented container that we license from DI. DI purchases them from the supplier and then sells about 85% of them to an independent distributor. You must purchase those branded paper goods and our patented container from the distributor. You must purchase the balance of the branded paper goods from DI. See Item 8.
Branded uniform apron and pin	\$0 to \$400 per month.	When ordered.	You must purchase from us or our affiliate a branded apron and a logo pin all those working in your Dripp® Shop must wear on the apron as part of the Dripp® uniform to create a standard market identity for Dripp® Shops. These items are sold in a 12 pack.
Branded merchandise	\$5 to \$250 per month.	When ordered.	You must purchase from us or our affiliate and offer for sale at your Dripp® Shop a selection of branded ceramic goods, glassware, t-shirts, and hoodies.
Gift cards	Variable based on sales but estimated to be \$0 to \$2,000 per month.	When ordered.	You must purchase from us or our affiliate and offer for sale at your Dripp® Shop a selection of Dripp® gift cards in various denominations we offer. See Item 8.

Type of Fee	Amount	Date Due	Remarks
Required Additional Training	Presently $250 per day plus the actual cost of travel and lodging for trainer but we may increase the daily charge at any time in any amount.	Two, 10, or 30 days in advance, depending upon the nature of the training.	We provide pre-opening training for your Owner Operator and General Manager, and two shift leads without additional charge. These charges apply if we determine your trainees require or you want additional initial training, we determine you, your Owner Operator, and/or General Manager cannot operate a Dripp® Shop to our satisfaction and you are required to have us train a different Owner Operator or General Manager, we determine at any time that one or more of your managerial employees requires additional training, you hire a new General Manager, or we determine it is necessary to provide additional periodic training. See Item 11.
Required additional initial assistance	Presently $250 per day but we may increase the charge at any time in any amount.	Within 10 days after invoice.	We provide pre-opening assistance without additional charge as part of the initial training. These charges apply if we determine additional pre-opening assistance is necessary or you want additional pre-opening assistance.

Type of Fee	Amount	Date Due	Remarks
Requested additional training or assistance	Amount in the Fee Schedule; currently $250 per day and $10,000 for a complete training course but we may increase at any time in any amount.	Before beginning additional training.	Payable only if you request additional assistance or additional training for your existing or new General Manager or other qualified employees. Balance remaining after deducting our expenses refunded if you cancel no less than 48 hours before the training begins.
Out of area site visit per diem charge	$250 per day plus actual cost of travel and lodging.	When visit scheduled.	If we visit proposed locations outside the counties of Los Angeles, Orange, Riverside, and San Bernardino, California we will charge our per diem fee for each visit.

Type of Fee	Amount	Date Due	Remarks
Site visit travel costs	$250 per diem charge plus actual cost of travel and lodging.	If we must visit more than three sites, when billed. Otherwise, upon termination of your Franchise Agreement if you do not ultimately select a suitable site and proceed with development of your Dripp® franchise or we terminate your Franchise Agreement because during or upon completion of initial training we conclude that you, your Owner Operator, and/or your General Manager cannot operate a Dripp® Shop to our satisfaction. See Item 11.	If we visit more than three sites you have proposed for your Dripp® franchise location, we will charge you a per diem fee and our site visitation travel costs, including actual mileage or air travel costs and lodging for each site in excess of three. If we visit one or more sites and you do not ultimately select a suitable site and proceed with development of your Dripp® Shop or we terminate your Franchise Agreement during or upon completion of initial training because we conclude that you, your Owner Operator, and/or General Manager cannot operate a Dripp® Shop to our satisfaction, we will charge you a *per diem* fee and our site visitation travel costs, including actual mileage or air travel costs and lodging for each site we have visited, even if fewer than three.
Marketing Fund	Up to 2% of Gross Revenue.[2]	By the 10th day of each calendar month based on Gross Revenue in the preceding calendar month.	We do not currently collect marketing fund contributions because we do not yet conduct marketing for the System. But we may establish a Marketing Fund as defined in Item 11 below and require you and all franchisees to make monthly marketing fund contributions at any time by giving you 30 days written notice. See Item 11.

Type of Fee	Amount	Date Due	Remarks
Cooperative Advertising	Set by a majority of the advertising cooperative members.	Determined by vote of cooperative members.	We can establish an advertising cooperative any time for any geographical area by giving you 30 days written notice. You must participate in any advertising cooperative for any area that includes your Dripp® Shop. See Item 11. Members of the cooperative set the fees, with the owner of each Dripp® Shop in the cooperative's geographical area, including those owned by us or our affiliates, having one vote for each Dripp® Shop it has in the cooperative's area. See Item 11.
Late Charge	10% of amount past due with $50 minimum.	With late payment.	Payable only if you do not pay when due.
Insufficient Funds Fee	Set forth in Fee Schedule. Currently $100.	With late payment.	We will withdraw from your bank account royalties you owe us. If you do not have sufficient funds in your bank account for any withdrawal, you must pay us an insufficient funds fee.
Noncompliance Fee	$150	Within five business days after receipt of an invoice.	If you do not comply with the requirements of your Franchise Agreement that we regard as quality control measures, you must pay a $150 noncompliance fee.
Nonperformance Assessment	2% of Gross Revenue.	On demand.	Payable for any period when you do not comply with certain operational requirements of the Franchise Agreement.

Type of Fee	Amount	Date Due	Remarks
Audit	Cost of audit, but not less than $300.	Within 15 days after receipt of invoice.	Payable only if we conduct an audit that shows you have understated Gross Revenue by more than 2%. This is in addition to required payment of any additional royalties or other fees an audit shows were underpaid.
Failure to Keep Records, Make Reports, or Provide Database Access	Royalties as determined plus costs of determination, but not less than $150.	On demand.	Payable only if you do not keep and deliver required records or provide required access to electronic database.
Remedial Actions and Service Fee	Charges we incur plus interest and 5% of cost of corrective action, which is variable, but not less than $50.	On demand.	If you do not take certain actions required by the Franchise Agreement, we can take those actions and charge you the expenses we incur and a service fee.
Collection and Enforcement Costs	Actual cost, which is variable.	With payment for which incurred.	Payable only if your check is returned or funds collected electronically are not available when due or if we incur costs to collect monies you owe and do not pay or to enforce any of your other obligations.
Transfer Fee	Amount in the Fee Schedule at time of transfer. Currently $2,000 transfer application fee plus $15,000 nonrefundable franchise transfer fee but we may increase it at any time in any amount.	With request for approval of transfer.	Payable if you request approval of the transfer of the Franchise Agreement or the assets of the franchised business, or approval of a change in ownership of the franchisee entity (other than a transfer of ownership interests without permission as permitted by the Franchise Agreement). The fee is not refundable even if we do not approve the requested transfer.

Type of Fee	Amount	Date Due	Remarks
Interim Manager Payments	Currently $300 per day but we may increase at any time in any amount.[4]	See Note 4.	See Note 4.
Attorneys' Fees and Costs	Actual cost, which is variable.	On demand.	Payable only if we use an attorney to collect money from you or otherwise enforce any provision of the Franchise Agreement or any other agreement with you.
Indemnification	Variable.	As incurred.	You must indemnify us for all costs and expenses (including attorneys' fees) we incur in connection with any claim arising out of or related to your Dripp® Shop or the franchised business.
Franchise Agreement Renewal Fee	$10,000	At least 30 days prior to expiration of existing Franchise Agreement term.	Payable only if you choose to renew the term of your Franchise Agreement.

[4] If you are an individual and you die or become disabled, if your General Manager dies or becomes disabled, if you are an entity and your Owner Operator dies or becomes disabled, or if you are an entity and there is a deadlock among your owners, we may place a manager (who may be one of our employees) in your Dripp® Shop to operate it until you or your affected owner are capable of resuming operation, you or your successor has hired a General Manager, your dispute has been resolved satisfactorily, or a transfer of your interest is completed as required by the Franchise Agreement, as the case may be. You or your successor must pay our charge for the manager and any travel, lodging, or living expenses.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due[1]	To Whom Payment Is to Be Made
Initial franchise fee	$45,000	Lump sum	When you sign the Franchise Agreement	Us

Type of Expenditure	Amount	Method of Payment	When Due[1]	To Whom Payment Is to Be Made
Franchise Agreement security deposit	$15,000	Lump sum	When you sign the Franchise Agreement	Us
Real property lease security deposit and one month rent and common area maintenance charges[2]	Shop location: $8,000 to $25,000 Kiosk location: $5,000 to $15,000	As arranged	As required by landlord	Landlord
Shop Improvements Build Out[3]	Shop location: $250,000 to $400,000[3] Kiosk location: $100,000 to $250,000[3]	As arranged with designated architect or kitchen designer, landlord, or approved contractor	As arranged with designated architect or kitchen designer, landlord, or approved contractor	Designated architect or kitchen designer or approved contractor[3]
Furnishings, fixtures, and equipment[4]	Shop location: $150,000 to $250,000 Kiosk location: $100,000 to $150,000	From us, lump sum. As arranged with suppliers and installers when ordered from others.	From us, when ordered. As arranged with other suppliers and installers.	Us and/or designated vendors
Small wares, cups, and dishware[4]	$15,000 to $30,000	Lump sum	When ordered	Us and/or designated vendors
Graphics kit[5]	$1,000	Lump sum	When ordered	Us

Type of Expenditure	Amount	Method of Payment	When Due[1]	To Whom Payment Is to Be Made
One tablet with kitchen display and one or two front counter point of sale iPads, each with credit card reader, cash drawer, and printer[6]	$3,000	Lump sum	When purchased	Designated supplier
Dripp® Operations Portal software license fee	$1,500	Lump sum	When purchased	Us or our affiliate
Initial Dripp® Operations Portal monthly software maintenance fee, prorated as necessary	$25	Lump sum	When access to Portal is granted	Us
Initial annual digital menu display content license fee, prorated as necessary	$150	Lump sum	When ordered	Us
Administrative work space computer[7]	$1,000 to $2,000	Lump sum	When ordered	Vendor
Uniform apron and logo pin[8]	$400 to $1,000	Lump sum	When ordered	Us and our affiliate
Signs	$6,000 to $12,000	Lump sum	When ordered	Designated supplier
Digital menu displays	Shop location: $14,000 to $20,000 Kiosk location: $8,000 to $12,000	Lump sum	When ordered	Designated supplier
Governmental permits and licenses	$500 to $2,000	Lump sum	Upon application	City, County, and/or State governmental entities and agencies

Type of Expenditure		Amount	Method of Payment	When Due[1]	To Whom Payment Is to Be Made
Utility deposits		$1,500	Lump sum	When account opened	Utility companies
Insurance premiums		$1,500 to $2,500	Lump sum	As required by carrier	Carrier
Training period payroll and travel and living expenses[9]		$2,500 to $10,000	Variable	During training	Trainees, airlines, hotels, restaurants, car rental agencies, and other providers.
Opening inventory of beverage ingredients and components, flavorings, food product ingredients and components, merchandise, paper goods, packaging, and supplies		Shop location: $30,000 to $60,000 Kiosk location: $20,000 to $30,000	Lump sum	When ordered	Various designated or approved suppliers, including our affiliate. See Items 5 and 8.
Grand opening promotion campaign[10]		$5,000 minimum	As arranged	Within 30 days after opening	Advertising media and other suppliers. See Item 8.
Legal and accounting fees		$2,500 to $6,000	As arranged	As arranged	Lawyer
Additional funds – 3 months[11]		$30,000 to $75,000	As required	As required	Employees, suppliers, utilities
Total	Shop location	$583,575 to $967,675			
	Kiosk location	$364,575 to $651,675			

[1] We do not finance any fee or payment. None of these payments is refundable except, after you sign our form of General Release and Covenant Survival Acknowledgment, we will refund: (a) any balance of the security deposit remaining after permitted deductions and offsets after termination or expiration of the Franchise Agreement, or (b) the security deposit and all but $20,000 of any initial franchise fee you have paid us, less the cost of any site visits, if after

you, your Owner Operator, and/or your General Manager complete our initial training program we terminate your Franchise Agreement because we determine that you, your Owner Operator, and/or your General Manager cannot a Dripp® Shop to our satisfaction.

[2] We assume you will lease the location where you operate your Dripp® franchise. The typical shop location has between 1,000 and 2,000 square feet of total space, including a front counter with display cases and customer order and service areas, a self-service refrigerated display case, customer seating and tables, a product preparation area with equipment and counters, and backroom storage and business administration space. The typical kiosk location is between 400 and 800 square feet, including front and side counters. Rent and common area maintenance charges for a shop location are estimated to be between $4,000 and $12,500 per month, depending on various factors, including, size, condition, and location of the leased premises. Rent and common area maintenance charges for a kiosk location are estimated to be between $2,500 and $7,500. Some landlords also charge percentage rent: additional rent based on a percentage of revenue above a certain amount. Landlords usually require payment at the time a lease is signed of a security deposit equal to one month rent and prepayment of the first month rent. Sometimes the landlord will do construction or remodeling work to prepare the space for you, but then the landlord often requires payment of an additional security deposit equal to a month or two of rent at the time a lease is signed and sometimes then allows one or two months rent free. See Item 11 for additional site information.

[3] You must have your Dripp® Shop built out, improved, fixturized, decorated, and branded to our specifications and requirements by a contractor we designate or approve. If you are developing a shop location, we assume you will lease space in a small standalone building connected to a shopping center or in a storefront or shopping center or mall. The cost is widely variable based not only on the extent of the work required for the space you select but also the size and geographical location of your Dripp® Shop; for instance, a 1,000 square foot shop location in a major city location will be much more expensive to improve as required than will a shop location in a small more rural area. A typical shop location will be a vanilla shell (raw commercial space with a concrete floor and utility lines stubbed out, ready to finish) that will require build out with wall board, windows and doors, drop ceiling, lighting, plumbing and gas lines and fixtures, electrical wiring and outlets, and floor and wall coverings, installation of counters, cabinets, furnishings, fixtures, and equipment, and installation of the décor and finishes that are part of the Dripp® trade dress, or existing food service space that requires remodeling that may include installation of counters, cabinets, furnishings, fixtures, and equipment required for a shop location, and installation of the décor and finishes that are part of the Dripp® trade dress. As mentioned in Note 2, a landlord may do the construction or remodeling work to prepare the space for you or advance the money for that work, adding the cost to the monthly rent. A kiosk location will cost less to develop because there will be less buildout and improvements.

[4] You must equip your Dripp® Shop with all the furnishings, fixtures, equipment, cups and dishware, and other small wares we designate that you must obtain from us and the suppliers we designate and place in the locations in your Dripp® Shop we designate.

[5] You must purchase from us and post in your Dripp® Shop various posters with instructions, recipes, and other proprietary operations information.

[6] You must equip the front counter in your Dripp® Shop with at least one tablet with a kitchen display system and one or two iPads each with credit card reader, cash drawer, and printer.

[7] You must have in the administrative work space of your Dripp® Shop the computer system described in Items 8 and 11. Because we own all of the data on it, we retain the right to use and remove all or any part of that computer system at any time. You will pay us a monthly maintenance fee for the proprietary Dripp® Operations Portal software you will use on that computer.

[8] To maintain and enhance brand identity and continuity, personnel working in your Dripp® Shop must wear a uniform apron that displays the Dripp® logo and wear a logo pin on the apron. You will purchase an initial supply of uniform aprons from DI and pins from us.

[9] The number of people you train, whether you need to provide food, lodging, and transportation for them during training, and the distance they must travel are among the factors that will affect your training travel, lodging, and related expenses. You must also pay wages and related payroll expenses for your trainees during training. See Item 11 for additional information.

[10] You must spend at least $5,000 on your grand opening promotion, as described in more detail in Item 11.

[11] This is an estimate of the funds you will need for operating expenses during the first three months after you open your Dripp® Shop. Those expenses include payroll, utilities, taxes, rent, inventory, and similar costs. This figure does not include any salary for you, even if you work in the business. New businesses typically have expenses greater than revenue for some period. You may not have income for a period longer than three months. The exact amount of your costs will depend on a variety of factors, including your business acumen and skill; technical, management, budgeting, and general business capability; local economic conditions; competition in your local area; the local market for coffee, tea, and the other beverages and food items you will sell at your Dripp® Shop; the required minimum or prevailing wages in your area; the availability and cost of competent help and the extent to which you hire employees; other operating costs in your local area; and the volume of sales you reach during the initial operating period, which depend in part on your marketing skill and how much you spend on advertising and promotion. These figures are only estimates. Your costs and capital needs may be higher or lower. Because we do not have prior experience franchising Dripp® Shops we do not have sufficient prior Dripp® franchise operating experience on which we can base these estimates. We used DI's experience developing and operating company-owned Dripp® Shops to compile these estimates but that experience may be very different from yours. You should review these figures carefully with a business advisor before deciding to purchase a Dripp® franchise. Because costs can vary with each franchisee based upon a multitude of factors, we strongly recommend that you (a) carefully and thoroughly research the market and operating costs in your area, including determining your labor costs and what third-party suppliers of services and goods will charge you, (b) consult with your accountant or other business advisor to develop independent estimates of the projected costs of developing and starting your own Dripp® franchise, (c) research applicable laws and regulations and their impact on your costs and operations, and (d) carefully evaluate the adequacy of your total financial resources and reserves to pay all the expenses you will incur before you can open your business and carry you through the uncertainties that unavoidably accompany starting any new business.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must develop and operate your Dripp® Shop as required by our detailed operating guidelines and procedures and using all the elements of the Dripp® Method that you will learn during training and have in the Dripp® Operations Portal. Our requirements are extensive and pervasive so that customers can count on uniform stylish appearance, high quality facilities, and fresh, top quality beverages and food items at every Dripp® Shop.

Your Dripp® Shop Location and Lease

Your Dripp® Shop must be operated from a location that meets our site selection criteria. You must build out and/or remodel your Dripp® Shop and equip, decorate, and brand it as we require so it has the unique appearance and trade dress of a Dripp® Shop. Because style and appearance are an integral part of the Dripp® brand identity, our requirements for the layout, design, and interior and exterior appearance and decoration of your Dripp® Shop are extensive and must be observed scrupulously throughout the term of your Dripp® franchise.

You may either own, lease, or purchase the premises for your Dripp® Shop but most franchisees lease a location. If you lease the premises for your Dripp® Shop, the lease must be for a term of at least five years with at least one five year renewal right and must give us the rights specified in Section 4.2 of your Franchise Agreement.

Your Dripp® Shop Architect and Kitchen Designer

To assure that the layout and appearance of your Dripp® Shop fulfills all our requirements, you must engage one of the architects we designate to prepare the plans and specifications for your Dripp® Shop. Because design is a central element of your Dripp® Shop we are not obligated to permit you to use any architect other than the one we designate.

For the same reasons, unless your Dripp® Shop is a kiosk, you must use our designated kitchen designer to design the kitchen at your Dripp® Shop. We will not consider or approve any other kitchen designer.

Your Dripp® Shop Design, Improvements, Décor, and Appearance

The layout, design, décor, interior and exterior appearance, and physical features of your Dripp® Shop must comply with the plans the designated architect and kitchen designer (if applicable) prepare and incorporate all the elements of the Dripp® trade dress and Dripp® Method as we require. We designate all the paint and finishes, wall coverings, ceiling treatment, floor treatment, décor, and furnishings, fixtures, and features of your Dripp® Shop and you must obtain all of them from vendors we designate, some of whom will be us or one of our affiliates. Uniformity of appearance and identity are critical elements of the Dripp® franchise system; your Dripp® Shop must have the same appearance as all other Dripp® Shops. You must maintain that appearance at all times and cannot alter it in any way without our prior written permission, which we may withhold in our own complete discretion.

Contractor

You must engage a contractor we approve. We have one pre-approved contractor; you may propose a different contractor for our approval but we are not required to approve any other contractor. You must use a contractor we approve to build out your Dripp® Shop, install all the required furnishing, fixtures, and equipment, decorate it as we require, and install the signs and digital menu displays we require, as described below.

Furnishings, Fixtures, Equipment, Small Wares, Point of Sale System, Proprietary Software

You must install and use in your Dripp® Shop all the furnishings, fixtures, equipment, and small wares we designate or specify and only those furnishings, fixtures, equipment, and small wares. After you have selected a location that meets our criteria, we will give you a list of all the required furnishings, fixtures, equipment, and small wares and identify any designated supplier from whom you must obtain them, who may be us or our affiliate.

We may at any time add items to the products and items you are required to carry in your Dripp® Shop. If any item we add requires a new piece of equipment and/or one or more new small wares, you must acquire that equipment and/or the small wares.

You must purchase and use at the front counter of your Dripp® Shop one tablet with a kitchen display system and one or two iPads with credit card reader, cash drawer, and printer, equipped with the point of sale and revenue management software we designate, some of which is DI's proprietary product that you will sublicense from us for a fee. See Item 11 for additional information.

You must purchase and use in your Dripp® Shop administrative work space a computer that is capable of interfacing with the front counter point of sale system and the software we require you to have on the point of sale system. These requirements are described in Item 11.

You must also use the proprietary software comprising our Dripp® Operations Portal. It includes an online management portal, checklists and similar instructions and forms, menus and product lists, and recipes and product preparation instructions.

We anticipate expanding the use of technology and incorporating technological innovations in every Dripp® Shop. We may at any time require you to purchase, install in a place we designate in your Dripp® Shop, and use other computer or electronic devices in the operation of your Dripp® Shop. We may at any time require you to link to or attach electronic equipment or devices we require you to acquire to any of the equipment or devices in your Dripp® Shop. You must make space available in the location(s) we select in your Dripp® Shop for any additional equipment or devices as we require. We may also at any time require you to acquire, install, and use in your Dripp® Shop any software or other technological tools we designate.

We can access your point of sale system, your administrative workspace computer, any other electronic equipment or devices we require you to install and use in your Dripp® Shop or for your Dripp® business, and all the software and data on any of them at any time. All the data produced by or on your point of sale system or any other electronic equipment or devices you use in the operation of your Dripp® Shop belongs to us and we may use it in any way we choose at any time.

Beverages, Food, and Merchandise

You must purchase all the food and beverages you sell at your Dripp® Shop and all the ingredients for them from suppliers we designate or approve and each item you sell must be one designated or approved by us. We or one of our affiliates may be one of or the only vendor we designate or approve for any or all beverages and food items you are required to sell and any or all of the ingredients for them. Some specific requirements are described in more detail below.

You must carry and offer for sale the full assortment of hot and cold beverages and food items we include on the Dripp® menu, which will change both seasonally and as we deem appropriate, and only those items. You must prepare all those items as we instruct, using the ingredients, methods, and techniques we designate. You must maintain an adequate stock of the items you need to offer and sell the full complement of Dripp® menu items at all times.

Our beverage selection includes three to five rotating seasonal private label coffees, other standard private label coffees, and private label teas, all of which you must purchase from ER. You will purchase only whole bean coffee and grind it to order. We impose strict freshness standards that limit the age of the coffee beans and tea you use so you may have to order coffee beans and/or tea in small batches as frequently as weekly in order to avoid having to discard unused inventory.

We may add more proprietary items in the future and require that you purchase those items from us or a vendor we designate, who may be our affiliate.

You will also carry a variety of carefully selected bottled water (both still and sparkling), bottled specified flavors of juice and other fruit based beverages (some of which you must make fresh at your Dripp® Shop, using ingredients we designate), pure cane sodas, prepackaged snacks, a selection of fresh fruit, and fresh deli sandwiches prepared at your Dripp® Shop, all of which we designate and you purchase from a designated supplier who may be our affiliate. Those items will be displayed in a self-service refrigerated case in a designated location in your Dripp® Shop.

You will sell and prepare a brand of oatmeal we designate in the flavor varieties we designate, designated brands and selections of fresh pastries, a designated brand of chocolate bars in varieties that change periodically, and designated brands of mints and lollipops in designated flavors. You will purchase a designated brand of marshmallows, designated brands of sugar and sweeteners, including flavored sweeteners you will purchase from a designated supplier, and you will produce both flavored and unflavored syrups using designated ingredients.

You will purchase cookie dough from a designated supplier and make small batches of fresh cookies at your Dripp® Shop. Unless you operate a kiosk, you will purchase ice cream from a designated supplier who uses a brand of dairy products we designate, sell that ice cream served in our patented ice cream boats, use it to prepare made to order ice cream sandwiches using the cookies baked in your Dripp® Shop, and use it in some of our signature cold beverages.

You will use cream you purchase from the designated dairy supplier to make fresh sweet cream using our proprietary recipe. You will carry a selection of pastries purchased from our designated source. You will purchase designated brands of soy milk and almond milk to use in the beverages you prepare.

You will purchase from us, ER, or another designated supplier various flavorings and concentrates to prepare various drinks. The designated flavoring selection will vary with the season.

You must purchase from ER and sell in your Dripp® Shop packages of our branded whole beans, branded tea sachets in tins, branded matcha tea, chai concentrate, and masala spices, coffee- and tea-making supplies, small wares, and various branded ceramic ware. You must purchase from the vendor we designate and sell in your Dripp® Shop various branded glassware and apparel items (presently hoodies and t-shirts).

Cups, Containers, Other Paper Goods, Straws, and Wooden Goods

We presently require you to purchase from a vendor we designate and use in your Dripp® Shop the branded ceramic and glassware, hot and cold cups, branded pastry boxes and bags, branded and patented ice cream boats, and the straws and wooden spoons we designate. We may add other goods at any time and require that some or all of them display any logo and/or other branding we designate and be obtained from vendors we designate, who may be our affiliate.

Procedures, Processes, Methods, and Practices

You must prepare all the foods and beverages to our exacting standards. We will give you access to our Dripp® Operations Portal that includes the procedures, processes, methods, and practices to which you must adhere in the operation of your Dripp® Shop. As part of the Dripp® Operations Portal you will receive forms you will use in the operation of your Dripp® Shop. We may give you access to parts of the Dripp® Operations Portal in phases matching your progress toward opening your Dripp® Shop. You will pay us a monthly software maintenance fee for your continuing use of the Dripp® Operations Portal. You must operate your Dripp® Shop as instructed in the Dripp® Operations Portal and use the forms in the Dripp® Operations Portal as we require to keep records and communicate with us.

Signs and Digital Menu Displays

We will give you our proprietary sign and digital menu display design and content criteria and tell you how many signs and digital menu displays you must have on or in your Dripp® Shop and where they must be located. You will obtain the necessary sign permits. When you have obtained the necessary permits, we will place an order with our designated sign and menu display vendor for production of the signs and digital menu displays, for which you will pay the vendor directly, without any markup to us. You must have the completed signs and digital menu displays installed on or in your Dripp® Shop in the locations we have designated.

Promotional and Point of Purchase Materials

All marketing or promotional materials you use at or for your Dripp® Shop must be obtained from us. We may periodically provide you without charge promotional and point of purchase materials, which may include posters, flyers, and table tents. You must replace any promotional material that is worn or damaged so that the promotional material you display is always of top quality.

Uniforms

To promote brand identity and consistency, you must purchase from us a logo pin and from DI the branded uniform aprons your employees are required to wear while working in your Dripp® Shop.

Gift Cards

You must purchase from us or a supplier we designate who may be our affiliate and sell and accept at your Dripp® Shop gift cards in all the denominations we require.

Loyalty Program

You must participate in the Dripp® Loyalty Program. The program requires that you give customers free merchandise for various tiers of customer loyalty, measured by purchase volume.

Participation in Promotional and Advertising Campaigns

We may require you to display at your Dripp® Shop advertising material we specify, which we may change at any time. We may require you to participate in any System-wide advertising campaigns, programs, contests, drawings, and other promotional events or activities, unless applicable law prevents you from participating. We may either designate a vendor for the materials in those campaigns from whom you must acquire the required materials (which may be us or our affiliate) or give you templates you must use to have the materials prepared by a vendor you select, but the quality of those materials must be approved by us.

Wi-Fi Connection

You must provide a free wi-fi connection for use by customers.

Telephone Landline and Listings

You must have one primary voice telephone landline or equivalent devoted only to your Dripp® Shop and list that number in all telephone directories in your geographical area and in all your local advertising. The telephone listings must identify your Dripp® Shop as a franchise. You must assign all telephone numbers you use for the Dripp® Shop to us upon expiration, termination, or cancellation of your Franchise Agreement.

Music

Unless your Dripp® Shop is a kiosk, you must install in your Dripp® Shop the sound system we designate, subscribe to the business music broadcast service we designate, which is presently MOOD by Pandora, and broadcast in your Dripp® Shop the music we designate at any given time. You must pay the broadcast service all required royalty fees.

Insurance

You must carry public liability, property damage, and product liability insurance with a single combined liability limit of not less than $2,000,000, insuring against all liability of you and your agents and employees arising out of or in connection with the operation of your Dripp® Shop. We may change the amounts and the required coverages at any time.

You must also carry fire, theft, and extended coverage, liability, and business interruption insurance for your Dripp® Shop in amounts and with coverages we designate, which we may change in the future but presently are replacement cost fire, theft, and extended coverage; $2,000,000 combined single limit liability insurance; and business interruption providing one year of payments.

You must name us an additional named insured on the insurance coverage other than worker's compensation insurance and your public liability coverage must include General Commercial Liability Endorsement CG 20 29 04 13 – Additional Insured – Grantor of Franchise.

Revenue from Franchisee Purchases

Based on our best estimate without prior Dripp® franchising experience, the purchases and payments described in this Item will be 99% of your total purchases in establishing your Dripp® franchise and approximately 99% of your total purchases during your operation of your Dripp® franchise. Because we do not have any Dripp® franchises, we cannot report the total amount of or percentage of our revenues that will be derived from the sale or lease of products and services to franchisees.

We plan to negotiate price terms, rebates, and/or promotional allowances or similar agreements from suppliers or manufacturers from whom you are required or permitted to purchase goods and we or one or more of our affiliates may receive payments from some of those vendors based on your purchases. Rebates are typically based on the volume of purchases sold by franchisees who purchase products from the supplier or manufacturer. We are not obligated to and may or may not share with you all or any part of rebates or promotional allowances paid to us. If a manufacturer's rebate that we share with you is conditioned on compliance with requirements imposed by the manufacturer, you must comply with those requirements for us to pass through to you any rebates we choose to pass through to franchisees.

Supplier Approval

We pick suppliers and brands based on our subjective judgment about the quality, taste, and/or appearance of the goods and our evaluation of the supplier's ability to supply goods in the quantity and at the time our franchisees require them. We will change designated suppliers, modify specifications, and grant or revoke approval for suppliers by issuing revised specification sheets or approval lists for the Dripp® Operations Portal. You do not have the right to propose any suppliers, vendors, or distributors other than those we designate or approve.

Our private label products are presently produced only by ER and may later also be produced by other suppliers we select, and are sold and distributed only by us, our affiliates, or the suppliers we have selected. We will not consider requests from franchisees to designate or approve any other producer or distributor of any of the ingredients, goods, or products you are required to sell.

Cooperatives and Other Benefits

Currently there are no purchasing or distribution cooperatives for our franchisees. We do not provide any material benefits to you based on use of designated or approved sources.

Negotiated Prices

We have not negotiated prices with suppliers.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

Obligation	Sections in the Franchise Agreement	Franchise Disclosure Document Item
a. Site selection and acquisition/lease	Article 4	Items 7, 11, and 12
b. Pre-opening purchases/leases	Articles 5 and 6	Items 7, 8, and 11
c. Site development and other pre-opening requirements	Articles 4 and 5	Items 7 and 11
d. Initial and ongoing training	Article 7	Item 11
e. Opening	Article 9	Item 11
f. Fees	Articles 3 and 29; Section 8.1	Items 5 and 6
g. Compliance with standards and policies/ Dripp® Operations Portal	Article 8	Items 8, 11, and 16
h. Trademarks and proprietary information	Articles 1 and 8; Section 14.12; Schedule 1	Items 13 and 14
i. Restrictions on products/services offered	Article 10; Section 1.3	Item 16
j. Warranty and customer service requirements	Sections 14.9 and 16.3	Item 11
k. Territorial development and sales quotas	Section 1.2	Item 12

Obligation	Sections in the Franchise Agreement	Franchise Disclosure Document Item
l. Ongoing product/service purchases	Article 10	Item 8
m. Maintenance, appearance and remodeling requirements	Articles 5 and 11; Sections 12.3 and 14.10	Item 11
n. Insurance	Article 17	Items 7 and 8
o. Advertising	Article 14	Items 7, 8, and 11
p. Indemnification	Article 18	Item 6 and 13
q. Owner's participation/management/staffing	Articles 7 and 15	Items 11 and 15
r. Records and reports	Article 12	Item 11
s. Inspections and audits	Sections 12.6, 12.7, 12.9, and 16.1	Items 6 and 11
t. Transfer	Articles 20, 21, and 22	Item 17
u. Renewal	Section 2.2	Item 17
v. Post-termination obligations	Articles 26 and 27; Section 12.12	Item 17
w. Non-competition covenants[1]	Section 13.1	Item 17
x. Dispute resolution	Article 30; Sections 32.7, 32.9, 32.10, and 32.11	Item 17
y. Assumption and guarantee of franchisee's obligations, assignment of inventions and innovations		Item 14

Note 1: Each individual who owns an interest in a franchisee business entity must sign an agreement not to compete, assuming and agreeing to perform all the franchisee's obligations under the Franchise Agreement, and assigning to us all inventions, improvements, or innovations he or she develops while the entity in which he or she has an interest is operating a Dripp® Shop that relate to the Dripp® business or products sold in it (Exhibit E).

ITEM 10. FINANCING

We do not provide any financing of any of the fees or costs of purchasing, developing, or operating a Dripp® franchise. We do not guaranty your lease or any other obligation you incur.

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

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

Pre-Opening Assistance

Before you open your Dripp® Shop, we will:

1. Review the locations you propose and confirm that the location you select fulfills our basic site selection criteria. (Franchise Agreement, Article 4);

2. Review any lease of the location you select to confirm that it fulfills the requirements of the Franchise Agreement. (Franchise Agreement, Article 4);

3. Give you our layout, specifications, design, and décor criteria for a Dripp® Shop. (Franchise Agreement, Article 5);

4. Introduce you to the designated architect you will be required to hire so you can engage that architect to prepare the plans for the build out of your Dripp® Shop to comply with our layout, specifications, design, and appearance. (Franchise Agreement, Section 5.1A);

5. Introduce you to the designated kitchen designer you will be required to hire to design the kitchen of your Dripp® Shop unless it is a kiosk. (Franchise Agreement, Section 5.1A);

6. Introduce you to our approved contractor so you can determine whether to engage that firm to apply for and pursue issuance of all governmental approvals or permits required for the build out of your Dripp® Shop in accordance with the plans we approve ("Building Permits") and perform the build out (the "Work"). (Franchise Agreement, Section 5.1B);

7. Consider any contractor you ask us to approve to apply for and pursue issuance of all Building Permits and perform the Work. (Franchise Agreement, Section 5.1B);

8. Help you place the order for the furnishings, fixtures, and equipment you need for your Dripp® Shop. (Franchise Agreement, Section 5.2A);

9. Assist you in contacting the distributor that will provide your required inventory items if you ask for our help. (Franchise Agreement, Section 6.3);

10. Train up to four of your managerial level employees, including at least one Owner Operator (you if you are an individual or a partner, shareholder, or member/manager if you are an entity), your General Manager (who may be you or an Owner Operator), and two shift leads, all of whom have signed our Confidentiality Agreement, to operate your Dripp® Shop. (Franchise Agreement, Article 7). See below for details about the initial training;

11. Add your Dripp® Shop to the list on our Website as defined below. (Franchise Agreement, Section 14.4B);

12. Give you electronic access to the Dripp® Operations Portal that contains mandatory and suggested practices, standards, procedures, processes and methods, recipes, location specifications and layouts, checklists, forms, procedure guides instructions, and directions you

must use in the operation and management of your Dripp® Shop. (Franchise Agreement, Article 8) The Dripp® Operations Portal contains our most highly confidential, proprietary, and trade secret information and remains our property. You cannot make copies, permit access to, or disclose its contents to unauthorized persons. When your Franchise Agreement expires or is cancelled or terminated or you leave the Dripp® System for any other reason, your access will end. As of the date of this Franchise Disclosure Document, the Dripp® Operations Portal contains 25 pages. We may modify the Dripp® Operations Portal at any time and in any way so long as no modification materially diminishes your rights under your Franchise Agreement. A copy of the Dripp® Operations Portal table of contents is attached to this Franchise Disclosure Document as Exhibit B;

13. Approve or provide you with materials for your grand opening promotion and initial advertising. (Franchise Agreement, Section 9.2); and

14. Provide at your expense additional initial training you request. (Franchise Agreement, Section 7.4).

Assistance During Operation

During the operation of your Dripp® Shop we will:

1. Contact you periodically to review and consult with you regarding your operations. (Franchise Agreement, Section 7.5);

2. Have a trained Dripp® Franchise Consultant and Educator come to your Dripp® Shop for a site evaluation at least every calendar month, using our proprietary operations checklist and score card. If you do not achieve a score of at least 90 out of 100 points on the monthly evaluation, the Dripp® Franchise Consultant and Educator will provide consulting and evaluation services to help you correct your deficiencies. If you score less than 90 points, the Dripp® Franchise Consultant and Educator will make a return visit in five days to reevaluate and you will be charged for that visit the reevaluation fee then set forth in the fee schedule in the Dripp® Operations Portal. If you have not corrected each of the deficiencies identified in the first monthly visit, you will be in default under your Franchise Agreement and be subject to franchise termination if you do not cure the default within seven days. (Franchise Agreement, Section 7.5);

3. Conduct unscheduled inspections and/or mystery shopper visits to confirm that your Dripp® Shop is being operated in compliance with the Dripp® Method and the Dripp® Operations Portal (Franchise Agreement, Section 16.1A);

4. Provide additional and/or refresher training to you or your managerial employees who have signed our Confidentiality Agreement as you request. We charge you for additional training you request and you must pay all travel, living, and other expenses of your trainees related to their attendance at the training. (Franchise Agreement, Section 7.4);

5. Update the Dripp® Operations Portal as we find necessary. (Franchise Agreement Section 1.4B);

6. Update and improve standard operating techniques as we find necessary or desirable and send you any resulting Dripp® Operations Portal updates. (Franchise Agreement Section 8.1B);

7. Maintain the Website and include your Dripp® Shop in the list of Dripp® Shops on it so long as you are not in default under your Franchise Agreement. (Franchise Agreement, Section 14.4B); and

8. Consult with you regarding any local advertising you propose to use and review and comment upon or approve your proposed advertising. You cannot use any advertising unless we approve it. We will deliver our approval or disapproval within 10 days after we receive the material and your request. (Franchise Agreement, Section 14.6).

Site Selection

The site you select for your Dripp® Shop must fit our site selection criteria. (Franchise Agreement, Section 4.1) We may suggest one or more sites we have confirmed fit our site selection criteria, but you are not obligated to choose one of those sites nor does our suggestion of a site mean that you will succeed in operating a Dripp® Shop at a particular site.

If the site of your Dripp® Shop is not set forth in Exhibit A to the Franchise Agreement when we deliver it to you, we will deliver to you with a counterpart of the Franchise Agreement signed on our behalf our proprietary site criteria checklist and scoresheet and consult with you regarding site selection. You will have 60 days from the date we deliver to you a counterpart of the Franchise Agreement signed on our behalf (the "Effective Date") to deliver to us a request for approval of at least one site that fits our basic site selection criteria and is located in an acceptable geographical area (the "Proposed Site(s)"), accompanied by a form of lease, a map of any shopping center, mall, or other commercial facility of which the Proposed Site is a part, a comprehensive set of photographs of the Proposed Site, and any other documents or information about the Proposed Site we request (the "Site Approval Request Package"). Within 14 days after we receive the Site Approval Request Package from you we will give you written notice whether the Proposed Site meets our basic site selection criteria or notice that we will visit one or more Proposed Sites. If we make one or more site visits we will complete the site visits and advise you of our approval or rejection within 10 days after we deliver notice of our intention to visit one or more of your Proposed Sites. If we visit one or more Proposed Sites and later terminate this Franchise Agreement because you do not open your Dripp® Shop as required, you will reimburse us for our costs related to the visits to the Proposed Site(s).

If we deliver notice that your first Proposed Site does not meet our basic site selection criteria, you must continue diligent efforts to propose and deliver a Site Approval Request Package for one or more other Proposed Sites until we notify you that a Proposed Site fulfills our basic site selection criteria. If you have not succeeded in obtaining a site for your Dripp® Shop that fulfills our basic site selection criteria within 120 days after the Effective Date, we may (but are not obligated to) terminate the Franchise Agreement by delivering notice of termination, in which case we will refund any security deposit you have paid us, less the cost of any visits to Proposed Sites, after you sign and deliver our form of General Release and Covenant Survival Acknowledgment.

The factors in our site selection criteria include traffic patterns, availability and proximity of parking, site location type and physical characteristics (including size), proposed lease terms, the proximity of competition from other similar businesses, the proximity of other Dripp® Shops, and other factors we may consider relevant. Our approval of your selected site is not a guarantee your Dripp® Shop will succeed at that site; it is only an indication that the site meets our basic site selection criteria.

Within 150 days after the Effective Date, you must sign a Lease for a Proposed Site we have confirmed fits our site selection criteria. You may request one extension of the Lease signing deadline of up to 60 additional days, which we will grant if you provide satisfactory evidence of diligent attempts to enter into a Lease for a site that fits our site selection criteria. You must then engage the architect, submit plans for approval by the appropriate governmental entity, obtain building permits, and build out your Dripp® Shop to our specifications. You must complete the build out of your Dripp® Shop to our specifications within 90 days after the last of your building permits is issued.

Most Dripp® franchisees will open their Dripp® Shop for business within eight to 10 months after we sign the Franchise Agreement. Factors that may affect the time from our signing the Franchise Agreement until your Dripp® Shop opens include whether you have identified a location that fits our site criteria before you sign the Franchise Agreement; whether you choose a site we have already confirmed fits our basic site selection criteria; the time it takes you to locate a suitable site; how long it takes you to negotiate and sign a lease with the landlord that meets our lease requirements; how long it takes you to be approved for and obtain any financing you need to develop, furnish, fixturize, and equip your Dripp® Shop; how long it takes to build out your Dripp® Shop, including construction delays; how long it takes you to staff your Dripp® Shop; and how long it takes you to comply with local ordinances and regulations and for governmental agencies to issue all necessary permits and licenses.

Advertising

We do not presently conduct any System-wide advertising for Dripp® Shops on a regular basis. But we do post frequently on social media, occasionally conduct campaigns with other businesses, and occasionally post advertisements on Google, Yelp, and similar internet sites.

We may require you to purchase advertising or promotional material from us or our designated supplier, who may be our affiliate, and you must use or display that material in your Dripp® Shop in the manner and for the time period we designate. We may also require you to participate in System-wide contests, product promotions, and similar promotions so long as no applicable law precludes your required participation. Those campaigns may include required discounts on featured products and may also award rebates to you for your participation. We will select the media we use for any advertising we conduct and any promotional campaigns and it may include print, radio, television, electronic, or social media. There is no limit on what you may be required to spend to participate in required advertising or promotional campaigns or for the required materials.

We may produce advertising material ourselves or we may hire an advertising agency or similar third party to prepare it for us. We will also determine the geographical scope of the advertising, which may extend beyond the geographical area where your Dripp® Shop is situated.

You are not presently required to contribute to an advertising or marketing fund. You are not presently required to participate in an advertising cooperative. But we may establish a Marketing Fund or a cooperative advertising program for all or any part of the System. We do not have an advertising council comprised of franchisees. You may but are not required to conduct local advertising but any advertising materials and campaigns must be approved in advance by us. (Franchise Agreement, Section 14.6)

We may establish and coordinate cooperative advertising and sales programs, customer satisfaction programs, and similar programs for some or all Dripp® Shops, including those owned by DI. We may require you to participate in those programs. (Franchise Agreement, Section 14.7) We may establish a marketing fund (the "Marketing Fund") and require you to contribute to the Marketing Fund each calendar month up to 2% of your Dripp® Shop's Gross Revenue during the preceding calendar month. (Franchise Agreement, Section 14.8) We may but are not required to create an entity for the Marketing Fund.

If we establish a Marketing Fund, we will determine and supervise all its activities and its monies will be used as we determine to produce advertising materials in media we select. Those activities may but will not necessarily include regional and (when we deem appropriate) national advertising programs, website enhancement and maintenance, toll-free telephone costs, public relations, market research, and other advertising, promotion, and marketing activities and may include using advertising and marketing professionals to advise and assist in the conduct of any or all of those activities. Advertising paid for by the Marketing Fund may be prepared by our in-house advertising personnel or an outside agency. If our staff or the staff of any of our affiliates provides in-house advertising services, we or our affiliates may be compensated from the Marketing Fund.

If we establish a Marketing Fund, we will account for the Marketing Fund's monies separately from our other monies. We may use some of that money to pay some or all of the costs we incur in connection with the Marketing Fund, including to reimburse us for the portion of our overhead and employee salaries attributable to administration and management of the Marketing Fund as well as for administrative costs, travel expenses, and similar costs related to the administration of the Marketing Fund and its activities. (Franchise Agreement, Section 14.8)

If we establish a Marketing Fund, any amounts contributed to the Marketing Fund that we do not spend in the fiscal year in which we receive them will be either carried forward and included in the following year's advertising budget or refunded to you and other franchisees to spend on local advertising we approve. Contributions to the Marketing Fund would not be used to sell franchises but materials produced with Marketing Fund monies may be used on our Website along with materials advertising the availability of Dripp® Shop franchises.

If we establish a Marketing Fund, we are not required to spend Marketing Fund money in any or every geographical area or to make expenditures proportionate or equivalent to contributions to the fund by franchisees operating in a particular geographical area, nor are we required to expend Marketing Fund monies so that your Dripp® Shop franchise will benefit directly or in proportion to your contributions to the Marketing Fund.

If we establish a Marketing Fund, we will, upon your request, provide you an accounting of the advertising fees we collect in any year, showing the allocation of our advertising expenditures. Advertising receipts and expenditures will be administered by us and are not audited.

We strictly control all internet and social media postings of advertising or promotional material for Dripp® Shops. You are absolutely prohibited from posting any promotional statement, material, or advertising on any social media or on the internet, including (without limitation) on a website, Facebook, Instagram, Snapchat, Twitter, or any similar site or tool that does not comply with our social media policy. You may advertise in print or any other media but any posts on social media must comply with our social media policy and any advertisements, promotional material, website, or website content must be approved in writing by us in advance. We will maintain the Website as described below. You may not establish a separate website for your Dripp® Shop.

Photographing or making video in or of any Dripp® Shop is strictly prohibited. You must post notice of that prohibition and strictly enforce it in your Dripp® Shop.

Within 30 days after you open your Dripp® Shop you must conduct a grand opening and must spend at least $5,000 on a grand opening marketing campaign that may include your choice of expenditures on merchandise or product give-aways (measured at price value), marketing materials, media or internet advertising. (Franchise Agreement, Section 9.2). When you complete the grand opening as required by the Franchise Agreement, we will deliver to you a quantity of the Dripp® coffee of your choice with a wholesale value of $500.

Website

We have developed and maintain the Dripp® website to advertise, market, and promote Dripp® Shops and provide a resource for franchisees (the "Website"). We will include your Dripp® Shop in the list of Dripp® Shops on the Website so long as you are not in default under your Franchise Agreement. We will update and modify the Website as and when we decide it is appropriate.

Internet Connection; Computer Requirements

You must have a business quality high speed, wireless internet connection at your Dripp® Shop with speed of 1000 MBPS or greater. You may use any internet service provider you choose. But your connection must have the capacity to handle all the data you are required to make available to us or receive from us over the internet and to operate the point of sale system, digital menu displays, the computer located in your administrative space that is interfaced with your point of sale system (the "operations computer"), and the Dripp® Operations Portal software that must be installed and used on your operations computer, as well as any other electronic equipment or devices we may require you to have and use.

You must use in your Dripp® Shop all the electronic equipment and software or other technology we designate. Currently we designate the Square Point of Sale System consisting of one tablet with kitchen display system and, depending on the size of your Dripp® Shop, one or two front counter point of sale iPad's, each with a credit card reader, cash drawer, and printer, and the Square app that includes our proprietary menu as well as timekeeping, payroll, revenue and expense entry and computation, marketing expense entry and computation, gift card calculations, and loyalty program computations.

We also require you to have in your administrative space an operations computer that meets our specifications. All your sales transaction must be transmitted to and maintained on the Square Point of Sale System and be accessible to us at all times.

DI has developed, owns, maintains, updates as it finds necessary, licenses to us, and permits us to sublicense to you the proprietary software that comprises our Dripp® Operations Portal, including methods, procedures, forms, guides, checklists, recipes, ingredient and supply lists, preparation instructions, techniques, and tips, and various other tools you will use. The Dripp® Operations Portal is password protected and you are responsible for strictly limiting access to it. The password is changed periodically.

You will pay us a monthly fee for maintenance of the Dripp® Operations Portal software but the software will continue to belong to us and we will terminate your access to it at the same time your Dripp® Franchise Agreement terminates or expires. The maintenance fee includes maintenance, upgrades, and support and will cost you $25 per month. We may change the designated software system at any time.

We anticipate expanding the use of technology and incorporating technological innovations in every Dripp® Shop. We may at any time require you to purchase, install in a place we designate in your Dripp® Shop, and use other computer or electronic devices in the operation of your Dripp® Shop. We may at any time require you to link to or attach electronic equipment or devices we require you to acquire to any of the equipment or devices in your Dripp® Shop. You must make space available in the location(s) we select in your Dripp® Shop for any additional equipment or devices as we require. We may also at any time require you to acquire, install, and use in your Dripp® Shop any other software or technological tools we designate.

We may access your point of sale system, the Dripp® Operations Portal installed on your hardware, any other electronic equipment or devices we require you to install and use in your Dripp® Shop, all of the software, and all of the data on any of them at any time and all of them must be capable of seamlessly communicating data from and to us at all times. All of the data produced by or on your point of sale system or any other electronic equipment or devices you use in your Dripp® Shop belongs to us and we may independently access and retrieve any and all of that data and use it in any way we choose at any time, including by removing all or any part of point of sale system or copying the software on it and may identify your Dripp® Shop as a source of the data. You may not take any action to prevent our access to that data and must take all action necessary to permit us to access the data, download it, and save it at all times.

Dripp® Operations Portal

We will give you electronic access to the operations start up kit that is part of the Dripp® Operations Portal and then will give you electronic access to the entire Dripp® Operations Portal. You will have access to the Dripp® Operations Portal by using a unique user name and a password we will change periodically, so long as you are not in default under your Franchise Agreement. The Dripp® Operations Portal includes inventory lists, practices, methods, procedures, policies, and performance criteria, standards, and requirements methods, forms, guides, checklists, recipes, ingredient and supply lists, preparation instructions, techniques, tips, and various other tools you will use and other information you must or may use in the operation of your Dripp® Shop. The contents of the Dripp® Operations Portal are highly confidential and you must maintain that confidentiality, use the Dripp® Operations Portal only in connection with the operation of your Dripp® Shop, and prevent unauthorized persons from obtaining access to it, both by protecting the passwords and by using state of the art virus protection and firewalls. The Dripp® Operations Portal remains our property and we may revise or amend any or all of it at any time so long as no modification materially diminishes your rights under the Franchise Agreement. The Dripp® Operations Portal Table of Contents is attached as Exhibit B.

Training Program

Before you open your Dripp® Shop, we will train up to four of your managerial employees, which must include an Owner Operator, your General Manager, and two shift leads, all of whom must sign our Nondisclosure Agreement. (Franchise Agreement, Section 7.1A) All the trainees, including those with an ownership interest in you, must complete this training to our satisfaction. (Franchise Agreement, Section 7.1) The cost of the initial training for your four trainees is included in your initial franchise fee so long as all of them train simultaneously. You must also pay the compensation of your trainees during the training period and any travel, lodging, and similar living expenses related to their attendance at the training. We will also train additional managerial employees as you request so long as you are not then in default under any agreement with us and they have signed our Confidentiality Agreement, but you must pay us our standard fee, whether the training occurs prior to opening or during your operation of your Dripp® Shop. We currently charge $250 a day for additional training and $10,000 for a complete training course but we may change that charge at any time.

If you add any nonmanagerial personnel to your Dripp® Shop staff, you must train those persons. If they are to have managerial responsibility for your Dripp® Shop, you must have them trained by us.

The training program consists of at least 24 hours of training conducted on weekdays for up to two consecutive weeks. The training is conducted at a Dripp® Shop operated by DI and/or at the mock Dripp® location in our Dripp® Headquarters. The training will start no less than one week before the anticipated opening of your Dripp® Shop.

Our instructors are individuals employed by us, DI, or another of our affiliates with at least three years experience running a Dripp® Shop and are Serv-Safe Health Certified Food Handlers.

The following table provides detailed information about the initial training program. The table shows the amount of time ordinarily spent on each of the itemized subjects:

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Introduction	1		Dripp® Headquarters
Operations	4		Dripp® Headquarters or DI-owned Dripp® Shop in Southern California
Pre-Opening	3		Dripp® Headquarters
Customer Service	1		Dripp® Headquarters or DI-owned Dripp® Shop in Southern California
Food Items Merchandising and Products	2		Dripp® Headquarters or DI-owned Dripp® Shop in Southern California

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Facilities and Equipment	6		Dripp® Headquarters or DI-owned Dripp® Shop in Southern California
Sales Reports and Royalties	.5		Dripp® Headquarters or DI-owned Dripp® Shop in Southern California
Management	6		Dripp® Headquarters or DI-owned Dripp® Shop in Southern California
Quality Control	.5		Dripp® Headquarters or DI-owned Dripp® Shop in Southern California

ITEM 12. TERRITORY

You will not receive an exclusive territory. We, our affiliates (including DI and ER), and other franchisees can establish and operate a Dripp® Shop, another coffee store, another retail outlet that sells ER coffee and tea, or any other store anywhere regardless of how close it is to your Dripp® Shop. So you may also face competition from other franchisees, from outlets we or DI own, or from other channels of distribution or competitive brands that we or one of our affiliates (including ER) control. We do not presently have any plans to operate a competing franchise system offering goods, products, or merchandise that are the same as or similar to those you sell at your Dripp® Shop but we are not prevented from doing so.

We or any of our other franchisees can solicit or accept orders from customers anywhere, but so can you. We and our affiliates also may use alternative channels of trade to sell the products and merchandise you sell in your Dripp® Shop, including on the internet, through catalogue sales, or by telemarketing, regardless of how those other channels of trade may impact sales at your Dripp® Shop.

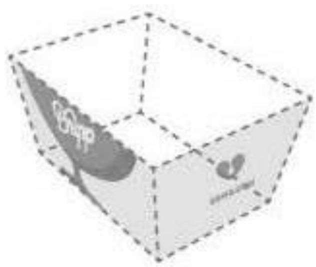
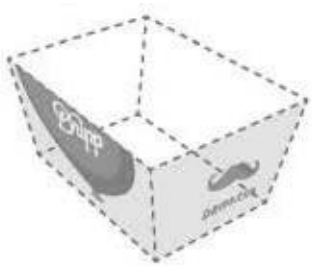
Your Franchise Agreement gives you the right to operate only one Dripp® Shop only at a single location. The specific street address of your Dripp® Shop will be set forth in Exhibit A to your Franchise Agreement either when you sign the Franchise Agreement if it is known or after you select and lease a suitable location. You must operate your Dripp® Shop only at the location you select and we approve and you may not relocate your Dripp® Shop without first obtaining our written consent and our approval of the new location, neither of which we are required to grant. You do not have any right to relocate your Dripp® Shop and you do not have any right to establish additional outlets, acquire additional franchises, or establish or operate another Dripp® Shop. You are not prohibited from soliciting orders or accepting customers from anywhere and you can make deliveries anywhere. Sales for delivery will all be included in your Gross Revenue for all purposes.

There is no minimum sales quota.

ITEM 13. TRADEMARKS

We grant you the right to operate under the name "Dripp®" and to use in connection with your Dripp® Shop those trade or service marks we designate for use by all franchised Dripp® Shops, which we may alter or change at any time. Presently those other trade and service marks include all those listed below, all of which are licensed to us by DI.

DI has registered the following trademarks on the Principal Register:

Mark	Registration or Application No.	Registration or Filing Date
A SOPHISTICATED COFFEE BAR WHERE EVERYTHING **DRIPPS**®	4376304	July 30, 2013
ATHENA-T®	4490316	March 4, 2014
BLOODY ATTRACTION®	4376241	July 30, 2013
BLOODY GIN®	4379709	August 6, 2013
BOZO®	4371910	July 23, 2013
BRULALA®	4376229	July 30, 2013
CASCARA SPARKLE®	4814432	September 15, 2015
COFFEE TOGETHER®	4799343	August 25, 2015
	4254859	December 4, 2012
	4712635	March 31, 2015
	4712634	March 31, 2015
	4566724	April 29, 2014

DRIPP®	4139945	May 8, 2012
GINGIN®	4376243	July 30, 2013
HU-MINA-TEA®	5230094	June 27, 2017
IT'S WHY YOU WORK OUT®	4490342	March 4, 2014
WHITE GOAT®	4376231	July 30, 2013

DI has registered the following mark on the Supplemental Register:

Mark	**Supplemental Registration No.**	**Registration or Filing Date**
	4519398	April 22, 2014

DI has filed all required affidavits and renewals for the Marks and is required by its license agreement with us to file all required affidavits and renewals as they become due. We will require you to use the Marks and we may also require you to use other trade and service marks we, DI, or other affiliates of ours own that we have not yet registered with the United States Patent and Trademark Office.

You must follow our rules when you use the Name or any of the Marks. You may not use the Name or any of the Marks as part of an entity name or with modifying words, designs, or symbols except as we designate. You may not use the Name in any fictitious business or assumed name. You may not use the Name in any domain name or email address. You may not use the Name or any of the Marks in any manner not authorized in writing by us or in connection with the sale of any goods, merchandise, products, or services except those we specifically authorize for your Dripp® Shop. (Franchise Agreement, Article 1)

DI will use for any Dripp® Shop it develops and operates the Name and the same marks you will use, including the Marks. Those outlets are not franchised and are not subject to the same terms and restrictions as your franchised Dripp® Shop.

There are no determinations of the United States Patent and Trademark Office, Trademark Trial and Appeal Board, or any state trademark administrator or court, or any pending interference, opposition or cancellation proceedings or pending material litigation involving the Marks.

We have an agreement with DI regarding our use of the Name and Marks, and the other intellectual property that comprises what we refer to as the Dripp® Method (the "IP Agreement"). The IP Agreement gives us the right to license the Name, Marks, and Dripp® Method to you and prevents DI from using or permitting any third party to use the Name, Marks, or Dripp® Method in a way that violates your rights under the Franchise Agreement. There are no other currently effective agreements other than the IP Agreement that significantly limit our right to use or license the use of the Marks in a manner material to the franchise.

You must notify us immediately of any unauthorized use of our Name or any of the Marks or any name or mark confusingly similar to the Name or any of the Marks or any claim or litigation against you involving the Name or any of the Marks of which you learn. We and DI have the right to control any administrative proceedings or litigation involving the Name or any of the Marks and you must cooperate fully in those actions. (Franchise Agreement Section 1.4E).

You must modify or discontinue use of the Name or any of the Marks as we require. We may modify or discontinue use of the Name or any of the Marks or adopt new names or marks in our discretion. If we do that, you may have to pay the cost of replacing signs and similar items that use the Names or Marks that have been replaced. We do not reimburse you for any costs you may incur if we require you to modify or discontinue use of the Names or Marks. (Franchise Agreement, Section 1.3)

We do not know of any infringing uses that could materially affect your use of the Marks we license you to use.

ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

You receive the right to use DI's patented ice cream boat, registered with the United States Patent and Trademark Office under Patent Number D770,274. We and/or DI claim all rights and interests, including all copyrights, to the information contained in the Dripp® Operations Portal, any other materials we provide you related to the Dripp® Method, all advertising materials, and all our communications to you in any medium that describes or sets forth our standards, requirements, operating procedures, recipes, techniques, methods, processes, or policies relating to the operation of a Dripp® Shop, as well as any revisions and additions to these materials. (Franchise Agreement Articles 1 and 8) Neither we nor DI has registered the copyrights in any of those materials.

The information contained in the Dripp® Operations Portal and the information we give you during training for and operation of your Dripp® Shop is confidential and proprietary information owned by us or DI. You and your employees who need to have it and have signed our Confidentiality Agreement may use that confidential and proprietary information only in connection with the operation of your Dripp® Shop as permitted by the Franchise Agreement and only in the manner permitted by the Franchise Agreement, as described in more detail in Item 11. (Franchise Agreement, Article 8 and Section 1.4)

You must deliver written notice to us promptly upon learning about any unauthorized use of our copyrights or proprietary information. We are not obligated to take any action but will take any action we think appropriate. (Franchise Agreement, Section 1.4)

All names, marks, ideas, concepts, innovations, or improvements relating in any manner whatsoever to a Dripp® Shop, the Dripp® Method, or the business of operating a retail outlet that sells any of the products sold in your Dripp® Shop that you develop during the term of the Franchise Agreement will become our property. We and DI have the sole right to register those names, marks, ideas, concepts, innovations, or improvements under applicable patent, trademark, copyright, or other intellectual property law in our name or in the name of any of our affiliates and to otherwise protect them and they will be trade secrets and proprietary information belonging to us and/or DI. You may not make any changes or improvements in the Dripp® Method or any of the furnishings, fixtures, or equipment in your Dripp® Shop without our prior written consent, which may be withheld in our sole discretion, and you must adhere meticulously and exactly to the Dripp® Method. Any changes or improvements you make are our property (Exhibit E: Franchisee Owner's Assumption, Guaranty, Confidentiality Agreement, and Assignment).

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Dripp® business is an owner-operated and managed business. You or if you are an entity a person who owns at least 50% of your equity who has been trained and approved by us (the "Owner Operator") must at all times be personally responsible for the day to day oversight and administration of your Dripp® Shop. If you own just one Dripp® Shop, we require you or your Owner Operator personally to be present in and operate your Dripp® Shop at least four days a week for at least eight hours a day, including weekends and the busiest hours for the business. If you own more than one Dripp® Shop, we require you or your Owner Operator personally to be present in and operate each of your Dripp® Shops at least two days of every week for at least eight hours a day. Whenever you or your Owner Operator is not personally present in and running your Dripp® Shop during operating hours it must be managed on a daily basis by an operations manager who has successfully completed our training to our satisfaction and remains qualified to be a person responsible for the day to day operation of your Dripp® Shop (a "General Manager").

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer and sell only those goods we have designated or approved for your Dripp® Shop as described in Item 8 above. You must offer, prepare, and sell all the products, goods, and merchandise we designate for your Dripp® Shop. Our requirements and limitations are pervasive and extensive. There are no limits on our right to change, add to, or eliminate products or merchandise you are required to sell or services you are permitted or required to offer at your Dripp® Shop.

Except as described in Item 12, there are no restrictions regarding customers to whom you may sell.

ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Provision	**Section in the Franchise Agreement**	**Summary**
a. Length of the franchise term	Section 2.1	10 Years.

Provision	Section in the Franchise Agreement	Summary
b. Renewal or extension of the term	Section 2.2	You may renew for one additional five year term, but no longer than the period during which you have the continuing right to occupy the premises of your Dripp® Shop.
c. Requirements for you to renew or extend	Section 2.2	You may renew the Franchise Agreement for one additional five year term, but no longer than the period during which you have the continuing right to occupy the premises of your Dripp® Shop, by: (i) giving us written notice of the exercise of that right not less than seven calendar months before the expiration of the existing term of the Franchise Agreement; (ii) executing the form of Renewal Franchise Agreement we are then offering to renewing franchisees; and (iii) paying us the $10,000 renewal fee at least 30 days before the expiration of the existing term. We may refuse to permit you to renew the Franchise Agreement if you have received two or more notices of default during any 12 month period during the existing term or more than 10 notices of default throughout the existing term, whether or not those defaults were cured. You may not renew the Franchise Agreement at any time when you have breached and not cured or are in default under the Franchise Agreement or any agreement between you and us or our affiliates.

Provision	Section in the Franchise Agreement	Summary
d. Termination by you	Article 24	You may not initiate any action to terminate the Franchise Agreement because of our default unless you have delivered a written detailed description of your claims and then met and conferred with us during the next 45 days to attempt to resolve them. After that, you may terminate the Franchise Agreement if we default in the performance of any material obligation under it and that default is not cured within 60 days after we receive a written notice of the default from you, or, if the default is not susceptible of cure within a 60 day period, if corrective action has not been commenced within the 60 day period.
e. Termination by us without "cause"	None	
f. Termination by us with "cause"	Section 7.1C; Article 25	We can terminate only if during or upon completion of initial training we conclude that you, your Owner Operator, or your General Manager cannot operate a Dripp® Shop to our satisfaction or if you default.

Provision	Section in the Franchise Agreement	Summary
g. "Cause" defined — defaults that can be cured	Sections 25(a), 25(b), 25(c), 25(d), 25(g), 25(j), 25(k), 25(n), 25(o), 25(r), 25(s), 25(t), 25(v), and 25(w)	Not curing within 3 days after notice any failure to adhere to standards, rules, and procedures, trade identity use requirements, or menu requirements; not curing within 5 days after notice any failure to pay sums due with late charges, make any report, deliver evidence of required insurance coverage, comply with law, pay taxes; failure to replace cancelled insurance at least 5 days before cancellation; failure to obtain release of writ within 5 days after levy; failure to cure within 5 days use of any reporting or data systems other than the point of sale system we designate for your use; failure to satisfy final judgment against your Dripp® Shop or its assets for 30 days without posting bond; entry of an order for relief in involuntary bankruptcy or similar case or appointment of receiver remaining in effect for 60 consecutive days; failure to cure within time permitted any default under any other agreement with us, any of our affiliates or any third party related to your Dripp® business; failure to cure within time permitted any default under any agreement between any entity or business owned or partially owned by you or any of Your Interested Parties and us, any of our affiliates, or any third party related to your Dripp® business; failure to cure within 10 days after notice any default in performance under Franchise Agreement not mentioned previously or in item (h) below.

h. "Cause" defined — non-curable defaults	Sections 2.3, 4.1A, 4.2C, 5.1C, 9.1, 25(e), 25(f), 25(h), 25(i), 25(l), 25(m), 25(p), 25(q), 25(u), 25(x), 25(y), and 25(z)	Failure to submit at least one proposed franchise location that fits our basic site criteria within 60 days after the Effective Date of your Franchise Agreement; failure to select a franchise location that fits our basic site criteria within 120 days after the Effective Date of your Franchise Agreement; failure to sign a lease for a site we have confirmed fits our basic site criteria within 150 days after the Effective Date of your Franchise Agreement (subject to a discretionary extension of up to 60 days); failure to complete the build out of your Dripp® Shop within 90 days after you obtain the necessary building permits; failure to open your Dripp® Shop for business within 12 months after you take possession of the franchise location; cease to have the right to occupy the franchise location and do not have a right to relocate or fail to meet milestones and open replacement location if right to relocate is available; violation of the restrictions on use of our trade identity; disclosure of any part of the Dripp® Operations Portal or any of our proprietary information; failure to enter any item of Gross Revenue in the point of sale system; submission of three or more reports that audit(s) shows to understate Gross Revenue by 2% or more; failure to have you, your Owner Operator and/or General Manager present at your Dripp® Shop as required; assignment, transfer, or encumbrance of the Franchise Agreement or business in violation of restrictions and requirements; cessation of operations or failure to open your Dripp® Shop for two days in succession unless excused; failure to pay monies when due to us on three or more occasions in any 12 month period; failure to comply with all other terms of Franchise Agreement on three or more occasions in any

Provision	Section in the Franchise Agreement	Summary
		calendar year or more than 10 occasions throughout the term; commencement of voluntary bankruptcy or similar case or consent to appointment of receiver or similar official, failure to pay debts as due, or similar occurrences; act or conduct that reflects materially and unfavorably on us, our trade identity or reputation, or the business; or making any material misrepresentation to us.
i. Your obligations on termination/ non-renewal	Articles 26 and 27	You must cease operation of your Dripp® business, de-identify, pay us all money you owe us, lease us the premises of your Dripp® Shop if you own it or assign us any lease of your Dripp® Shop if we choose to take it over, sell us certain assets if we choose to purchase them, cease accessing the Dripp® Operations Portal, return all our branded material and other confidential information; assign your telephone numbers to us; stop using any element of the Dripp® Method; and otherwise wind up the franchised business and our relationship as required by Section 27 of the Franchise Agreement. We can do some of these things if you fail to do them.
j. Assignment of contract by us	Section 20.5	We have the unrestricted right to assign our interest in the Franchise Agreement or the Dripp® System to any person or entity who expressly assumes those obligations in writing at the time of the transfer. We may encumber all or any part of our interest in the Franchise Agreement or the Dripp® System at any time.

Provision	Section in the Franchise Agreement	Summary
k. "Transfer" by you – defined	Section 20.3	Any partial or complete assignment, sale, transfer, or encumbrance of any interest in your Franchise Agreement or your Dripp® Shop or any of its assets, and certain changes in ownership of you if you are an entity. Includes any transfer to a corporation, partnership, limited liability company, or other entity; a transfer to a trust, including a family trust; any conversion, dissolution, merger, consolidation, or other reorganization, or sale or other transfer of any shares or membership units to a person or entity that is not an existing shareholder or member, or any sale of assets or change in the chief executive, operating, or financial officer or any manager; any change in or withdrawal of any partner or conversion, merger, consolidation, or other reorganization or any dissolution of the partnership; and any transfer from one person to any other.
l. Our approval of a transfer by you	Section 20.1	No transfer without our prior written consent, but we will not unreasonably withhold consent.

Provision	Section in the Franchise Agreement	Summary
m. Conditions for our approval of the transfer	Article 21; Sections 20.1 and 20.2	Transfer is not directly or indirectly (through ownership of an entity) to the trustee of a trust through which ownership of the Franchise Business would pass automatically on your death; transferee's Owner Operator and General Manager are approved and trained by us; you are not in default and do not default prior to transfer; you pay us and our affiliates and all vendors all money due, including a transfer fee; transferee signs our then-current Franchise Agreement modified to be for the remaining term of your Franchise Agreement; transferee signs all other agreements we then require franchisees or their owners to sign; you sign the form of General Release and Covenant Survival Acknowledgment we are then using unless law prohibits; you transfer all the agreements related to your Dripp® Shop and all of its assets to the transferee. See noncompetition agreement described in item r below. If you transfer to an entity you own, you must own a controlling interest in the entity and agree to be its principal executive and sign our form of personal guaranty.
n. Our right of first refusal to acquire your business	Article 22	We or our nominee may acquire your Dripp® Shop on the same terms as any third party offer you are willing to accept except that we may substitute cash for any consideration other than cash.
o. Our option to purchase your business	Sections 27.1(B) and 27.1(C)	On termination or expiration, we may purchase all or any part of the physical assets of your Dripp® Shop.

Provision	Section in the Franchise Agreement	Summary
p. Your death or disability or owner deadlock	Article 23	If you die or are disabled as defined in the Franchise Agreement or if there is a deadlock among your owners, we can require sale of your Dripp® Shop to an approved buyer within 180 days for the best offer obtained within 120 days (subject to our right of first refusal as described above). During any period of your incapacity or the incapacity of your Owner Operator and/or until the business is sold, we can place a manager in your Dripp® Shop and you must pay us the manager's salary, transportation, lodging and related living expenses, and our management administration fee.
q. Non-competition covenants during the term of the franchise	Section 13.1	Neither you, anyone with a direct or indirect ownership interest in you, any of your General Managers, nor any of your affiliates or the officers, directors, managers, shareholders, members, partners, or owners of your affiliates or any others in direct or indirect concert or participation with you, your owners, your General Manager, your affiliates, or the officers, directors, managers, shareholders, members, partners, or owners of your affiliates (all the foregoing, collectively, "Your Interested Parties") may directly or indirectly (i) own any interest in, be employed by, provide advice or consultation to, or operate any other food service facility or business that specializes in the sale of coffee or tea or operates any retail food facility substantially similar to your Dripp® Shop or (ii) have any interest in any entity that directly or indirectly does any of those at any time during the term of the Franchise Agreement without our prior written consent.

Provision	Section in the Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 13.1	For three years following the expiration or termination of the Franchise Agreement, neither you, your General Manager, any of your affiliates, nor any Interested Parties shall (i) own any interest in, be employed by, provide advice or consultation to, or operate any other food service facility or business that specializes in the sale of coffee or tea or operates any retail food facility substantially similar to your Dripp® Shop within three miles from your Dripp® Shop or within three miles of any Dripp® Shop, or (ii) have any interest in any entity that does any of those, without our prior written consent.
s. Modification of the Franchise Agreement	Sections 8.1B and 32.3	No modifications unless signed by you and us, but we may modify the Dripp® Operations Portal unilaterally.
t. Integration/merger clause	Section 32.4	Only the terms of the Franchise Agreement are binding (subject to state law). Any promises outside this Franchise Disclosure Document and the Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 30.1	None.
v. Choice of forum	Section 32.10	Litigation must be in Riverside County, California, subject to state law.
w. Choice of law	Section 32.9	The law of the state where your Dripp® Shop is situated.

ITEM 18. PUBLIC FIGURES

We do not use any public figure to promote Dripp® franchises.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mr. Rabih Sater, 4300 Edison Avenue, Chino, CA 91710, telephone 909-465-4101, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Franchises and Company Outlets in the United States and its Territories

Table No. 1
Systemwide United States Outlet Summary
For Fiscal Years 2016 to 2018

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2016	0	0	0
	2017	0	0	0
	2018	0	0	0
Company-Owned*	2016	1	2	+1
	2017	2	2	0
	2018	2	2	0
Total Outlets	2016	1	2	+1
	2017	2	2	0
	2018	2	2	0

*Owned and operated by DI.

Table No. 2
Transfers of United States Outlets from Franchisees to New Owners (other than the Franchisor)
For Fiscal Years 2016 to 2018

State	Year	Number of Transfers
CA	2016	0
	2017	0
	2018	0

Table No. 3
Status of United States Franchised Outlets
For Fiscal Years 2016 to 2018

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Nonre-newals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
CA	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
Totals	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0

Table No. 4
Status of Company-Owned Outlets in the United States
For Fiscal Years 2016 to 2018

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
CA	2016	1	1	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	0	0	0	0	2
Totals	2016	1	1	0	0	0	2
	2017	2	0	0	0	0	2
	2018	2	0	0	0	0	2

Table No. 5
Projected Openings in the United States as of December 31, 2018

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	5	0
Total	0	5	0

We do not have any franchises and therefore do not have any franchisee who had a franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year or who has not communicated with us within ten weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the System.

Confidentiality

You may wish to speak with current or former franchisees but be aware that not all of our franchisees will be able to communicate with you. Sometimes franchisees leaving the System must sign a confidentiality agreement that prohibits them from discussing their experience with prospective franchisees. During the last three fiscal years, we have not signed that kind of confidentiality agreement with any current or former franchisees. Our Franchise Agreement prohibits a franchisee from discussing the franchise, its operation, the franchisee's operating experience, or us or any of our affiliates with anyone unless we have certified that the inquirer is a prospective franchisee.

Franchisee Associations

We do not have any trademark specific franchisee associations.

ITEM 21. FINANCIAL STATEMENTS

Attached to this Franchise Disclosure Document as Exhibit C are our audited balance sheets at December 31, 2018 and the related statements of income, retained earnings and cash flows for the period ending December 31, 2018.

ITEM 22. CONTRACTS

The following contracts comprise the following exhibits to this Franchise Disclosure Document:

Exhibit D	Franchise Agreement
Exhibit E	Franchisee Owner's Assumption, Guaranty, Confidentiality Agreement, and Assignment
Exhibit F	Consent of Spouse/Domestic Partner
Exhibit G	General Release and Covenant Survival Acknowledgement

Exhibit H	Franchisee Certification
Exhibit I	Franchisee Information Sheet
Exhibit J	State Addendum

ITEM 23. RECEIPTS

A form for your use to acknowledge your receipt of this Franchise Disclosure Document, including all exhibits, is attached as Exhibit K. You must date and sign one copy of the Receipt and deliver it to us.

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE ADMINISTRATORS

AND

AGENTS FOR SERVICE OF PROCESS

Note: Agents for service of process are located at the same address as the state regulatory authorities unless otherwise noted below.

State	State Administrator	Agent for Service of Process
California	Department of Business Oversight 320 West 4th Street Los Angeles, CA 90013 866-275-2677	Rabih Sater 4300 Edison Avenue Chino, CA 91710
Florida	Florida Department of Agriculture and Consumer Services Plaza Level 10, The Capitol 400 South Monroe Street Tallahassee, FL 32399-0800 800-435-7352	Secretary of State Division of Corporations Clifton Building 2661 Executive Center Circle Tallahassee, FL 32301 P.O. Box 6327 Tallahassee, FL 32314 850-245-6000
Illinois	Illinois Attorney General Franchise Bureau 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General 500 South Second Street Springfield, IL 62706
Maryland	Maryland Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Securities Division 200 St. Paul Place Baltimore, MD 21202
Michigan	Department of Licensing and Regulatory Affairs Corporation, Securities and Commercial Licensing Bureau 2501 Woodlake Circle Okemos, MI 48864 PO Box 30018 Lansing, MI 48909 517-241-9202	Corporations, Securities and Land Development Bureau Michigan Department of Consumer and Industry Services 6546 Mercantile Way P.O. Box 30222 Lansing, MI 48909
New York	Office of the Attorney General Investor Protection Bureau 120 Broadway, 23rd Floor New York, NY 10271 212-416-8222	New York Secretary of State 99 Washington Avenue Albany, NY 12231

State	State Administrator	Agent for Service of Process
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities 350 Winter Street NE Room 410 Salem, OR 97301-3881 P.O. Box 14480 Salem, OR 97309-0405 503-947-7862	Secretary of State Corporation Division 255 Capitol Street NE Suite 151 Salem, OR 97310-1327
Rhode Island	State of Rhode Island and Providence Plantations Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920	Director, Department of Business Regulation 1511 Pontiac Avenue Cranston, RI 02920
Virginia	Commonwealth of Virginia State Corporation Commission Division of Securities & Retail Franchising P.O. Box 1197 Richmond, Virginia 23218 804-371-9051	Virginia State Corporation Commission P.O. Box 1197 Richmond, Virginia 23218
Washington	Department of Financial Institutions Securities Division 150 Israel Road, SW PO Box 9033 Tumwater, WA 98507-9033 360-902-8760	Administrator of the Washington Department of Financial Institutions 150 Israel Road Tumwater, WA 98501

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DRIPP FRANCHISING INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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KATZ | CASSIDY
AN ACCOUNTANCY CORPORATION

Neal M. Katz, CPA
Barbara Ann Barschak, CPA
Mark K. Chapman, CPA

INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Board of Directors
Dripp Franchising Inc.
Chino, California

Report on the Financial Statements

We have audited the accompanying financial statements of Dripp Franchising Inc. (a California corporation), consisting of the balance sheet as of December 31, 2018, and the related statements of operations, stockholder's equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

11400 W. Olympic Blvd., Suite 1050, Los Angeles, CA 90064
Phone: (310) 477-6300 Fax: (310) 477-9102

KATZ | CASSIDY

AN ACCOUNTANCY CORPORATION

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dripp Franchising Inc. as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Katz Cassidy

Katz Cassidy
An Accountancy Corporation
Los Angeles, California
March 12, 2019

DRIPP FRANCHISING INC.

BALANCE SHEET

DECEMBER 31, 2018

Assets

Current Assets		
Cash	$	12,098
Due from affiliates		36,724
Total Current Assets		48,822
Total Assets	$	48,822

Liabilities and Stockholder's Equity

Current Liabilities		
Accounts payable	$	29,866
Total Current Liabilities		29,866
Stockholder's Equity		
Common stock, no par value: 100,000 shares authorized; 10,000 shares issued and outstanding		100,000
Accumulated deficit		(81,044)
Total Stockholder's Equity		18,956
Total Liabilities and Stockholder's Equity	$	48,822

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

DRIPP FRANCHISING INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

Revenue	$ -
Operating Expenses	35,355
Net Loss	$ (35,355)

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

DRIPP FRANCHISING INC.

STATEMENT OF STOCKHOLDER'S EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

	Common Stock	Accumulated Deficit	Total
Balance, January 1, 2018	$ -	$ -	$ -
Issuance of common stock	100,000	-	100,000
Net loss	-	(35,355)	(35,355)
Distributions to stockholder	-	(45,689)	(45,689)
Balance, December 31, 2018	$ 100,000	$ (81,044)	$ 18,956

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

DRIPP FRANCHISING INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows from Operating Activities:		
Net loss	$	(35,355)
Adjustments to reconcile net loss to net cash used in operating activities:		
Increase in:		
Due from affiliates		(36,724)
Accounts payable		29,866
Net Cash Used in Operating Activities		(42,213)
Cash Flows from Financing Activities:		
Issuance of common stock		100,000
Distributions to stockholder		(45,689)
Net Cash Provided by Financing Activities		54,311
Net Increase in Cash		12,098
Cash, Beginning		-
Cash, Ending	$	12,098

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

State franchise taxes	$	800

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Dripp Franchising Inc. (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

Nature of Business

The Company was incorporated on February 6, 2017 in the state of California. The Company is a franchisor of specialty shops selling hot and cold beverages, including coffee and tea, and ice cream, cookies, chocolates and fresh deli sandwiches.

Basis of Financial Statements

The Company's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Income Taxes

The Company, with the consent of its stockholder, has elected under the Internal Revenue Code to be classified as a Subchapter S corporation for federal and state income tax purposes. The income or loss of the Company is included in the federal and state income tax returns of the stockholder. California taxes the net income of Subchapter S corporations at a rate of 1.5%, subject to a minimum tax of $800.

Revenue Recognition

The Company's franchise agreement has an initial term of ten years with one five-year renewal period available at the franchisee's option, subject to certain requirements established by the Company. In consideration for payment of an initial franchise fee and continuing royalties and other amounts specified in the franchise agreement, the Company sublicenses new franchisees to use the Dripp trademarks and operating system, and provides training, preopening assistance, and shop operating assistance.

The Financial Standards Accounting Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, in May 2014, and ASU No. 2016-10, *Revenue from Contracts with Customers*: *Identifying Performance Obligations and Licensing* in April 2016, both of which provide new standards for recognition of initial franchise fees. In accordance with these pronouncements, initial franchise fees received will be recognized over the franchise term.

The initial franchise fee of $45,000 is not refundable, with the exception that $25,000 of the fee may be refunded if the Company concludes that the franchisee's trainees cannot operate a Dripp shop to the Company's satisfaction.

Continuing franchise royalties are based on a defined percentage of franchise store revenues and are recognized when earned.

The Company has no franchisees as of December 31, 2018.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. RELATED PARTY TRANSACTIONS

The Company licenses the Dripp trade names, service marks and other intellectual property from Dripp Inc. ("DI"), which is related to the Company by common ownership. DI owns and operates two Dripp locations for which the Company receives no franchise fee or royalty revenue. As of December 31, 2018, the Company has made advances to DI totaling $4,480. The advances are payable on demand.

The Company also shares common ownership with Espresso Republic, LLC ("ER"), which sources and distributes the coffee beans, tea and other beverage ingredients used at Dripp locations. Dripp franchisees are required to purchase their coffee and tea products from ER. As of December 31, 2018, the Company has made advances to ER totaling $32,244. The advances are payable on demand.

3. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 12, 2019, the date on which the financial statements were available to be issued.

FRANCHISE AGREEMENT

DRIPP® FRANCHISE AGREEMENT

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DRIPP® FRANCHISE AGREEMENT

THIS DRIPP® FRANCHISE AGREEMENT, dated for reference only as of the ____ day of _______________ 20___ (the "Reference Date") is made and entered into by and between Dripp Franchising Inc., a California corporation ("we", "us", or "our") and ____ ("you" or "yours") based on the following facts that form the basic premises of the agreement between you and us:

A. We and our affiliate Dripp, Inc., a California corporation ("DI") have created and own proprietary techniques, practices, procedures, and methods for developing and operating our uniquely styled Dripp® specialty shops and kiosks that employ a unique proprietary design, layout, interior and exterior appearance, style, and trade dress, are identified by one or more of proprietary trade names and marks, are equipped with our select equipment and fixtures, sell our unique selection of carefully curated, high quality beverages and food items, featuring organic and non-GMO products, and employ stringent standards for quality service and customer satisfaction (all, collectively, the "Dripp® Method").

B. We are developing a system of Dripp® limited menu specialty shops and kiosks that are identified by our unique and proprietary trade dress, our proprietary trade name "Dripp®" (the "Dripp® Name") and our registered trade and service marks (referred to collectively with the name and mark "Journey Teas"™ and any additional or different trade or service marks, registered or unregistered, we may designate at any time, as the "Dripp® Marks") and use the Dripp® Method to prepare and/or sell our specialized selection of coffee and coffee drinks, tea and tea drinks, custom made sodas and other hot and cold beverages, handcrafted ice cream sandwiches, cookies, chocolates, and fresh deli sandwiches as well as other seasonal beverages and food items, all of which we designate (both shops and kiosks "Dripp® Shop" or "Dripp® Shops" and collectively, the "Dripp® System").

C. To take advantage of the growing public recognition and acceptance created by using the Dripp® Method and being part of the Dripp® System, you will be required to adhere strictly to the detailed and exacting standards, techniques, procedures, and practices we have created and modify from time to time to produce the highest quality in all aspects of the development, operation, and management of a Dripp® Shop, including, among other things, physical appearance, carrying our specialized selection of fresh, unique, carefully crafted and selected beverages and food items, meticulous preparation techniques, cleanliness, appearance, and courteous, friendly, attentive service. The reputation of the Dripp® System, the goodwill associated with it, and the valued public demand for our products and services will derive from and depend on quality, uniformity, predictability, and reliability being associated with the Dripp® System), which is achieved only by requiring your strict adherence to our requirements, as modified when we determine it is necessary, your exacting compliance with the meticulous preparation techniques, cleanliness, appearance, and courteous, friendly, attentive service that are the Dripp® Method, and your dedication to observing all instructions, adhering to all requirements, and operating a Dripp® Shop that fits seamlessly into a uniform group of retail outlets that will comprise the Dripp® System.

D. Recognizing that you will have to comply scrupulously with our specific standards, instructions, and requirements in all aspects of your development and operation of a Dripp® Shop and all elements of the Dripp® Method and being prepared to comply exactingly with the standards we set and follow exactly the instructions we provide and requirements we impose, all as changed by us when we determine it is necessary, you would like to operate a franchised Dripp® Shop at a location fitting our site selection criteria that you have selected or will select and that is or will be described in Exhibit A (the "Franchise Location"), using the Dripp® Name, the Dripp® Marks we designate for use in your Dripp® Shop from time to time, and the Dripp® Method, all on the terms and conditions in this Franchise Agreement (the "Franchised Business").

E. We want to have another Dripp® Shop in the Dripp® System so long as it is operated in accordance with the principles set forth above and in compliance with this Franchise Agreement.

NOW, THEREFORE, in consideration of the covenants, terms, and conditions in this Franchise Agreement, and their performance or fulfillment, we and you hereby agree:

1. NAME, MARKS, AND TRADE SECRET LICENSE.

1.1 Grant of License. We grant you the right to operate the Franchised Business for the duration of this Franchise Agreement, subject to and on all the terms and conditions of this Franchise Agreement.

1.2 No Exclusivity. We do not grant you any exclusive or protected territory, area, or market or any other territorial rights of any kind. DI may operate and we may operate or license others to operate Dripp® Shops at any location, regardless of proximity to your Franchise Location. We and our affiliates may sell or engage or permit others to sell goods and merchandise of any kind (including, without limitation, the coffee beans, coffee drinks, teas, and tea products you will sell at your Dripp® Shop) at retail or wholesale under the Dripp® Name, and/or one or more of the Dripp® Marks and/or any other trademarks or trade names in any channel of trade we choose, including (without limitation) to or through restaurants, wholesale or retail stores of any sort (including, without limitation, in big box discount stores, supermarkets, grocery stores, specialty stores, and convenience stores), educational facilities, sports or other entertainment venues, hotels, casinos, mass transit facilities, theme parks, military facilities, movie theaters, airports, railway, or other mass rapid transit stations or facilities, through home delivery services, from food trucks, and/or directly to customers anywhere through any channel of trade, media, or means including (without limitation) over the internet through our website or those of our affiliates or third parties. We may acquire or be acquired by any other person or entity, including (without limitation) any person or entity that operates a food service business or businesses, including (without limitation) businesses that operate retail facilities similar to your Dripp® Shop under a trade name(s) or trademark(s) other than the Dripp® Name and Marks.

1.3 Restricted and Required Use.

A. You shall use the Dripp® Name, the name Journey Teas™, those Dripp® Marks we designate for your use at any particular time, and the Dripp® Method in connection with the operation of the Franchised Business at the Franchise Location and solely in connection with the operation of the Franchised Business at the Franchise Location. You may not sell any of the products or goods we designate for sale in your Dripp® Shop, any goods prepared or sold at the Franchise Location or by the Franchised Business, or any goods or services using the Dripp® Name, the name Journey Teas™, any of the Dripp® Marks, or the Dripp® Method (all, collectively, "Dripp® Products") except at the Franchise Location or to any person or entity who will resell them (including, without limitation, food wholesalers or retailers). You may not perform any catering using any Dripp® Products without our prior written consent or sell or otherwise supply any Dripp® Products to any charity for resale in any manner. You may solicit and accept orders and/or customers from outside the vicinity of your Franchise Location, but you may not use the internet for that purpose although you may use a third party delivery service and you may deliver orders or have them delivered by a third party delivery service to any location. You may not sell any Dripp® Products to any person or entity who will resell them (including, without limitation, food wholesalers or retailers).

B. You shall adopt and strictly adhere to the Dripp® Method, as we supplement or modify it from time-to-time, in the conduct of the Franchised Business and use of the Franchise Location. You shall use only the Dripp® Name and those of the Dripp® Marks we designate at any particular time, without any prefix, suffix, modifier, or other descriptive term, to describe and identify the Franchise Location, the Dripp® Products, and the Franchised Business. If you at any time operate the Franchised Business through an entity, you shall not use all or any part of the Dripp® Name, the name Journey Teas™, or any of the Dripp® Marks or any derivative of any of them or any similar name in your entity name. You shall not use all or any part of the Dripp® Name or any of the Dripp® Marks or any derivative of any of them or any similar name in any domain name or email address you use or create. All business cards, stationery, and similar items you use shall identify the Franchise Location and the Franchised Business as a Dripp® franchise. You shall display in the Franchise Location a notice at least 5”x5” with the statement: This Dripp® Shop is operated by a franchisee.

C. We may require you to modify or discontinue use of any or all the Dripp® Name and/or Marks, and/or use one or more additional or substitute names or marks if we determine modification or discontinuance is necessary or desirable. If we exercise this right, you must replace signs and similar materials and discard packaging, paper goods, other products, and merchandise as necessary to comply with this obligation as we require. We will not reimburse you for any costs of modifying or discontinuing use of any or all the Dripp® Name and/or Marks for any reason.

1.4 Protection of Name, Marks, and Trade Secrets.

A. You shall do all things necessary to prevent your use of the Dripp® Name, the name Journey Teas™, and the Dripp® Marks from diminishing the legal protection granted to the Dripp® Name or the Dripp® Marks and shall accompany your use of the Dripp® Name and the Dripp® Marks we authorize you to use with notices appropriate for that purpose. You shall cause to be filed all statements appropriate or necessary to protect our rights in the Dripp® Name and the Dripp® Marks in connection with your use of any of them, including (without limitation) assumed or fictitious business name statements.

B. You shall do all things necessary to preserve the confidentiality of the Dripp® Method, the information contained in the confidential Dripp® Operations Portal described in Section 8.1 (the “Dripp® Operations Portal”) as supplemented or revised by any later written directive, instruction, notice, or update (in any medium) as we determine appropriate or desirable and deliver to you for that purpose (all of which shall be included in the term “Dripp® Operations Portal”), and all other proprietary or confidential information, trade secrets, recipes, processes, methods, procedures, formulae, techniques, ingredients, and materials we reveal or provide to you (collectively, the “Other Proprietary Information”). You agree that the Dripp® Method, the Dripp® Operations Portal, the Other Proprietary Information, and all information we designate as proprietary information shall be presumed to be proprietary information and trade secrets belonging to DI or us except to the extent you conclusively prove that any of that information is in the public domain. You shall not at any time directly or indirectly disclose, divulge, disseminate, display, duplicate, reveal, reproduce, publish, sell, show, or communicate the Dripp® Method, any of the information contained in the Dripp® Operations Portal, or any of the Other Proprietary Information to any person or entity except as expressly permitted by this Franchise Agreement.

C. You may disclose the Dripp® Method, the information contained in the Dripp® Operations Portal, or any of the Other Proprietary Information only to your employees who have executed our current form of Dripp® Nondisclosure Agreement (a "Nondisclosure Agreement") that you have delivered to us and only to the extent required to permit that employee to perform the duties of his or her employment by you. You shall cause each of your employees who will have access to the Dripp® Method, any of the information contained in the Dripp® Operations Portal, or any of the Other Proprietary Information to sign a Nondisclosure Agreement that you shall deliver to us before permitting the employee to have access to any part of the Dripp® Method, the information contained in the Dripp® Operations Portal, or any of the Other Proprietary Information.

D. If you are an entity, you shall not disclose or permit any of your officers, directors, managers, shareholders, or members (collectively, "Insiders" and individually an "Insider") to have access to the Dripp® Method, the Dripp® Operations Portal, or the Other Proprietary Information unless we have given written approval of disclosure to that Insider and that Insider has signed a Nondisclosure Agreement that has been delivered to us. You shall not disclose any financial or other records of the Franchised Business or make any report of the revenue, income, or expenses of the Franchised Business to any Insider unless that Insider has signed a Nondisclosure Agreement that has been delivered to us.

E. Nothing in this Franchise Agreement or elsewhere shall be construed to give you any right to disclose, duplicate, license, reveal, or sell the Dripp® Method, the contents of the Dripp® Operations Portal, or any of the Other Proprietary Information to any person or entity except as expressly permitted by this Franchise Agreement to your employees or Insiders who have signed a Nondisclosure Agreement.

F. You shall promptly notify us of any infringement of, challenge to, or unauthorized use of the Dripp® Name or any of the Dripp® Marks that comes to your attention. We shall have sole and complete discretion regarding whether to take any action and what action to take in response to any infringement, challenge, or use. We shall have the right, but no obligation, to control any litigation involving the Dripp® Name or any of the Dripp® Marks.

1.5 Ownership.

A. The Dripp® Name, the Dripp® Marks, the Dripp® Method, and the Other Proprietary Information are, and shall remain, the sole and exclusive property of DI or us and are merely licensed to you for a limited period, on specified terms and conditions, and for limited usage. You shall not register the Dripp® Name or any of the Dripp® Marks with any state or federal agency or anywhere else in the world and shall not seek to obtain a patent on any element of the Dripp® Method.

B. Nothing in this Franchise Agreement shall be construed to authorize or permit your use of the Dripp® Name, the Dripp® Marks, the Dripp® Method, or the Other Proprietary Information for any purpose or at any location other than as described in Section 1.3. Nothing in this

Franchise Agreement shall give you any right, title, or interest in or to the Dripp® Name, any of the Dripp® Marks, the Dripp® Method, the Other Proprietary Information, or any other names, trademarks, service marks, insignia, symbols, labels, designs, logotypes, copyrighted material, or goodwill now or later owned by or associated with us or the Dripp® System, except a mere license to display and use the Dripp® Name, the Dripp® Marks we designate, and the Dripp® Operations Portal, prepare and sell Dripp® Products, and employ the Dripp® Method for the duration and on the terms and conditions of this Franchise Agreement. All goodwill associated with the Dripp® Name, the name Journey Teas™, the Dripp® Marks, the Dripp® Method, Dripp® Products, or the Franchised Business belongs to DI and us and all data and information about any supplier to or customer of the Franchised Business belongs solely to us.

C. You shall not at any time directly or indirectly contest that we and DI own all rights and title to or interest in the Dripp® Name, the Dripp® Marks, the Dripp® Method, all Dripp® Products, the Dripp® Operations Portal, and the Other Proprietary Information or that we and DI have exclusive rights to register, use, and license others to use the Dripp® Name, the Dripp® Marks, the Dripp® Method, and the Other Proprietary Information.

2. DURATION, RENEWAL, RELOCATION.

2.1 Initial Term. The term of this Franchise Agreement and the franchise granted by it shall be 10 years from the date the Franchise Location opens to the public for business but no later than the date required by Section 9.1 (the "Term Commencement Date"). When that date is determined, we and you shall execute a Memorandum of Term Commencement Date substantially in the form of Exhibit B.

2.2 Renewal.

A. Except as provided in this Section, you may renew the franchise granted by this Franchise Agreement for one additional five year term, but no longer than the period during which you have the continuing right to occupy the Franchise Location, by: (i) giving us written notice of the exercise of that right not less than seven calendar months before the expiration of the existing term of this Franchise Agreement; (ii) executing the form of Renewal Franchise Agreement we are then offering to renewing franchisees of individual franchise locations; and (iii) paying us at least 30 days before the expiration of the existing term of this Franchise Agreement, in lieu of the initial franchise fee in the form of Franchise Agreement we are then offering, a $10,000 renewal fee.

B. Notwithstanding the provisions of Paragraph A, by delivering written notice to you within 30 days after we receive your notice of exercise of the option to renew we may refuse to permit you to renew the franchise granted by this Franchise Agreement if you have received two or more notices of default during any 12 month period during the existing term of this Franchise Agreement or more than 10 notices of default throughout the existing term of this Franchise Agreement, whether or not those defaults were cured. If we deliver the notice provided for in this paragraph your notice of renewal shall be void and of no effect and this Franchise Agreement shall expire as if no notice of renewal had been given.

C. You may not renew this Franchise Agreement at any time when you have breached and not cured or are in default under this Franchise Agreement or any agreement between you and us or any person or entity in which we own any interest, which owns any interest in us, or which is owned by an entity that owns any interest in us ("Our Affiliates") or if at any time after you have delivered notice of renewal the criterion set forth in Paragraph B of this Section is met.

If you breach or are in default under this Franchise Agreement or any agreement between you and us or any of Our Affiliates at any time after giving notice of renewal and before the first day of the renewal term or if at any time after you have delivered notice of renewal and before the first day of the renewal term the criterion set forth in Paragraph B of this Section is met, we may declare your notice void and of no effect by delivering notice of that declaration at any time before the first day of the renewal term. If we deliver that notice, your notice of renewal shall be void and of no effect and this Franchise Agreement shall expire as if your notice of exercise had not been given.

2.3 Right to Relocate. If through no fault of your own you lose the right to occupy the Franchise Location at any time when the remaining duration of this Franchise Agreement is (or would be if you exercised an available option to renew) more than 12 months, you may relocate the Franchised Business to another location if: (a) as soon as practicable after you learn that your right to occupy the Franchise Location will be terminated but no more than 30 days thereafter, you deliver to us written notice of your desire to relocate the Franchised Business; (b) you diligently pursue the selection in accordance (except as to time) with Section 4.1, approval in accordance (except as to time) with Section 4.1, procurement on terms complying with Section 4.2, improvement in accordance (except as to time) with Section 5.1, and preparation in accordance (except as to time) with Section 5.1 of an alternate location for the Franchised Business that meets our site approval criteria and is not in our opinion too close to an existing Dripp® Shop; and (c) within 180 days after first learning that the right to occupy the Franchise Location will be terminated, you commence operation of the Franchised Business at the approved new location in full compliance with Article 4. Upon relocation as permitted by this Section, we and you shall execute an amendment to Exhibit A setting forth the new location, which shall thereafter be the Franchise Location. If you do not relocate the Franchised Business as provided in this Section, this Franchise Agreement shall terminate and you shall wind up the Franchised Business as provided in Article 27. By choosing to relocate the Franchise Location, you assume the risk that this Franchise Agreement may be terminated as permitted by its terms before, while, or at any time after you relocate.

2.4 Statutory Notice. If any statute, law, ordinance, or rule, regulation or requirement of any governmental entity or agency applicable to the Franchise Location and/or the Franchised Business (collectively, "Applicable Laws") requires that we give you notice before the expiration of the term of this Franchise Agreement, if that notice is not given within the required time period this Franchise Agreement shall remain in effect until we have given the required notice and the notice period has expired.

3. SECURITY DEPOSIT; FRANCHISE FEES; ELECTRONIC WITHDRAWALS/PRE-AUTHORIZED CHARGES.

3.1 Security Deposit. When you deliver this Franchise Agreement to us, you shall also deliver to us $15,000 as a security deposit for your complete and timely performance of each and every provision of this Franchise Agreement. If you default in performance of any provision of this Franchise Agreement or any other agreement between you and us or any of Our Affiliates related to the Franchised Business, we may use all or any portion of the security deposit to (a) cure the default, (b) compensate us or Our Affiliates for any monies we or one or more of them advance to cure the default, or (c) pay us or Our Affiliates any and all damages we or any of them suffer and all expenses we or any of them incur arising out of or related to the default, without prejudice to or waiver of any other rights given us or Our Affiliates by this Franchise Agreement or any agreement between you and Our Affiliates, or by law. You shall pay us on demand a sum equal to the portion of the security deposit we expend, use, or apply as permitted by this Section, so as to at all times maintain a $15,000 security deposit. If any money related to the Franchised Business is or becomes due to us or Our Affiliates from you after this Franchise Agreement expires or is terminated for any reason, we may use the security deposit to pay that sum. If you are not in default in performance of any provision of this Franchise Agreement or any other agreement with us or any of Our Affiliates on the day this Franchise Agreement expires or is terminated and no sum is owed to us or any of Our Affiliates that will become due in the next 30 days, we shall return to you within 30 days after the expiration or effective date of termination the balance of the security deposit remaining after deducting all sums due or to become due within 30 days to us or any of Our Affiliates. Our obligations with respect to the security deposit are those of a debtor and not a trustee. We may commingle the security deposit with our general or other funds and shall not be required to pay you interest on it.

3.2 Initial. When you deliver this Franchise Agreement to us you shall also deliver to us a $45,000 initial franchise fee. The initial franchise fee is fully earned on the date we sign this Franchise Agreement and is not refundable except that if we terminate this Franchise Agreement because at any time during or after completion of initial training we in our sole discretion conclude that you and/or your Owner Operator, and/or General Manager (each as defined in Section 15.1) cannot operate a Dripp® Shop to our satisfaction, we will refund $25,000 of the initial franchise fee after you sign the form of General Release and Covenant Survival Acknowledgment we are then requiring.

3.3 Royalty. You shall pay us as provided in this Article on the 7th day of each calendar month (the "Payment Day") commencing with the second full calendar month after the Term Commencement Date, a royalty equal to 7% of your Gross Revenue (as defined in Section 3.4) during the preceding calendar month, but not less than $3,000. For each calendar month during which you (a) participate in all marketing and advertising campaigns we conduct during the calendar month as required by this Franchise Agreement and (b) receive the highest available grade on every health department inspection or evaluation of your Franchise Location conducted during the calendar month (collectively, the "Performance Requirements"), so long as you fully and timely perform all of your obligations under the Franchise Agreement and all other agreements between you and us or any of Our Affiliates ("Fully Comply") at all times during the calendar quarter that includes those months (the "Measuring Quarter") and through the date the rebate described in this sentence is to be paid, on the 15th day of the calendar month after the end of the Measuring Quarter we will rebate to you 2% of your Gross Revenue during each month of the Measuring Quarter in which you have fulfilled the Performance Requirements, by crediting that amount against royalties to become due in the calendar month following the end of the Measuring Quarter. If a Measuring Quarter includes one or more months in which you do not fulfill either or both of the Performance Requirements (the "Nonperformance Months") but also includes one or more Performance Months, you shall not receive the rebate provided in the preceding sentence for the Nonperformance Month(s) but shall receive the rebate for the Performance Month(s) so long as you otherwise Fully Comply at all times during the Measuring Quarter that includes the Performance Months.

3.4 Gross Revenue Defined. Gross Revenue shall include (a) the gross selling price of all goods and services sold, delivered, or performed in or from the Franchise Location or using the Dripp® Name or any of the Dripp® Marks or any part of the Dripp® Method, including (without limitation and whether or not authorized or permitted under this Franchise Agreement) the gross amount received for orders taken, originated, accepted, or received elsewhere but filled at the

Franchise Location; orders taken, originated, accepted, or received at the Franchise Location but filled, delivered, or performed elsewhere (which shall be subject to the restrictions in Sections 1.3 and 10.1); goods and services sold at or to fairs, festivals, bazaars, or off-site parties or events (which shall be subject to the restrictions in Sections 1.3 and 10.1); and the sale price of gift cards sold, (b) less permitted refunds made to customers, amounts actually paid for sales or excise taxes that were added to the selling price of goods and collected from customers, redemption of gift cards, complimentary items provided to your paid employees (which shall not exceed the maximum amount permitted in the latest version of the Dripp® Operations Portal we have delivered to you), and discounts to select, specially qualified customers we have approved (collectively, "Gross Revenue").

3.5 Automated Debit Payments; Credit Card

A. You shall pay all monies payable to us (whether periodic or exceptional) by enabling us to make direct electronic withdrawals ("auto-debit") from your bank account at any time beginning on the day the payment or charge is due (the "due date") and continuing until the entire sum due for the particular payment has been collected in full. Prior to the Opening, you shall execute and deliver to us the most recent form of Automated Payment Authorization we have delivered to you as part of the Dripp® Operations Portal and all authorizations, consents, or other documentation necessary or desirable to affect the withdrawals. Throughout the term of this Franchise Agreement you shall pay all service charges imposed by your bank. If there are not sufficient funds in your bank account to pay sums due to us at any time when we are withdrawing or charging sums electronically as permitted by this Section, we may initiate successive electronic withdrawals at intervals we select until we have received all sums due.

B. Prior to the Opening, you shall deliver to us all the information and authorization necessary to permit us to charge sums due to us to a credit card you select, which shall at all times have a credit limit sufficient to cover any payments due to us (the "Credit Card"). You shall not cancel or change the Credit Card or our authorization to make charges to it without providing us a replacement Credit Card no less than three business days in advance of the change or cancellation. If any payment due from you to us is not received by the due date, we may (but are not required to) charge the Credit Card for that payment. We may choose to charge any monies you owe us to the Credit Card rather than collecting them through automated debit payments as described in Paragraph A.

C. If collection of any sum by electronic withdrawal from your bank account requires more than two attempts because there are insufficient funds available in your bank account, you shall pay us all costs of collection, an insufficient funds fee in the amount then set forth in the latest fee schedule we have delivered to you as part of the Dripp® Operations Portal (the "Fee Schedule"), and interest on the past due sums at the maximum rate then legally permitted for commercial transactions from the due date until we receive full payment, all of which we may collect by electronic withdrawal from your bank account.

D. You shall not at any time make any change in any bank or financial institution you use without giving us at least three business days prior written notice and receiving our written approval.

4. LOCATION SELECTION; LEASE TERMS; LEASE.

4.1 Location Selection.

A. If the Franchise Location is not set forth in Exhibit A on the Reference Date, we shall deliver a site approval request checklist to you within five days after we deliver to you a counterpart of this Franchise Agreement signed on our behalf (the "Effective Date"). Within 60 days after the Effective Date you must deliver to us all the documents and things required by the site approval request checklist for at least one site that fits our basic site selection criteria, including a form of lease, a premises layout and schematic, a map of any shopping center, mall, or other site of which the premises are a part, a comprehensive set of photographs of the proposed site, and any other documents or things required by the site approval request checklist (the "Site Approval Request Package"). Within 14 days after we receive the Site Approval Request Package from you, we will give you written notice whether the site you proposed meets our basic site selection criteria or notice that we will visit one or more proposed sites. If we make one or more proposed site visits we will complete the site visits and advise you of our approval or rejection within 10 days after we deliver notice of our intention to visit one or more of your proposed sites. If we visit one or more sites you propose and later terminate this Franchise Agreement because you do not open the Franchise Location as required, you will reimburse us for our costs related to the site visits. If we deliver notice that the site(s) you first propose do not meet our basic site selection criteria, you shall continue diligent efforts to propose and deliver a Site Approval Request Package for one or more other prospective sites for the Franchised Business as provided in this Section until we notify you that a site you have proposed fulfills our basic site selection criteria. If you have not selected a Franchise Location and received notice that it fulfills our basic site selection criteria within 120 days after the Effective Date, we may terminate this Franchise Agreement by delivering notice of termination.

B. Our notice that a particular proposed site for the Franchise Location fulfills our basic site criteria does not constitute a warranty of the suitability, condition, viability, success, or any other matter pertaining to the Franchise Location. You are solely and completely responsible for selecting an appropriate location for the Franchised Business that we determine fulfills our basic site selection criteria, obtaining a right to occupy it within the time period provided by this Article, and successfully operating the Franchised Business at the Franchise Location you have selected.

4.2 Lease Terms; Lease Execution; Power of Attorney.

A. Any rental agreement, lease, or other agreement, written or oral, giving you the right to occupy the Franchise Location (the "Lease") shall be for a period of not less than five years with renewal option(s) as necessary to permit occupancy of the Franchise Location for 10 years and shall contain provisions giving us the rights set forth in the Franchise Location Lease Addendum that is Exhibit C.

B. Before you sign any Lease for the Franchise Location, you shall deliver to us a complete copy of the proposed final form of Lease. Within five business days after our receipt of the proposed final form of Lease, we shall deliver to you written notice that the Lease complies with the requirements of this Franchise Agreement (the "Confirmation Notice") or a statement of the Lease terms that require revision (a "Correction Notice"). If we deliver a Correction Notice, you shall deliver a corrected form of Lease to us within five business days after you receive the Correction Notice and the preceding provisions of this Paragraph shall apply to the corrected form of Lease. You shall not sign any Lease until you have received a Confirmation

Notice. You shall deliver to us one fully signed counterpart original of a Lease and all exhibits and addenda in the form that was the subject of our Confirmation Notice within 30 days after we have approved your Franchise Location. Within 10 days after we receive the signed Lease, the address of the Franchise Location shall be inserted in a copy of Exhibit A and we and you shall each sign and date a counterpart of that Exhibit A. Concurrently with signing any amendment to the Lease, you will deliver to us one fully signed counterpart original of that amendment.

C. You must sign a Lease within 150 days after the Effective Date (the "Lease Deadline"). If on or before the Lease Deadline you deliver to us a written request for extension of the Lease Deadline and evidence satisfactory to us of your diligent attempts to enter into a Lease for a site that fits our site selection criteria, we may in our discretion extend the Lease Deadline for up to 60 days. If you do not sign a Lease by the Lease Deadline, as and if extended as provided in this Paragraph, we may terminate this Franchise Agreement by delivering notice of termination.

D. You irrevocably designate, constitute, and appoint us as your attorney-in-fact to do all things necessary or desirable to permit us to succeed to your interest in the Lease upon your default under this Franchise Agreement or the Lease and/or to cure any default by you under the Lease if we choose to exercise any of those rights. Whether or not we succeed to your interest in the Lease, you will reimburse us on demand for all sums we spend to cure any default by you under the Lease, with interest at the maximum rate then legally permitted for commercial transactions from the date we spent the monies until reimbursement is received.

5. LOCATION IMPROVEMENTS; FURNISHINGS, FIXTURES, EQUIPMENT; DISCLAIMER OF WARRANTIES; COMMUNICATION DEVICES; BUILDING PERMITS AND LICENSES.

5.1 Plans and Design Fee; Location Improvements.

A. Within 10 days after your Lease is signed by you and the landlord, you shall engage the architect and the kitchen designer we designate to prepare plans and specifications for the design, layout, improvement, and build out of the Franchise Location (including, without limitation, mechanical, electrical, plumbing, and any other plans required to obtain any governmental approvals or permits required by Applicable Laws) ("Plans") in compliance with the Lease, our requirements, standards, and specifications, including improvement, layout, fixturization, equipping, decoration, and signage (collectively, "Specifications"), and all Applicable Laws. We shall consult with and advise you about the Plans and Specifications as you request to the extent reasonably necessary to permit you to fulfill your obligations under this Franchise Agreement to furnish, equip, and decorate the Franchise Location.

B. Within three business days after your Plans are finalized you shall engage the contractor we designate or a qualified licensed contractor you have selected and we have approved to build out and improve the Franchise Location in accordance with the Plans and apply for all governmental approvals or permits required by Applicable Laws for the construction and improvement of the Franchise Location in accordance with the Plans ("Building Permits") and shall thereafter diligently pursue issuance of the Building Permits. You shall cause all construction that requires a contractor's license to be performed by duly licensed, qualified contractors. You shall obtain from each contractor a certificate evidencing at least $1,000,000 liability insurance and worker's compensation insurance coverage as required by Applicable Law, naming you and us as additional named insureds on the liability insurance coverage.

C. Within 90 days after the last of the Building Permits is issued (the "Completion Date") you shall cause the Franchise Location to be built out, improved, fixturized, equipped, and furnished in accordance with the Plans, Specifications, and this Franchise Agreement and in compliance with all Applicable Laws (the "Improvements").

D. We may visit the Franchise Location and inspect the work being done at any time. When construction, fixturization, equipping, and decoration of the Franchise Location are completed, you shall deliver written notice of that fact to us (the "Completion Notice"). Within two business days after we receive the Completion Notice, we may conduct a pre-opening walk through inspection of the Franchise Location. Upon completion of any pre-opening walk-through inspection, we shall deliver to you a written list of any aspect of the construction, fixturization, equipping, or decoration of the Franchise Location that requires correction or modification to comply with our Specifications (the "Punch List"). You shall correct or modify before the Opening (as defined in Section 9.1) those Punch List items we indicate on the Punch List must be corrected before the Opening and shall correct or modify any other Punch List items no later than 10 days after the Opening. You shall cooperate and cause your contractors to cooperate with us in the conduct of all inspections permitted by this Section and shall cause your contractors to make all adjustments required to cause the work being done to comply with the Plans and Specifications.

E. You shall not at any time construct or cause to be constructed at or on the Franchise Location any improvements or structure other than the Improvements. Except as we may require, you shall not alter the building structure, size, floor plan, layout, exterior or interior decoration, exterior or interior design, or any other facet of the appearance of the interior or exterior of the Franchise Location (all, collectively, the "Appearance") at any time during the term of this Franchise Agreement. The Appearance shall at all times conform to the Plans, Specifications, and the layout, design, color, and interior decoration criteria required by this Franchise Agreement.

5.2 Interior Decoration; Furnishings, Fixtures, and Equipment.

A. Before the Completion Date you shall decorate the interior of the Franchise Location as required by the latest version of the Dripp® Operations Portal we have delivered to you and acquire and install in the Franchise Location in accordance with the Plans and Specifications all counters, cabinets, furnishings, fixtures, equipment, and other improvements described in the latest version of the Dripp® Operations Portal we have delivered to you, as modified by the Plans and Specifications (collectively, the "FFE"), all of which shall be obtained from suppliers we designate or approve, if any, and be of brands we designate or approve, as the case may be, any or all of which may be or include items and/or brands available only from us or one or more of Our Affiliates. To the extent you request, we shall assist you in making initial contact with suppliers of the FFE with whom we do business. If you are unavoidably delayed in or prevented from installing any or all of the FFE because of any unavoidable delay in delivery of supplies, material, or FFE; labor action; power failure; government action; national emergency; act of war or terrorism; or natural disaster (collectively, "force majeure"), the time you have to fulfill your obligations under this Paragraph shall be extended for a period equal to the period of that unavoidable delay or prevention.

B. You shall not encumber or grant any lien against any of the FFE without our prior written consent. You shall not at any time remove or replace any of the FFE except as required or permitted by this Franchise Agreement. You shall maintain the interior of the Franchise Location in good, clean, sanitary condition and maintain all FFE in good repair and working order and clean and sanitary condition at all times.

5.3 Disclaimer of Warranties. All claims of an express or implied warranty arising out of or related to your purchase or use of any of the FFE or any Small Wares as defined in Section 6.2 are made by the manufacturer only. We do not make and **expressly disclaim** any warranties arising out of or related to your use or purchase of any of the FFE or Small Wares, including (without limitation) **any warranty of merchantability or fitness for a particular purpose**.

5.4 Communication Devices and Lines; Telephones. Before the Completion Date you shall have installed in the Franchise Location and you shall maintain in the Franchise Location and upgrade as we require throughout the term of this Franchise Agreement the number and type of telephone lines, data lines, internet connections (including, without limitation, a business quality wireless internet connection capable of handling the data from your point of sale equipment), and other communications and data storage and/or transmission facilities and devices devoted solely to the Franchised Business designated in the latest Communication Device List we have delivered to you as part of the Dripp® Operations Portal, all of which shall be included in the term FFE.

5.5 Operating Permits and Licenses. No later than five days after the Completion Date, you shall obtain all permits, licenses, and registrations required by Applicable Laws for the occupancy, use, and conduct of the Franchised Business at the Franchise Location.

6. UNIFORMS; SMALL WARES; OPENING INVENTORY.

6.1 Uniforms. No later than five days after the Completion Date you shall obtain from the supplier we designate, which may be or include only us or one of Our Affiliates, the branded uniform components described in the Dripp® Operations Portal.

6.2 Small Wares. No later than five days after the Completion Date you shall cause the Franchise Location to be stocked with the small wares described in the latest Small Wares List we have delivered to you as part of the Dripp® Operations Portal (the "Small Wares"). You shall acquire the Small Wares from a supplier or suppliers we designate, which may be or include only us or one of Our Affiliates. To the extent you request, we shall assist you in making initial contact with the designated suppliers of the Small Wares. You shall at all times during the term of this Franchise Agreement cause the Franchise Location to be equipped with all the Small Wares described in the latest Small Wares List we have delivered to you as part of the Dripp® Operations Portal. You shall not at any time use at the Franchise Location or in the Franchised Business any small wares other than those on the Small Wares List.

6.3 Opening Inventory. No later than five business days after the Completion Date you shall cause the Franchise Location to be stocked with the products, ingredients, and supplies described in the latest Inventory List we have delivered to you as part of the Dripp® Operations Portal (the "Inventory"). You shall acquire the Inventory from the suppliers we designate, which may be or include only us or one of Our Affiliates. To the extent you request, we shall assist you in making initial contact with any suppliers of Inventory.

7. TRAINING AND OPERATING ASSISTANCE.

7.1 Mandatory Initial Training.

A. At least one week before the anticipated Opening we shall provide without additional charge at least 24 hours of training on weekdays for no more than four of your managerial employees as described in this Paragraph (collectively, "Your Initial Trainees"), each of whom has executed a Nondisclosure Agreement. Your Initial Trainees shall attend simultaneously and satisfactorily complete the initial training. Your Initial Trainees must include at least one owner who will be the Owner Operator required by and defined in Section 15.1 (you if you are an individual or a partner, shareholder, or member/manager of the franchisee), your General Manager, and up to two shift leads. Your Initial Trainees shall attend training at training facilities we designate, which may be a Dripp® Shop location owned by one of Our Affiliates or one of our franchisees or a training center we own, or some combination of those, and at the Franchise Location. We will cause all training that is conducted at a training facility to take place at the training facility nearest to your Franchise Location that is available, staffed, and equipped to provide the training.

B. If at any time, in our sole discretion we determine that one or more of Your Initial Trainees requires and would benefit from additional pre-Opening training, we shall provide that training, you shall pay us in advance for it the training fee and charges in the Fee Schedule, and those of Your Initial Trainees we designate shall attend and satisfactorily complete the additional training for the period we designate. We designate the curriculum, dates, hours, and duration of the training described in Paragraph A and this Paragraph, but we shall cause the training described in Paragraph A to commence at least one week before the anticipated Opening.

C. If at any time during or upon completion of the initial training we in our sole discretion conclude that you, the Owner Operator you have designated as required by Section 15.1, and/or your General Manager cannot operate the Franchised Business to our satisfaction, we may (i) require you to (a) within three days after we deliver notice of our determination, designate a different Owner Operator and/or General Manager to complete initial training at your expense and be the Owner Operator or General Manager, as the case may be and (b) employ an interim manager we select (who may be our employee) to manage operation of the Franchised Business until you designate a new Owner Operator and/or General Manager who we conclude can operate the Franchised Business to our satisfaction, or (ii) terminate this Franchise Agreement. You shall pay us in advance for any training described in clause (i)(a) of this Paragraph the training fee and charges in the Fee Schedule.

7.2 Additional Periodic Training.

A. By delivering at least 10 days prior written notice to you, we may at any time require that your Owner Operator and/or one or more of the managerial employees working at the Franchise Location whom we designate participate in up to four hours of additional, supplemental, or refresher training related to the duties of his or her particular job at a location we designate, which may be the Franchise Location. You shall pay us for that additional training at least two business days before it begins the training fees and charges in the Fee Schedule.

B. If we determine it is necessary, we shall provide and your Owner Operator and/or those of your managerial employees we designate shall satisfactorily complete up to two annual refresher courses of not less than eight hours during any 12 month period. We will designate the curricula, dates, duration, hours, and location or locations of the courses not less than 30 days in advance of the course date. You shall pay us for that refresher training at least two business days before it begins the training fees and charges in the Fee Schedule.

7.3 Attendees and Attendance. We may simultaneously train some or all of the persons this Article requires or permits us to train and the trainees of one or more other Dripp® franchisees. You shall cause your trainees to attend all training required by this Article. We do not have any responsibility whatsoever for payment of any expenses, wages, benefits, costs, or losses you, your owners, or your trainees or employees incur in connection with trainee attendance at any training described in this Article, regardless of whether the trainee successfully completes the training.

7.4 Elective Additional Training. At any time during the term of this Franchise Agreement when you are not in default and have not breached this Franchise Agreement, we shall provide any training in the operation and management of the Franchised Business you request for yourself, your Owner Operator, or any of your managerial employees who have executed and delivered to us a Nondisclosure Agreement. We shall designate the dates, hours, and location or locations of the training described in this Section, but we shall cause the training to commence within 14 days after our receipt of payment of the training fee and charges in the Fee Schedule. We shall refund all or any part of the training fee and charges deposited in advance, less all out of pocket expenses we incurred, if you give us at least 48 hours advance notice of the cancellation of all or any part of training you requested. We shall not have any responsibility whatsoever for payment of any expenses, wages, benefits, costs, or losses you, your owners, or your employees incur in connection with trainee attendance at any training described in this Section.

7.5 Field Evaluations and Consulting.

A. A trained Dripp® Franchise Consultant and Educator will visit your Dripp® Franchise Location for a site evaluation at least every calendar month, with or without notice. You shall cooperate and shall cause your employees to cooperate with the Dripp® Franchise Consultant and Educator in any inspections and provide information and access to all parts of the Franchise Location, the FFE, all Food Products and Ingredients (as defined in Section 10.2A), all inventory and supplies, and all books and records pertaining to the Franchised Business as the Dripp® Franchise Consultant and Educator requires.

B. If you do not achieve a score of at least 90 out of 100 points on the monthly evaluation described in Paragraph A, the Dripp® Franchise Consultant and Educator will provide consulting and evaluation services to help you correct your deficiencies. If you score less than 90 points on the monthly evaluation, the Dripp® Franchise Consultant and Educator will make a return visit in five days to reevaluate the operation of the Franchise Location and you will pay for that visit the reevaluation fee then set forth in the Fee Schedule.

8. DRIPP® OPERATIONS PORTAL.

8.1 Dripp® Operations Portal.

A. Beginning no later than the first day of your initial training, we shall give you password protected digital access to the confidential and/or proprietary physical plant specifications and layout; design, interior and exterior decoration, trade dress, and appearance criteria and specifications; Small Wares and FFE descriptions, specifications, brands, and designations;

ingredient, foodstuff, product, good, and supply specifications, brands, and designations; recipes; food and beverage preparation instructions, procedures, guides, and protocols; menus; lists of designated, suggested, and approved suppliers; the Fee Schedule; and other practices, rules, regulations, standards, specifications, lists, policies, procedures, instructions, directions, guidelines, and materials for the outfitting, appearance, supply, and operation of the Franchise Location and Franchised Business, all of which together comprise the Dripp® Operations Portal. We may initially grant you access to the Dripp® Operations Portal in installments appropriate to the progress of the selection, development, and improvement of the Franchise Location or of your training.

B. We will permit you access to and use of the Dripp® Operations Portal for a term commencing on the day we first permit you access to any part of it and ending on the day the term of this Franchise Agreement expires or is terminated. We may supplement, modify, amend, delete, or add to any or all of the contents of the Dripp® Operations Portal periodically as we consider necessary or appropriate, so long as no modification materially diminishes your rights under this Franchise Agreement. You shall not print a copy of any portion of the Dripp® Operations Portal or duplicate all or any part of it and shall access it only using your assigned password and only on a computer, tablet, or other electronic device used solely for the Franchised Business that is equipped with state of the art virus and hacking protection.

8.2 Dripp Operations Portal License and Maintenance Fees. No later than the day before we grant you access to the Dripp® Operations Portal (which will usually be the day you begin initial training) you will pay us a $1,500 license fee and the first $25 Dripp® Operations Portal software monthly maintenance fee, prorated as necessary. You will pay us the $25 Dripp® Operations Portal software monthly maintenance fee by auto-debit on the Payment Day each calendar month after that.

8.3 Compliance with Dripp® Operations Portal. To protect the goodwill and reputation of the Dripp® System for the mutual benefit of DI, us, you, and all Dripp® franchisees by assuring the quality of the operation of the Franchised Business and the uniformity and quality of the Dripp® Products, you shall operate the Franchised Business in strict compliance with and scrupulously abide by, conform to, and comply with the rules, regulations, standards, procedures, policies, guidelines, instructions, directions, and specifications in the latest version of the Dripp® Operations Portal.

8.4 Ownership and Protection. The Dripp® Operations Portal belongs to us. You shall be permitted access to it and may use it only during the term of this Franchise Agreement. You shall keep access to the Dripp® Operations Portal secure from access by any person except as expressly permitted by this Franchise Agreement to your Insiders or employees who have executed a Nondisclosure Agreement. You shall not duplicate or permit any other person to duplicate in any way or medium any part of the Dripp® Operations Portal and shall not at any time, directly or indirectly, disclose, disseminate, display, reveal, reproduce, publish, sell, show, or communicate to any person or entity any of the contents of the Dripp® Operations Portal except for disclosure (but not reproduction or duplication in any manner) of the Dripp® Operations Portal as expressly permitted by this Franchise Agreement to your Insiders or employees who have executed a Nondisclosure Agreement.

9. OPENING; MARKETING CAMPAIGN.

9.1 Opening. You shall open the Franchise Location for business no later than 12 months after you take possession of the Franchise Location (the "Opening"). If you are unavoidably delayed in or prevented from completing any of your duties under this Section within the time provided because of any force majeure, the Opening date shall be extended for a period equal to the period of that unavoidable delay or prevention.

9.2 Grand Opening. Within 30 days after you open your Franchise Location you must conduct a grand opening and must spend at least $5,000 on a grand opening marketing campaign that may include your choice of expenditures on merchandise or product giveaways (measured at price value), marketing materials, or media or internet advertising. When you complete the grand opening as required by this Section, we will deliver to you a quantity of the Dripp® coffee of your choice having a wholesale value of $500.

10. USE; PRODUCTS AND SUPPLIES; MENU ITEMS; MUSIC; GIFT CARDS.

10.1 Use; Compliance with Laws. You shall use the Franchise Location only to operate the Franchised Business in accordance with this Franchise Agreement and the Dripp® Operations Portal. You shall not install in the Franchise Location any automated teller, gumball, candy, or other vending or dispensing machines of any sort or any video display (other than the digital menu boards and signs we require), video or other game, lottery, or gaming machines or devices. Throughout the term of this Franchise Agreement, you shall comply with all Applicable Laws, all solely at your own cost and expense. Except for delivery service as permitted by Section 1.3, you shall not perform or provide any Franchised Business services or goods at any location other than the Franchise Location without our prior written consent.

10.2 Products, Ingredients, and Supplies.

A. To protect the goodwill and reputation of the Dripp® System for the mutual benefit of DI, us, you, and all Dripp® franchisees by assuring the quality and uniformity of all menu items prepared and sold at the Franchise Location, all foodstuffs, beverages, and similar items (individually a "Food Product" and collectively "Food Products") you purchase for use or sale at the Franchise Location and all ingredients, flavorings, and concentrates used in the preparation of Food Products ("Ingredients") shall be of brands and/or obtained from suppliers we periodically designate or approve (which may include or be only us or any of Our Affiliates) and shall meet all quality requirements we establish periodically. All menu items shall be prepared, served, and sold in strict compliance with our standards, practices, recipes, and packaging requirements and, unless we approve or designate use of some other description or brand name, shall be referred to as Dripp® Products. We shall make available to you as part of the Dripp® Operations Portal and periodically deliver updates of a list of approved brands and designated or suggested suppliers for your Dripp® Shop (the "Brand and Supplier List").

B. You shall acquire solely from us or any producer and/or supplier we license to provide them (which may be any of Our Affiliates) any Food Products, Ingredients, or equipment that are proprietary or that employ or are based upon secret or proprietary blends, techniques, recipes, formulae, formulations, or designs and shall use only those Food Products, Ingredients, and/or items of equipment in the preparation of the menu items we designate and only for the preparation of those items. You shall not at any time attempt to or permit or engage any other person or entity to attempt to identify the production methods, ingredients, contents, or components of, reproduce, duplicate, simulate, or replicate any proprietary Food Product, Ingredient, product, recipe, formula, formulation, or equipment we or any of Our Affiliates own that have not otherwise been disclosed to you by us. You shall participate in any product and/or service test marketing we choose to conduct in an area that includes the Franchise Location.

C. You shall acquire all forms of paper goods and other supplies you use in the Franchised Business from suppliers we designate or approve (which may be or include only us or any of Our Affiliates), that meet any specifications we periodically establish, and that bear a clear and accurate representation of the Dripp® Name and/or any Dripp® Marks we specify. We shall include in the Dripp® Operations Portal lists of designated, approved, or suggested suppliers.

D. If at any time no approved brand and no specifications are contained in the Dripp® Operations Portal for a particular Food Product, Ingredient, paper good, or supply, you shall obtain our prior written approval of the brand of Food Product, Ingredient, paper good, or supply you choose to use and we shall give approval if the quality meets our subjective quality standards and the supplier or distributor is one we approve.

10.3 Menu Items. You shall produce or carry and sell at the Franchise Location all items on our latest menu list, which will vary seasonally ("The Menu"), all of which shall be produced or acquired in accordance with our requirements. You shall not produce, dispense, or sell at the Franchise Location any food, beverages, products, goods, wares, or merchandise not included on The Menu without our prior written consent. We may add, eliminate, or change items on The Menu by giving you at least five days written notice of those changes.

10.4 Adequate Stock. You shall keep on hand at the Franchise Location a stock of Food Products, Ingredients, paper goods, and supplies sufficient to meet the reasonably anticipated needs of the Franchised Business and to serve all items on The Menu at all times.

10.5 Delivery. You may provide delivery service from your Franchise Location using a qualified, reliable third party food delivery service. You shall package all delivery items so that hot items stay warm and all items are delivered in excellent condition.

10.6 Music. You shall install and maintain in your Dripp® Shop the sound system we designate, subscribe to the business music broadcast service we designate, and broadcast in your Dripp® Shop the music we designate at any given time. If you broadcast music in the Franchise Location, it shall be music approved by us. You shall pay all charges imposed by the music broadcast service and any third party fees, charges, or royalties related to music broadcast at your Dripp Shop®.

10.7 Gift Cards; Processing. You shall purchase from us or any supplier we designate (which may be or include only us or any of Our Affiliates) and offer and sell at your Dripp® Shop Dripp® gift cards in all denominations periodically available from us. You shall comply in all respects with all laws applicable to your sale and acceptance of gift cards and accept all *bona fide* Dripp® gift cards tendered by customers. Accounting and Gross Revenue credit for Dripp® gift cards you issue or accept shall be governed by the terms in the latest version of the Dripp® Operations Portal we have delivered to you. You shall process all Dripp® gift cards using the Point of Sale System as defined in Section 12.1.

10.8 No Rebate Rights. You shall not have any right to or interest in any rebates, bonuses, discounts, or other consideration we or Our Affiliates receive on account of or based in whole or in part on any purchases made by you, us, and/or Dripp® franchisees or licensees in general. We may in our discretion pass on to some or all Dripp® franchisees all or any portion of any rebates, bonuses, discounts, or other consideration we or Our Affiliates secure from one or more suppliers.

11. MAINTENANCE; REFURBISHMENT; ADDITIONAL OR REPLACEMENT FFE.

11.1 Maintenance, Repair, and Replacement. You shall keep the Franchise Location and all improvements to it, including (without limitation) interior decoration, FFE, signs, digital menu boards, storefronts, plumbing, wiring, windows, glass, doors, any separate heating and air conditioning system, interior and exterior walls, and any other Improvements in clean, sanitary condition and good repair. You shall perform regular maintenance and upkeep, and paint as necessary and in the color scheme from time to time designated in the latest version of the Dripp® Operations Portal we have delivered to you. You shall promptly repair any damage to, deterioration of, or wear to the Franchise Location, the Improvements, any of the FFE, signs, digital menu boards, plumbing, wiring, windows, glass, doors, heating or air conditioning systems, and interior or exterior walls on or in the Franchise Location, and promptly make replacements as necessary. If any of the FFE becomes obsolete or is worn out or damaged so that it does not function optimally and cannot be repaired, you shall replace that FFE with a brand we have approved at that time that meets the Specifications in the latest version of the Dripp® Operations Portal we have delivered to you.

11.2 Refurbishment. If you renew this Franchise Agreement as permitted by Section 2.2, at least three months before the beginning of the renewal term, you shall refurbish, renovate, and remodel the Franchise Location at your own expense to cause it to comply with the layout, design, appearance, trade or service mark usage, and specifications we have then established for new Dripp® Shops. Refurbishment shall include, to the extent necessary (but without limitation), replacement of signs; changes in layout, Appearance, murals, posters, digital menu boards, and FFE; interior and/or exterior painting; and other similar undertakings (collectively, "Refurbishment"). You shall perform the Refurbishment in strict conformity with plans and specifications we have approved in writing. Refurbishment shall be completed to our satisfaction on or before the last day of the 121st calendar month after the Opening; provided, however, if a force majeure unavoidably delays or prevents you from completing the Refurbishment on time, the time in which you may complete the Refurbishment shall be extended for a period equal to the period of that unavoidable delay or prevention.

11.3 Additional or Replacement FFE. Upon receipt of notice from us at any time more than 15 months before the date the renewal term of this Franchise Agreement would expire if the right to renew were exercised, you shall acquire and install in the Franchise Location within the period we designate all replacement or additional furnishings, fixtures, or equipment we designate (including, without limitation, fixtures or equipment required to prepare and/or serve any item we add to The Menu), so long as the cost of doing so does not exceed 3% of your Gross Revenue during the preceding calendar year. All replacement or additional fixtures or equipment installed as required by this Article shall become part of the FFE.

11.4 Remedy. If you do not comply with the provisions of this Article and do not cure that noncompliance within 10 days after you receive our notice of noncompliance, we and/or our representatives may enter the Franchise Location and clean, paint, perform Refurbishment, make repairs, renovate, remove alterations, make replacements, and/or install additional FFE as required by this Article. You shall pay us on demand all charges we incur for that work and FFE, plus interest at the maximum rate then legally permitted for commercial transactions from the date we paid the charges until we receive reimbursement.

12. RECORDKEEPING; SECURITY; REPORTS; INSPECTIONS AND AUDITS.

12.1 Point of Sale System. You shall acquire from the supplier we designate (which may be only or include us or any of Our Affiliates) and use only in the Franchise Location and for the Franchised Business the electronic point of sale hardware and software we designate (the "Point of Sale System"). You shall enter on the Point of Sale System all transactions that would be included in Gross Revenue (including, without limitation, all revenue from sales delivered by a third party delivery service), so as to create a complete and accurate record on the Point of Sale System of each individual sale, a cumulative total of all Gross Revenue, and all components of or deductions from Gross Revenue.

12.2 Computer System and Business Database. You shall obtain and maintain in the administrative space of your Dripp® Shop any computer operating system, hard drive, monitor, and software (collectively, the "Computer System") we designate or approve using any accounting, bookkeeping, word processing, and other software we designate in the latest version of the Dripp® Operations Portal we have delivered to you. All bookkeeping and accounting records, financial statements, and reports shall be on the form (if any) specified in the latest version of the Dripp® Operations Portal we have delivered to you, conform to the standards, forms, and requirements in the latest version of the Dripp® Operations Portal we have delivered to you, and be electronically accessible to us at all times. You shall enter and maintain on the Computer System all bookkeeping and accounting records, financial statements, and reports you maintain or prepare, so as to create on the Computer System complete and accurate records of all income, expenses, expenditures, financial transactions, and financial matters related to the Franchised Business (collectively, the "Business Database").

12.3 Updating and Replacement. You shall update and/or replace the Point of Sale System hardware and/or software and/or the Computer System hardware or software as and when we require, so long as the cost of updating or replacement of the Point of Sale and Computer System in any calendar year does not exceed 3% of your Gross Revenue in the prior calendar year.

12.4 Data Security. You shall at all times employ current state of the art devices and practices to protect the security of all data on the Point of Sale System or in the Business Database from unauthorized access, including (without limitation) installing firewalls, virus protection software, and using high protection passwords. Within two hours after you learn of any breach of the Point of Sale System or Business Database you shall deliver notice to us by email to the email address listed in the latest version of the Dripp® Operations Portal we have delivered to you and by calling our main office telephone number.

12.5 Gross Revenue Report. At or before midnight in the time zone we designate from time to time, on the Payment Day of each calendar month, you shall deliver to us electronically a Gross Revenue report on the form specified in the latest version of the Dripp® Operations Portal we have delivered to you, covering the preceding calendar month, including a copy of every document received from or sent to a third party delivery service so that all sales made through and all charges incurred for a third party delivery service will be reflected in documentation delivered to us. If you do not deliver any Gross Revenue report as and when required by this Section, in addition to all other remedies available to us, we may compute your Gross Revenue for that period from Your Records as defined in Section 12.8 or any other source we determine is reasonable and we may auto-debit your bank account or charge to your credit card as provided in Section 3.5 all funds payable based on that computation, which shall be conclusively presumed to be your Gross Revenue for that period and shall not be subject to reduction for any reason but may be subject to increase if a subsequent audit shows your Gross Revenue was understated in any report to us.

12.6 Other Periodic Reports. On or before the dates we have designated in the latest version of the Dripp® Operations Portal we have delivered to you, you shall deliver to us electronically the reports for the periods we have designated in the latest version of the Dripp® Operations Portal we have delivered to you, all of which shall be for the appropriate period and on and in the form specified in the latest version of the Dripp® Operations Portal we have delivered to you. Within 30 days after the end of each calendar year, you shall deliver to us electronically a profit and loss statement and balance sheet for the Franchised Business for the preceding calendar year on the form we have specified in the latest version of the Dripp® Operations Portal we have delivered to you. All reports, profit and loss statements, and balance sheets shall be prepared in accordance with generally accepted accounting principles consistently applied from applicable period to applicable period and certified by you or your chief executive or financial officer to be true, correct, and complete.

12.7 Sales Tax Returns; Other Reports. You shall deliver to us on or before the 25th day of each calendar month a copy of all sales tax returns, occupation tax reports, and other similar returns or reports prepared by you or on your behalf for the preceding calendar month. You shall deliver to us within five days after you receive it a copy of any report or statement of earnings, sales, or receipts, profit and loss statement, balance sheet, cost accounting, report of audit, and any other document reporting, summarizing, compiling, or projecting the gross or net income, sales, profits, expenses, or costs of the Franchised Business prepared by, for, or on behalf of you or at your request.

12.8 Books and Records. You shall keep at the Franchise Location at all times during the term of this Franchise Agreement complete books of account, records, ledgers, receipts, check records, and all other documentation of the Gross Revenue, receipts, and expenses of the Franchised Business in the form and medium specified in the latest version of the Dripp® Operations Portal we have delivered to you, including (without limitation) the Point of Sale System; the Business Database; records of cash receipts; sales tax returns and statements; payroll records; cancelled checks; invoices; bank statements for all accounts into which any of the Gross Revenue or the receipts from the Franchise Location or the Franchised Business are deposited or out of which any expenses of the Franchise Location or the Franchised Business are paid; federal, state, and local income tax returns for the Franchised Business; and all other records or reports you used to record, compile, account for, or report cash flow, expenses, gross or net income, or gross or net revenue or sales (collectively, "Your Records") for the preceding three years. You shall retain Your Records for at least the three prior calendar years in your possession throughout the term of this Franchise Agreement and shall retain in your possession for at least three years after the expiration or termination of this Franchise Agreement Your Records for the three calendar years immediately before the expiration or termination of this Franchise Agreement. You expressly waive any privilege not to disclose income tax returns.

12.9 Our Business Database Access; Inspections and Audits; Penalties.

A. You shall at all times provide us electronic access to every part of the Point of Sale System and the Business Database through the mode or medium we designate in the latest version of the Dripp® Operations Portal we have delivered to you, and permit us and our designee to poll, retrieve, and/or upload to our servers the Point of Sale System, the Business Database, and/or information and data from either or both of them at any time and review, extrapolate, copy and/or reproduce in any medium, or print all information on either or both of them. You shall not at any time change the access number, password, or other means or requirement for access to the Point of Sale System or the Business Database without giving us at least three business days prior written notice of the change and the information necessary to access the Point of Sale System and Business Database.

B. Our representatives may inspect, copy, and/or audit any or all of Your Records and inspect and/or audit your cash register and Point of Sale System totals and/or inventories at any time during the term of this Franchise Agreement and for three years after the expiration or termination of that term, but not more than once each 12 month period unless a prior audit has shown a discrepancy, deficiency, or omission between actual and reported Gross Revenue. You shall make Your Records available to us at the Franchise Location or deliver Your Records to us on demand in a medium and/or at a location we designate, without any prior notice of any kind, and shall cooperate with us and our representatives in the conduct of any inspection and/or audit. You shall pay us on demand, and we may auto-debit your bank account or charge to your credit card as provided in Section 3.5, any deficiency in payments of any kind or nature you have made to us revealed by any audit conducted by us or on our behalf, with interest at the maximum rate then legally permitted for commercial transactions from the due date until we receive payment. If any audit we conduct indicates your Gross Revenue was understated by 2% or more in any report or statement used as the basis for computing your Gross Revenue, you shall pay us on demand, and we may auto-debit your bank account or charge to your credit card as provided in Section 3.5, all expenses we incurred in connection with the audit and collection of the past due royalties, including (without limitation) accountant's and attorneys' fees, plus interest at the maximum rate then legally permitted for commercial transactions from the date we paid the expenses until reimbursement is received.

C. We may install a field auditor or auditors at the Franchise Location at any time to monitor your Gross Revenue by observing and noting all sales transactions taking place at or from the Franchise Location, with or without identifying that auditor to you. If the field auditor's monitoring reveals actual weekly Gross Revenue during any two week period (the "Audit Period") of 10% more than the average weekly Gross Revenue you reported during the preceding three month period (the "Measuring Period"), you shall pay us on demand, and we may auto-debit your bank account or charge to your credit card as provided in Section 3.5, an additional royalty for the Measuring Period in an amount equal to the difference between the average amount of weekly Gross Revenue made during the Audit Period as shown by our field auditor's monitoring and Gross Revenue reported for each week of the Measuring Period, plus interest on the additional royalty at the maximum rate then legally permitted for commercial transactions from the last day of the week of the Measuring Period for which the additional royalty is payable until the date we receive it.

12.10 Failure to Provide Access, Keep Records, or Make Reports. If you do not provide us access to your Business Database and/or Point of Sale System, maintain records (including, without limitation, the information required to be on your Point of Sale System or in your Business Database), or furnish any report or statement as required and in the time specified in this Article, in addition to all other remedies provided by this Franchise Agreement, after giving you at least five days notice of our intention to do so, we may appoint a certified public accountant to inspect and audit the Point of Sale System, Business Database, Your Records, and/or the Franchised Business and prepare a statement of your Gross Revenue that shall be conclusive on you. You shall pay us on demand, and we may auto-debit your bank account or charge to your credit card as provided in Section 3.5, all royalties that audit shows to be due to us and all charges we incurred in connection with the audit, preparation of the statement, and collection of past due royalties, including (without limitation) accountant's and attorneys' fees, plus interest on all the past due fees and all charges we incurred at the maximum rate then legally permitted for commercial transactions from the date the monies were due or we paid the charges, respectively, until payment is received.

12.11 Publication, Confidentiality, and Use of Sales, Earnings, and Profits. We may use your gross and/or net revenue, expenses, income, earnings, and profits in any gross or net revenue or sales, earnings, or profits projections, forecasts, or reports in any disclosure document, earnings projections, or reports to franchisees or others we prepare or have prepared, and may identify the Franchise Location as a franchise location on which those projections, forecasts, and reports are based. You shall not discuss your sales, earnings, profits, income, or expenses with any person other than our employees or representatives, your accountant, attorney, and business advisors, any Insider as permitted by Section 1.4E, and any person with whom we give you permission to discuss some of all of that information.

12.12 Survival. Our rights to access, audit, investigate, and inspect your Point of Sale System, the Business Database, and Your Records as provided in this Article shall survive the expiration or termination of this Franchise Agreement.

13. NONCOMPETITION.

13.1 Noncompetition. Recognizing that (a) the Dripp® Method (i) is a unique product development and production and business operating system in which we and Our Affiliates have invested many years of research and development and (ii) involves the use of proprietary recipes, techniques, methods, and practices we must protect in order to preserve its core value for all our franchisees, (b) we could not protect the Dripp® Method against unauthorized use and would not provide training in it or reveal the Dripp® Method or the contents of the Dripp® Operations Portal if you or any of your Insiders, any person or entity in which you own any interest or which owns any interest in you or that is owned by an entity that owns any interest in you ("Your Affiliates"), your General Manager, or those of your employees who will be trained in the Dripp® Method or have access to the Dripp® Operations Portal were to operate or be employed by a competing business, and (c) a material part of the consideration we receive for the obligations we undertake and the rights we grant in this Franchise Agreement is the assurance that there will be no such competition and no risk of the unauthorized use of the Dripp® Method, the Dripp® Operations Portal, the Other Proprietary Information, or any of our other trade secrets in a competing business, you agree that:

a. Neither you, any of your Insiders, your General Manager, nor any of Your Affiliates or the officers, directors, managers, shareholders, members, partners, or owners of Your Affiliates or any others in direct or indirect concert or participation with you, your Insiders, your General Manager, Your Affiliates, or the officers, directors, managers, shareholders, members, partners, or owners of Your Affiliates (all the foregoing, collectively, "Your Interested Parties") shall directly or indirectly (i) own any interest in, be employed by, provide advice or consultation to, or operate any other food service facility or business that specializes in the sale of coffee or tea or operates any retail food facility substantially similar to your Dripp® Shop or (ii) have any interest in any entity that does any of those, at any time during the term of this Franchise Agreement without our prior written consent; and

b. For three years following the expiration or termination of this Franchise Agreement, neither you, your General Manager, any of Your Affiliates, nor any of Your Interested Parties shall (i) own any interest in, be employed by, provide advice or consultation to, or operate any other food service facility or business that specializes in the sale of coffee or tea or operates any retail food facility substantially similar to your Dripp® Shop within three miles from the Franchise Location or within three miles of any Dripp® Shop, or (ii) have any interest in any entity that does any of those, without our prior written consent.

c. To obtain our consent as required by this Section, you shall prove that the proposed activity will not involve or create a risk of use of any trade secret, proprietary information, or other benefit obtained from us or involve any unfair competition with us, Our Affiliates, or our franchisees. The limitations in this Section shall not apply to a purely passive investment of no more than 5% of the total equity interest in any entity.

13.2 TRO; Injunction. Because compliance with the restrictions in this Article is vital to prevent immediate and irreparable injury, loss, and damage to the Dripp® System, our other franchisees, DI, and us, you consent to and will not oppose the granting without requirement of a bond of temporary restraining orders and temporary and permanent injunctions against you, your Insiders, and/or Your Interested Parties to enforce the provisions of this Article.

14. ADVERTISING AND PROMOTION; SIGNS; MENU BOARDS; TELEPHONE LISTINGS.

14.1 Definition. For purposes of this Franchise Agreement, the term advertising material shall mean all printed, audio, visual, electronic, or other materials prepared for the purpose of increasing, encouraging, or promoting patronage of the Franchise Location, the Franchised Business, or Dripp® Shops in general, or that use the Dripp® Name or any of the Dripp® Marks, or that depict any Dripp® Products, and shall include (without limitation) signs; radio spots; television advertisements; newspaper, magazine, internet or other printed or electronic materials; internet sites, websites or pages, or other electronic databases or sites; social media postings; slogans; jingles; contests; coupons; gift certificates; giveaways; promotional merchandise; posters; flyers; leaflets; brochures; handbills; telemarketing campaigns; and direct mail presentations.

14.2 Advertising Approval; Advertised Prices. You shall not use, display, disseminate, or publish any advertising material we have not approved in writing. We shall notify you of our approval or disapproval of any advertising material you deliver to us within 10 days after we receive it. If you do not remove and/or destroy on demand any unapproved advertising material you are displaying or using, we may remove and destroy that material, entering the Franchise Location as necessary, without being guilty of trespass, conversion, or any other tort. You shall not display or distribute at the Franchise Location or in the area in front of it any material promoting any other person or business without our prior written consent. You shall at all times adhere to all retail prices you advertise and shall not advertise in any deceptive or misleading manner.

14.3 Required Use and Participation.

A. You shall use and display advertising material only as we designate or approve. You shall display at the Franchise Location for the period we specify all advertising material we designate or furnish to you. We may require you at your own expense to join and participate in any advertising campaign, special offers, programs, contests, drawings, and similar promotional events or activities (collectively, "Promotional Campaigns") we designate, unless Applicable Laws prohibit your required participation. If we designate a vendor for any advertising or promotional material, you, at your own expense, shall acquire from the vendor we designate (which may be or include only us or any of Our Affiliates) all advertising material required for your participation in Promotional Campaigns as provided in this Section.

B. If you do not display any advertising material and/or participate in all Promotional Campaigns as provided in Paragraph A of this Article, we and/or our representatives may enter the Franchise Location and place the advertising or Promotional Campaign material in the Franchise Location without being guilty of trespass, conversion, or any similar tort. You shall pay us on demand, and we may auto-debit your bank account or charge to your credit card as provided in Section 3.5, all charges we incur in taking that corrective action, the administrative fee then set forth in the Fee Schedule, plus interest at the maximum rate then legally permitted for commercial transactions from the date we paid the charges until reimbursement is received.

14.4 Prohibitions; Website.

A. Except as permitted by this Article, you shall not engage in any social media communication that includes the Dripp® Name or any of the Dripp® Marks or that is used for the Franchised Business nor shall you create, broadcast, stream, or maintain any media broadcast, internet stream or site, web page, social media presence, cloud presence, listing, or other device, broadcast, or internet advertisement, presence, or location promoting or referring to the Franchised Business or that includes the Dripp® Name or any of the Dripp® Marks without our prior written consent, which may be withheld in our discretion.

B. We shall maintain a Dripp® website. Before or concurrently with the Opening, we will add the Franchise Location to the list of Dripp® Shops on our website. So long as you are not in default under this Franchise Agreement, we will continue to include the Franchise Location in the list of Dripp® Shops on our website. **We do not make any warranty and disclaim any and all implied warranties that our website will be accessible at all times, will not be hacked or otherwise compromised by any electronic or other attack, or will be secure from unauthorized access.**

C. At any time when you are in default under this Franchise Agreement, we may remove any mention or identification of the Franchise Location from our website and/or block your access to any website we maintain or control. If you at any time create or maintain a social media presence, internet site, or website for the Franchised Business without our prior written consent, in addition to all other rights and remedies provided by Applicable Laws or this Franchise Agreement, we may remove, disassemble, disable, or destroy all or any part of that social media presence, internet site, or website or page or cause the host, operator, or owner of the social medium, internet site, or website or page to do so, without being guilty of trespass, conversion, or any other tort or crime. If you at any time distribute any coupon or offer any discount or distribute any advertising material in violation of this Section, you shall pay us on demand the remediation fee in the Fee Schedule.

14.5 Social Media. You may have a presence and communicate with others on Facebook, Twitter, Tumblr, Pinterest, Instagram, and any other social media of which we approve in writing (collectively, "social media") for purposes of promoting the Franchise Location and the Franchised Business only as permitted by our social media policy contained in the latest version of the Dripp® Operations Portal we have delivered to you. All your social media communications referring to the Franchise Location or Franchised Business shall comply with the social media policy and practices set forth in the latest version of the Dripp® Operations Portal we have delivered to you. Any communication you create on any social media that reflects negatively on the Dripp® System or otherwise violates the provisions of this Franchise Agreement or the Dripp® social media policy shall be a default under this Franchise Agreement. You shall at all times take all action desirable or necessary to prevent the existence of any social media communication that falsely creates the impression that it is from an impartial third party.

14.6 Your Local Advertising and Monthly Local Marketing Commitment. You may develop and use local advertising material and have that material produced by a vendor you select, so long as you have obtained our prior written approval of the vendor and our written approval of all materials. You may implement your own local promotional program at your own cost so long as you comply with all marketing and promotion standards and criteria set forth in the latest version of the Dripp® Operations Portal we have delivered to you and obtain our prior written approval of the program. We may withhold or condition approval of your local advertising material, vendor, or marketing or promotional campaigns in our discretion and may require that any materials be produced using masters we provide. Your local advertising may include table tents, menus, flyers, or advertisements in limited circulation publications or other limited circulation media we have approved but shall not include coupons, gift cards provided by any person or entity other than us, or participation in coupon books or discount buying or membership benefit programs of any kind, all of which you are prohibited from participating in or using.

14.7 Cooperative Advertising Program.

A. We may at any time establish a cooperative advertising or promotion program (a "Cooperative") for a geographical area we designate. We shall establish the mechanism for managing and administering each Cooperative we create and the financial reporting and audit rights of each participant.

B. If we establish a Cooperative for a geographical area that includes the Franchise Location, you shall participate in that Cooperative, attend all meetings relating to it, and be bound by a majority vote of the participants in the Cooperative (each Dripp® Shop in the geographical area of the Cooperative, including those owned by us or any of Our Affiliates, having one vote) at a meeting attended by the representatives of at least two-thirds of the Dripp® Shops in the Cooperative as to matters pertaining to Cooperative advertising programs and/or special promotions, except that any fee imposed by the Cooperative shall not exceed 1.5% of your average monthly Gross Revenue during the preceding 12 calendar months unless all of the participants in the Cooperative approve a larger fee. Nothing contained in this Section shall be construed as a device, method, or technique (direct or indirect) to require you to divide territorial or customer rights and responsibilities with or among other franchisees. You shall not be bound by any agreement to divide territories or customers, practices we expressly disapprove and prohibit.

14.8 Marketing Fund.

A. Upon receipt of written notice from us of the commencement of the Dripp® Marketing Fund in a form and on terms and conditions we select (the "Fund"), you shall contribute to the Fund each month on the Payment Day the contribution we require, but not more than 2% of your Gross Revenue during the preceding calendar month. We may choose to collect Fund payments by auto-debit or automated credit card charge as provided in Section 3.5.

B. We shall not be a trustee of Fund contributions but shall segregate them in our books of account as an advertising fund consisting of like payments made by franchisees. We shall allocate and use the Fund as we deem appropriate to create and develop local, regional, and national advertising and public relations and promotional campaigns using print, radio, television, electronic, social, or other media to promote and enhance the value of the Dripp® System in general. We may retain a portion of the Fund not to exceed 15% percent of all contributions during any calendar year to reimburse us for administrative and managerial expenses related to the Fund, its advertising and promotion activities and campaigns, and production of advertising, including allocable portions of the salaries and benefits we pay to our employees. We shall have the right, but no obligation, to rebate to you at any time a portion of the sums on deposit in the Fund and to require you to expend the rebated amount on local advertising.

C. Within 120 days after the end of each calendar year during which a Fund exists we shall deliver to you a statement covering the preceding year certified by our chief financial or chief executive officer to be true, correct, and complete, showing the amounts we collected for the Fund, the amount actually expended, the amount rebated, and the amount remaining to be carried over for use during the following year.

14.9 Customer Feedback. You shall distribute, ask customers to complete, and return to us all surveys, customer comment cards, and other devices for soliciting customer evaluation we provide to you.

14.10 Signs.

A. You shall obtain from a supplier we designate (which may be or include only us or any of Our Affiliates) and install and maintain in places at the Franchise Location we designate at any time during the term of this Franchise Agreement, all signs we specify in any media we specify, all at your own expense. The type, appearance, and elevations of all signs used at the Franchise Location or to promote the Franchised Business shall be those we have approved. You shall keep the signs illuminated during all hours we designate or approve periodically. You shall not erect or display in, at, or on the Franchise Location any signs other than those we designate or display any trademark, service mark, name, logotype, or other commercial symbol without our prior written consent.

B. If you do not install and maintain the signs described in this Section, install signs other than those permitted by this Section, or do not illuminate the signs as we require, we and/or our representatives may enter the Franchise Location and erect and/or maintain the specified signs, remove signs installed in violation of this Section, or illuminate your signs, without being guilty of trespass, conversion, or any similar tort. You shall pay us on demand, and we may auto-debit your bank account or charge to your credit card as provided in Section 3.5, all charges we incur in taking that corrective action, plus interest at the maximum rate then legally permitted for commercial transactions from the date we paid the charges until reimbursement is received.

14.11 Digital Menu Displays; Content License Fee.

A. You shall obtain from a supplier we designate or approve (which may be or include only us or any of Our Affiliates) and install and maintain at the Franchise Location in the locations we specify the digital menu displays we specify and display on them our proprietary menu display content. You shall install and maintain at the Franchise Location in the locations we specify all other digital or other menu displays we specify in all media we specify at any time during the term of this Franchise Agreement, all of which shall have the appearance we specify periodically. You shall not display or use at the Franchise Location any other menu display or board.

B. If you do not install and maintain the digital menu display described in this Section or install any other menu display or board, we and/or our representatives may enter the Franchise Location and install the specified digital menu displays or remove any menu displays or boards installed or displayed in violation of this Section, without being guilty of trespass, conversion, or any similar tort. You shall pay us on demand, and we may auto-debit your bank account or charge to your credit card as provided in Section 3.5, all charges we incur in taking that corrective action, plus interest at the maximum rate then legally permitted for commercial transactions from the date we paid the charges until reimbursement is received.

C. No later than the day before the Opening, you shall deliver to us your first annual $150 digital menu display content license fee, *prorated* as necessary. On or before January 15 of each calendar year, you shall deliver to us by auto-debit an annual $150 digital menu display content license fee.

14.12 Copyrights.

A. All design elements of the Franchise Location and all advertising material we or any vendor we designate or approve delivers to you shall be our sole and exclusive property and we shall be the sole owner of the copyrights in and to them. You do not and shall not have any license, power, or right to claim or register a copyright on any of the design elements of the Franchise Location or any advertising material except the use rights granted by this Franchise Agreement.

B. You shall not at any time contest, directly or indirectly, our sole and exclusive copyrights in the design elements of the Franchise Location or any advertising material we or a vendor we designate or approve deliver to you and all reproductions of any of that advertising material, all signs and menu displays described in Sections 14.10 and 14.11, and all other copyrighted materials delivered or licensed to you under this Franchise Agreement.

14.13 Telephone Listings. You shall obtain and maintain a landline telephone number for the Franchise Location that shall be listed and identified exclusively with the Franchised Business in all business telephone directories distributed by any third party in the geographical area of which the Franchise Location is a part and shall be included in all local advertising you prepare. All telephone listings shall identify the Franchised Business as a Dripp® Shop franchise.

14.14 Publicity. You shall report to us by electronic mail immediately any event or occurrence at the Franchise Location or involving the Franchised Business in any way that is or is likely to be covered by local news media, mentioned in social media sites, or otherwise be the subject of publicity or public comment. In order to protect the reputation and public image of the Dripp® System, you shall not make or give any public statement regarding any unplanned occurrence or event at the Franchise Location or involving the Franchised Business to any news medium or post on the internet or in any social media any statement regarding any unplanned event or occurrence at the Franchise Location or involving the Franchised Business. All those communications shall be handled and made only by us.

15. OWNER OPERATOR; GENERAL MANAGER; PERSONNEL; EFFORTS.

15.1 Owner Operator. You or if you are an entity a person who owns at least 50% of your equity who has been trained and approved by us (the "Owner Operator") shall at all times be personally responsible for the day to day operation, oversight, and administration of your Dripp® Shop. If you own just one Dripp® Shop, you or your Owner Operator must personally be present in and operate your Dripp® Shop at least four days a week for at least eight hours a day, including weekends and the busiest hours for your Dripp® Shop. If you own more than one Dripp® Shop, your Owner Operator must personally be present in and operate each of your Dripp® Shops at least two days of every week for at least eight hours a day.

15.2 General Manager.

A. During all operating hours when you or your Owner Operator is not present in and managing the operation of your Dripp® Shop, your Dripp® Shop shall be managed by a managerial employee who has successfully completed the training described in Article 7 or a successor who has been trained by you or, with our approval, by another manager who was trained by us and in any case to our satisfaction and remains qualified to be the person on site at your Dripp® Shop principally responsible for the day to day operation of the Franchised Business when you or the Owner Operator is not present (the "General Manager").

B. At least 30 days before the Opening you shall deliver to us notice of the appointment of your General Manager (the "Appointment Notice"). Your Appointment Notice shall provide the General Manager's name, address, personal telephone landline and mobile telephone numbers, home address, personal email address, and a list of the General Manager's educational background and employment history for the past five years, including reasons for employment termination. At any time within seven days after we receive your Appointment Notice, we may deliver to you notice of disapproval stating with specificity the basis for our disapproval. Within seven days after receipt of any notice of disapproval you shall deliver to us a second Appointment Notice containing the same information as the first Appointment Notice but applicable to a new General Manager. The process provided for in this paragraph shall be repeated until you have selected a General Manager who is not disapproved.

C. You shall update periodically as necessary the name, home address, home and cell telephone numbers, and personal email address of your General Manager. You shall notify us immediately upon determining or learning that you must change your General Manager.

15.3 Personnel. Before the Opening and throughout the term of this Franchise Agreement, you shall staff the Franchised Business as required to provide the level and quality of service consistent with the Dripp® System. You shall give each of your employees all training and supervision necessary to assure that each employee can perform and is performing the work assigned to him or her in a competent fashion. These requirements are imposed to assure the uniform quality of service that will protect and enhance the reputation of the Dripp® System. You are solely responsible for the employment, conduct, firing, and all other matters related to the personnel who work at your Dripp® Shop. We will not engage your personnel, dictate or consult with you regarding the terms of their employment or firing, or be responsible in any manner for their work with you. You shall be solely responsible for all matters related to the personnel who work in your Dripp® Shop and for compliance with all Applicable Laws related to their labor for you.

15.4 Uniforms; Hygiene. To establish and protect the uniform trade identity of the Dripp® System, you shall require each of your employees to wear during the time the employee is working at your Dripp® Shop all components of a uniform of the style and color designated for that employee in the latest version of the Dripp® Operations Portal we have delivered to you. You shall obtain from us or any supplier we designate or approve periodically (which may be or include only us or any of Our Affiliates) all uniform components that bear any of the Dripp® Name or Marks. To protect the reputation and goodwill of the Dripp® System, you shall require all employees present in your Dripp® Shop to practice good personal hygiene, wear a clean uniform, be appropriately groomed and attired, and conform to the highest standards of sanitation.

15.5 Performance Standard; Operating Hours. You shall use your best efforts to operate your Dripp® Shop in a manner that will produce the maximum volume of Gross Revenue. You shall keep your Dripp® Shop open for business seven days each week, except Thanksgiving Day and Christmas Day, between no later than 7:00 a.m. and at least 9:00 p.m., except to the extent prohibited by any Applicable Laws or requirements of any retail commercial facility or development of which the Franchise Location is a part. If you do not keep your Dripp® Shop open for business as required by this Section, in addition to all other sums payable under this Franchise Agreement, you shall pay us on demand, and we may auto debit your bank account or charge to your credit card as provided in Section 3.5, a penalty assessment equal to 7% of your Gross Revenue during the latest equivalent period when the Franchise Location was open and operating during all required operating hours.

16. QUALITY CONTROL; CUSTOMER COMPLAINTS; FRANCHISEE ASSOCIATION.

16.1 Inspection.

A. We may at any time have one or more of our employees or a third party quality control inspector or mystery shopper visit the Franchise Location, anonymously if we choose, to monitor and evaluate the operation of the Franchised Business. We shall deliver to you within 10 business days after any quality control visit a copy of any report prepared by the inspector and you shall consult with our representative about the results of the inspection and the implementation of any corrective action recommended by the inspector. You shall implement any recommended corrective action immediately after consulting with our representative to review the inspector's report.

B. We and our representatives may at any time enter the Franchise Location, with or without notice, observe the operation of the Franchised Business, conduct inspections and evaluations of the Franchise Location, the FFE, Inventory, supplies, goods, Point of Sale System, Business Database, Your Records, and/or your operation of the Franchise Location and Franchised Business, and/or talk with, interview, or question any of your present or former employees (whether or not that employee works or is present at the Franchise Location during that conversation, interview, or questioning). You shall cooperate and shall cause each of your employees to cooperate with us and our representatives in the conduct of any inspection, evaluation, conversation, interview, or questioning. We may prepare or have prepared a written report of the results of any inspection or evaluation. If a written report is prepared, we shall deliver a copy of the written report to you promptly after it is completed. You shall immediately commence correction of any failure to comply with this Franchise Agreement in any respect that is identified by us and/or our representative of which you are given notice verbally or in writing and diligently pursue that correction to completion.

C. If you obtain a score of less than 90% in any area that is the subject of any inspection or evaluation, within three days after you receive a written or verbal report of the inspection or evaluation you shall take all action necessary to raise your score in every area to 90%.

D. Within 15 days after receipt of an invoice, you shall pay us all sums we have or will pay to a third party inspector or the inspection *per diem* charge in the Fee Schedule and reimburse us for all travel expenses (including, without limitation, airfare, automobile rental, lodging, and meals) incurred in connection with any re-inspection of the Franchise Location or Franchised Business to confirm that you have taken all corrective action required by this Section. We may auto-debit your bank account or charge to your credit card as provided in Section 3.5 all charges provided for in this Paragraph.

16.2 Independent Evaluation. We may at any time give you at least 30 days notice that you must obtain periodic independent evaluations. Within 30 days after your receipt of that notice, you shall engage and thereafter maintain and pay for a health standards evaluation service we have approved to make periodic inspections of the Franchise Location and the operation of the Franchised Business and deliver a written report on that inspection to you and us. You shall take all corrective action and make all improvements identified in the evaluator's report promptly after your receipt of the report.

16.3 Resolving Customer Complaints. You shall respond immediately to any customer complaint and use your best efforts to resolve the complaint to the customer's satisfaction immediately, making refunds and providing complimentary Dripp® Products as appropriate. If you have not resolved any customer complaint by the day after you receive it, you shall report that complaint to us by sending us by electronic mail the latest form of Complaint Report we have delivered to you as part of the Dripp® Operations Portal. At any time after receipt of a Complaint Report or a complaint directly from a customer, we may (but do not have to) take any action to assist in resolving it or mandate a resolution that you shall implement at your sole cost.

16.4 Franchisee Association. We may at any time establish one or more franchisee associations and/or advisory councils (collectively, "franchisee association"). We shall determine the form, structure, nature, purpose, membership, and role of any franchisee association we create and the bylaws, rules, regulations, and procedures that govern its operation. If we establish a franchisee association with a membership that includes your Franchised Business, you shall be a member of and participate in that franchisee association.

17. INSURANCE.

17.1 Liability. You shall obtain and maintain in full force and effect throughout the term of this Franchise Agreement public liability, property damage, and product liability insurance with a single combined liability limit of not less than $2,000,000, insuring against all liability of you, Your Interested Parties, and your agents and employees arising out of or related in any manner to the operation of the Franchised Business or use of the Franchise Location, including all damage from signs, glass, fixtures, equipment, or other appurtenances situated in or on the Franchise Location now or at any later date. Your public liability coverage shall include General Commercial Liability Endorsement CG 20 29 04 13 – Additional Insured – Grantor of Franchise.

17.2 Fire, Theft, and Extended Coverage. You shall obtain and maintain throughout the term of this Franchise Agreement a policy of standard fire, theft, and extended coverage insurance, with vandalism and malicious mischief endorsements, covering all the personal property, improvements, alterations, trade fixtures, and equipment (including, without limitation, the FFE and Small Wares) in, on, or about the Franchise Location to the extent of at least 100% of their actual replacement value. The proceeds of this policy shall be used to replace the personal property and/or restore all improvements on and alterations to the Franchise Location.

17.3 Business Interruption. You shall obtain and maintain throughout the term of this Franchise Agreement a business interruption insurance policy insuring that if the Franchise Location is destroyed or rendered inaccessible by a risk insured against under a standard fire, theft, and extended coverage insurance policy with vandalism and malicious mischief endorsements, we shall be paid a monthly royalty equal to the highest royalty payment we received during the prior 12 month period for a period of up to one year.

17.4 Additional Insured; Provisions; Other Coverage. We shall be additional named insured on all policies of insurance carried by you on the Franchise Location or its contents or with respect to the Franchised Business, except worker's compensation insurance. All policies of insurance you carry shall: (a) be primary and noncontributing with any other insurance; (b) be written by a company or companies authorized to engage in the business of general liability insurance in the state in which the Franchise Location is situated, with a Best's rating of at least A-7; (c) contain cross-liability endorsements; and (d) contain an endorsement requiring 30 days written notice to us before the policy may be cancelled or altered. You shall deliver to us at least 15 days before the Opening and at least 20 days before expiration of each policy term certificates of insurance evidencing the coverage required by this Article, with evidence that the premiums have been paid. You shall obtain any other or additional insurance you think is appropriate or desirable. We make no representation or warranty that the insurance required by this Article covers all the risks against which you, the Franchised Business, or the Franchise Location should be insured.

17.5 Waiver of Subrogation. You and we release one another and you release Our Affiliates, and Our Affiliates' respective officers, directors, shareholders, agents, employees, independent contractors, accountants, attorneys, consultants, and representatives (collectively, "Related Parties") from any claims for damage to any person, the Franchise Location, and/or the buildings, fixtures, equipment, personal property, improvements, or alterations located in or on the Franchise Location caused by or resulting from risks insured against under any insurance policies carried by you or us and in force at the time of the damage.

You shall cause each insurance policy you obtain to provide that the insurance company waives all right of recovery by way of subrogation against us and/or our Related Parties in connection with any damage covered by any policy.

17.6 Remedies. If you do not obtain and maintain any of the insurance required by this Article within five days after our demand for compliance, we may, but have no obligation to, obtain and maintain that coverage. You shall pay us on demand all charges we incur to obtain and maintain the coverage, plus interest at the maximum rate then legally permitted for commercial transactions from the date we paid the charges until reimbursement is received.

17.7 Increases. You shall increase the insurance coverage required by this Article at any time during the term of this Franchise Agreement, but not more frequently than once in any 12 month period, upon receipt of notice that we have determined that the amount of that insurance is inadequate, and shall deliver to us within 30 days after receipt of that notice a certificate evidencing the increased coverage.

18. INDEMNITY. Because you will be actively operating and controlling the Franchise Location and Franchised Business, you shall indemnify, defend, and hold harmless us, our Related Parties, and our Related Parties' respective officers, directors, predecessors, heirs, successors, agents, and employees from and against any loss, claims, costs, demands, liabilities, obligations, duties, damages, causes of action, actions, and expenses of any kind or nature whatsoever (including, without limitation, attorneys', consultants', and expert witness fees at trial and on any appeal) arising out of or related in any manner whatsoever to the Franchised Business and/or your use or occupancy of the Franchise Location or any improvements, fixtures, or equipment located in or on it.

19. TAXES AND ASSESSMENTS; PERMITS AND LICENSES.

19.1 Your Duty. You shall pay on or before the due date all payroll, personal property, franchise, sales, and other taxes or assessments imposed by any governmental entity or agency on or on account of the conduct of the Franchised Business or its receipts, other than income taxes on our income. If any of those taxes are levied against or paid by us, you shall reimburse us for those taxes on demand. You shall obtain and timely renew all permits and licenses required by any Applicable Laws or governmental entity or agency for operation of the Franchised Business or your use or occupation of the Franchise Location.

19.2 Remedies. If you do not pay any taxes or obtain any permits or licenses described in Section 19.1 within five days after the earlier of notification of noncompliance or our demand for compliance, we shall have the right, but no obligation, to pay those taxes (including any penalties and/or interest charges) or obtain those permits or licenses for you and on your behalf. You irrevocably designate, constitute, and appoint us your attorney-in-fact for that purpose. You shall pay us on demand all sums we spend for those taxes, permits, and licenses, plus interest at the maximum rate then legally permitted for commercial transactions from the date we paid the monies until repayment is received.

20. LIMITATIONS ON ASSIGNMENT.

20.1 Consent Required. To assure your continued personal responsibility for the operation of the Franchised Business and to protect the Dripp® Name, Marks, Method, goodwill, and reputation and the Other Proprietary Information for the benefit of us and all Dripp® franchisees, neither all nor any part of your interest in this Franchise Agreement, the Franchised

Business, or the Franchise Location shall be assigned, sold, transferred, encumbered, or otherwise disposed of, voluntarily or by operation of law (individually a "Transfer" and collectively, "Transfers"), without our prior written consent, which shall not be unreasonably withheld but may be withheld if the transfer is to a trust through which ownership would pass automatically upon death of the trustor, may be conditioned on fulfillment of any reasonable conditions (including, without limitation, those in Article 21), and may be denied on any reasonable grounds, including (without limitation) that: (a) we consider the proposed recipient to be unqualified to operate the Franchised Business based upon an assessment of the proposed recipient's business acumen, aptitude, experience, capability, financial stability or responsibility, involvement in another business enterprise, or other relevant characteristics; (b) you do not propose to assign, sell, transfer, or otherwise dispose of all your interest in this Franchise Agreement, the Franchised Business, the Franchise Location, and the FFE; or (c) you are in default under this Franchise Agreement. No transfer shall be made unless you assign to the transferee the Lease or, if you own the Franchise Location, grant the transferee the right to occupy the Franchise Location for the balance of the term of this Franchise Agreement.

20.2 Information. In connection with a request for consent to a Transfer, you shall deliver to us in writing (a) the name of the proposed transferee; (b) a description of the interest of which you propose to dispose, the nature of the proposed disposition, and the proposed consideration, terms, and conditions, if any; (c) a complete copy of the proposed form of Transfer documents and all contracts, instruments, and agreements relating to the proposed Transfer together with your certification that those constitute true and complete copies of all the documents to be executed in connection with the Transfer and embody all the terms and conditions agreed to between you and the proposed transferee; (d) the proposed transferee's completed application on the form we are then using and any other information regarding the proposed assignee we require; (e) the proposed transferee's consent to and our receipt of a report of an investigation of the proposed transferee by a third party source we select; (f) all documents relating to the conditions set forth in Section 20.1; and (g) any other financial or other information we request concerning the proposed transferee or the Transfer.

20.3 Deemed Transfers. The following shall be deemed to be Transfers requiring consent under this Article: (a) any transfer to a corporation, partnership, limited liability company, or other entity; (b) if you are a corporation or limited liability company, any conversion, dissolution, merger, consolidation, or other reorganization, or sale or other transfer of any shares or membership units to a person or entity that is not an existing shareholder or member, or any sale of assets or change in the chief executive, operating, or financial officer or any manager; (c) if you are a partnership, any change in or withdrawal of any partner or conversion, merger, consolidation, or other reorganization or any dissolution of the partnership; and (d) if you consist of more than one person, any transfer from one person to any other.

20.4 Effect; Disclosure.

A. Any attempt to Transfer any interest in this Franchise Agreement or the Franchised Business other than in accordance with the provisions of this Franchise Agreement shall be null and void. Our consent to one assignment, sale, transfer, encumbrance, or other disposition shall not be deemed a waiver of this provision or consent to any subsequent Transfer. Our approval of any proposed Transfer shall not be construed as a representation or warranty by us that the terms or conditions of the proposed transfer are economically sound or that the proposed transferee will be capable of successfully operating the Franchised Business. If a Transfer is not affected within 90 days after the date we consent to it or if there is any material change in the terms of the proposed Transfer or any of the information provided to us, the consent we have given shall be deemed revoked and no Transfer shall be affected without obtaining our consent.

B. We may, but are not obligated, to furnish any prospective transferee with copies of any financial information relating to the Franchised Business in our possession. We may, but are not obligated to, inform any prospective transferee of any claimed uncured breach or default by you under this Franchise Agreement or any other agreement relating to the Franchised Business.

20.5 Transfer by Us. We may sell or assign all or any portion of our interest in this Franchise Agreement or the Dripp® System to any person or entity who expressly assumes those obligations in writing at the time of the transfer. We may encumber all or any part of our interest in this Franchise Agreement or the Dripp® System at any time.

21. CONDITIONS TO ASSUMPTION OF YOUR INTEREST; FEE.

21.1 General Conditions. No person or entity may succeed to your interest in this Franchise Agreement or operate the Franchised Business in your place unless and until:

a. If any Applicable Laws require, the prospective transferee has received and acknowledged receipt of the form of Franchise Disclosure Document we are then using for renewal and transfers and the waiting period prescribed by Applicable Law has expired;

b. The prospective transferee's Owner Operator and General Manager each satisfactorily completes a course of training we prescribe and we receive payment for that training;

c. The prospective transferee has agreed in writing to be bound by and executed a copy of the form of Franchise Agreement we are then offering to prospective assignees of single unit franchises;

d. The prospective transferee has the right or option to occupy the Franchise Location for the balance of the term of the Franchise Agreement;

e. Concurrently with the request for approval, we have received payment of the nonrefundable franchise transfer fee in the Fee Schedule;

f. Any breach of your obligations to us has been cured;

g. All sums payable by you to us before the effective date of the transfer have been paid or arrangements satisfactory to us have been made for the assumption of those obligations by the transferee;

h. Each individual who will be the franchisee or each person who will be an owner of any entity franchisee has executed and delivered to us an Owner's Agreement in the form we are then requiring or any other form we are then using for that purpose; and

i. You and each person who has previously executed an Owner's Agreement in connection with the grant of the franchise to you has executed and delivered to us a general release in our favor and a covenant survival agreement on the form we are then using for that purpose.

21.2 Entity Conditions.

A. In addition to the requirements in Section 20.1 and the conditions in Section 21.1 and any other reasonable conditions, our consent to any Transfer of your interest in this Franchise Agreement or the Franchised Business or your conversion to a corporation or limited liability company may be conditioned on any or all of the following: (i) all the shares of stock or units of membership interest of the corporation or company being owned in the same proportions as you were owned or our consenting to the transfer of a portion of the shares or units to holders other than you and you agreeing in writing to own legally and beneficially a majority of the shares or units at all times during the term of this Franchise Agreement; (ii) the certificates evidencing shares or units bearing an appropriate legend prominently disclosing the existence of the restrictions on transfer contained in this Franchise Agreement; (iii) the governing documents requiring and you or your principal executive officer agreeing to serve as the principal executive officer of the corporation or manager of the company at all times during the term of this Franchise Agreement; and (iv) each shareholder or member executing a personal guarantee of the corporation or company's obligations to us.

B. In addition to the requirements in Section 20.1 and the conditions in Section 21.1 and any other reasonable conditions, our consent to a Transfer, or other disposition of your interest in this Franchise Agreement or the Franchised Business or your conversion to a partnership may be conditioned on any or all of the following: (i) our approval of the composition of the partnership and the business acumen, aptitude, experience, financial stability or responsibility, and other relevant characteristics of each partner; (ii) the execution of a written partnership agreement that provides that no interest in the partnership shall be transferred or change in partnership composition made without our prior written consent and approval; and (iii) the partnership being a general partnership.

22. RIGHT OF FIRST REFUSAL.

22.1 Right. If you propose to assign, sell, transfer, or otherwise dispose, with or without consideration, of all or any portion of your interest in this Franchise Agreement, the Franchised Business or, if you are an entity, any interest in you, you shall promptly give us written notice of the proposed assignment, sale, transfer, or other disposition, including the information required by Section 20.2. Unless the transfer described in the notice is a conversion to a different form of entity without any change in equity ownership that will not result in any change in the day-to-day management of the Franchised Business, we or our nominee shall have the first right to acquire the interest described in your notice by giving you notice of the exercise of that right within 30 days after we receive your notice and all the information described in this Section. The notice of exercise shall set a place and a date no less than 30 nor more than 120 days later for transfer to us or our nominee of the interest described in your notice in return for the consideration, if any, described in your notice, except that we or our nominee may substitute an equivalent sum of cash for any consideration other than cash. On the date and at the place described in the notice of exercise, you shall deliver appropriate written evidence of transfer to us or our nominee of the interest described in your notice, subject to delivery by us or our nominee of the consideration, if any, described in your notice, as modified by this Section.

22.2 Non-Exercise. If we do not exercise the right of first refusal in Section 22.1, subject to the provisions of Articles 20 and 21, you may dispose of the interest described in your notice to the party named in your notice, in the manner, for the consideration, if any, and on the terms and conditions, if any, in your notice; provided, however, that if the transfer is not made within 90 days after the expiration of the right of first refusal in Section 22.1, any subsequent disposition shall be deemed to be a disposition subject to that right of first refusal. Any change in the consideration, terms, and/or conditions in your notice shall constitute a new offer and require compliance with Articles 20 and 21. Nothing contained in this Section shall be deemed or construed to give you the right to dispose of any interest in this Franchise Agreement or the Franchised Business other than in compliance with Articles 20 and 21.

23. RIGHT TO REQUIRE SALE ON DEATH, DISABILITY, OR DEADLOCK; RIGHT TO INTERIM MANAGER.

23.1 Right.

A. If (i) you, if you are an individual, or your Owner Operator if you are an entity, dies, is rendered incapable of attending to the Franchised Business for a period in excess of 60 days, is certified as mentally incompetent by a medical doctor duly licensed to practice medicine in the jurisdiction where the Franchise Location is situated, or has a guardian or conservator appointed (collectively, a "Disabling Event"), or (ii) you are an entity or more than one individual and we deliver written notice that we have determined that a dispute has developed between or among some or all of the owners of the entity or you that is adversely affecting the Franchised Business (all, individually and collectively with a Disabling Event, an "Option Occurrence"), whether or not the Franchised Business has previously been transferred to a trust, we may require you or your heirs, beneficiaries, personal representative, estate, guardian, conservator, or other successor in interest or the trustee of any trust (individually and collectively, "Your Successor") list with a licensed business opportunities broker qualified to sell franchised businesses and sell within 180 days for the best offer obtained within 120 days after listing to a buyer approved by us as required in Section 20.1, all of your interest in this Franchise Agreement, the Franchised Business, and the FFE, and lease, sublease, or otherwise grant the buyer the right to occupy the Franchise Location on terms acceptable to us (including, without limitation, the requirements of Section 4.2) for the balance of the term of this Franchise Agreement.

B. Within 10 days after any Disabling Event, you or Your Successor shall deliver to us written notice of the Disabling Event. We shall exercise the right given us in Paragraph A(i) by giving you or Your Successor notice of exercise within 120 days after we receive written notice from you or Your Successor or otherwise learn of a Disabling Event, or concurrently with or at any time after we deliver the notice provided for in Paragraph A(ii). Within 20 days after receipt of our notice of exercise of the rights in Paragraph A, you or Your Successor shall deliver to us written evidence of the listing required by Paragraph A.

C. If we do not exercise any of the rights in Paragraph A after an Option Occurrence described in Paragraph A(i) and you are not then in default under this Franchise Agreement, (i) you may continue to operate the Franchised Business so long as you select and we approve a new Owner Operator, or (ii) Your Successor may succeed to your interest in this Franchise Agreement and the Franchise Location and operate the Franchised Business after satisfying the conditions in Article 21. If we do exercise the right to require sale as provided in Paragraph A, we may exercise the right of first refusal provided in Article 22.

23.2 Manager. During any period of your incapacity, if you are an individual, or the incapacity of your Owner Operator or on the happening of any Option Occurrence, whether or not we exercise any of the rights in Section 23.1A, we may appoint a manager (who may be our employee) to oversee operation of the Franchised Business until, you or your Owner Operator, as the case may be, is capable of attending to the Franchised Business or, in any other case, a transfer of your interest in this Franchise Agreement is effected in accordance with this Franchise Agreement. You or Your Successor shall pay our charge for the manager's salary, any transportation, travel, lodging, or related living expenses, and the management administration fee in the Fee Schedule within 30 days after receipt of an invoice.

24. NOTICE OF CLAIMS; YOUR TERMINATION RIGHT.

24.1 Claim Notice and Resolution Period. Before you deliver notice of termination of this Franchise Agreement based upon any claimed default by us or initiate any lawsuit, arbitration, or other legal action against us you shall deliver to us a written statement setting forth the claims you would make and a detailed description of the basis for them, including the factual and legal support for them (a "Claim Notice"). During the 45 days after you deliver a Claim Notice (the "Resolution Period") and prior to initiating any lawsuit, arbitration, or other legal action against us, you shall meet and confer with us at mutually agreeable times as we request to attempt to resolve the claims that are the subject of the Claim Notice. You may initiate a lawsuit, arbitration, or other legal action against us only if the claims in it have been the subject of a Claim Notice delivered to us and have not been resolved during the Resolution Period.

24.2 Your Termination Right. If we default in the performance of any material obligation under this Franchise Agreement and that default is not cured or resolved within 15 days after the Claim Resolution Period, or, if the default is not susceptible of cure within a 60 day period, if corrective action has not been commenced within 15 days after the end of the Claim Resolution Period, you may terminate this Franchise Agreement by delivering written notice of termination.

25. OUR TERMINATION RIGHTS. In addition to all other rights given us by this Franchise Agreement or by Applicable Laws, we may terminate this Franchise Agreement if you:

a. Fail to pay any sum due and payable to us as and when required by this Franchise Agreement and do not make that payment, including all applicable late charges and interest, within five days after receipt of notice from us;

b. Fail to adhere to the brand designations or approvals, product, supply, FFE, and other specifications, standards, rules, regulations, methods, techniques, and procedures in latest version of the Dripp® Operations Portal we have delivered to you and do not take appropriate corrective action within three days after receipt of notice from us;

c. Fail to carry any menu item included in The Menu or offer or sell at the Franchise Location any other menu item without our prior written consent and do not take appropriate corrective action within three days after receipt of notice from us;

d. Violate the requirements of Section 1.3 regarding use of the Dripp® Name, Marks, or Method and do not take appropriate corrective action within three days after receipt of notice from us;

e. Violate the restrictions in Section 1.3 regarding use of the Dripp® Name, Marks, or Method;

f. Disclose, divulge, disseminate, display, duplicate, reveal, reproduce, publish, sell, show, or communicate the Dripp® Method, any of the contents of the Dripp® Operations Portal, or any of the Other Proprietary Information to any person or entity except as permitted by this Franchise Agreement;

g. Fail to use and maintain all reporting and data systems and/or make any report or maintain and retain any records in accordance with Article 12 and do not cure that failure within five days after receipt of notice from us;

h. Fail to enter in the Point of Sale System any item of Gross Revenue or submit to us on three or more occasions during the term of this Franchise Agreement, whether or not consecutive, reports of Gross Revenue that any audit or audits we conduct reveals to have understated Gross Revenue by more than 2%;

i. Fail to (i) be present at and work in the Franchise Location, if you are an individual, or fail to have your Owner Operator be present at and work in the Franchise Location as required by Section 15.1 and/or (ii) have your General Manager present in and supervising, overseeing, and managing operation of the Franchise Location during all other times, unless prevented by a national emergency, act of terrorism, act of Nature, or disaster;

j. Fail to deliver to us on or before the date described in Section 17.4 evidence of the insurance coverage required by Article 17 and do not obtain that insurance within five days after receipt of notice from us;

k. Have any insurance described in Article 17 cancelled by the carrier and fail to obtain replacement coverage at least five days before the cancellation date;

l. Purport to Transfer all or any portion of your interest in this Franchise Agreement or the Franchised Business in violation of Article 20, 21, or 22;

m. Cease to operate the Franchised Business or do not open the Franchise Location for business for two days in succession, unless that failure is due to a *force majeure*;

n. Fail to comply with any Applicable Laws, fail to pay any taxes, or fail to obtain any license or permit described in Section 19.1 within five days after the earlier of notification of noncompliance or receipt of our demand for compliance;

o. Default in performance of any of your covenants, duties, or obligations under this Franchise Agreement or fail to fulfill any condition of this Franchise Agreement not described in subparagraphs (a) through (n) and do not cure that default within 10 days after notice from us;

p. Fail on three or more occasions during any 12 month period to pay when due or have available when we auto-debit your bank account or charge your credit card any sum due and payable to us as required by this Franchise Agreement, whether or not the payment was ultimately made;

q. Fail to comply with each and every term, covenant, and condition and to perform on time each of your duties and obligations as required by this Franchise Agreement, other than your obligation to pay us money, on three or more occasions in any calendar year or on more than 10 occasions throughout the term of this Franchise Agreement, whether or not the performance was ultimately rendered;

r. Default in the performance of any of your covenants, duties, or obligations as required by any other agreement between you and us, any of Our Affiliates, and/or any third party relating to the Franchised Business, the FFE, or the Franchise Location and do not cure that default within the time, if any, allowed for cure;

s. Own any interest in, or any of Your Interested Parties or your General Manager owns any interest in, any entity or business that defaults in the performance of any of its covenants, duties, or obligations as required by any other agreement between that party and us or any of our Related Parties, and/or with any third party relating to any business that is the subject of any franchise, license, or other agreement between that person or entity and us or any of our Related Parties, and you or the defaulting party do not cure that default within the time, if any, allowed for cure;

t. Have any decree or order for relief issued with regard to you in an involuntary case under any applicable bankruptcy, insolvency, or other similar law in effect now or at a later date or appointing a receiver, liquidator, assignee, custodian, trustee, or similar official for you or any substantial part of the property of the Franchised Business, or ordering the winding up or liquidation of your affairs, and that decree or order remains unstayed and in effect for 60 consecutive days;

u. Commence a voluntary case under any applicable bankruptcy, insolvency, or other similar law in effect now or later, or consent to the entry of an order for relief in any voluntary case under any law of that type, or consent to the appointment of a receiver for you or the Franchised Business, or taking by a receiver, liquidator, assignee, custodian, trustee, or similar official of any substantial part of the property of the Franchised Business, or make any general assignment for the benefit of creditors, fail generally to pay your debts as they become due, admit your inability to pay your debts as they become due, or take any action in furtherance of any of the foregoing;

v. Fail to obtain release of any writ of attachment or execution levied against all or any part of your interest in the Franchised Business, the Franchise Location, the Inventory, the FFE, or any fixtures, equipment, monies, goods, or inventory located in or on the Franchise Location within five days after levy;

w. Fail to satisfy any final judgment against you or the Franchised Business for 30 days without filing a *supersedeas* or other appeal bond and all or any part of the Franchised Business, the Franchise Location, or any of the Inventory, the FFE, or any fixtures, equipment, monies, goods, or inventory situated at or in the Franchise Location is seized, taken over, or foreclosed on by any government official, creditor, lienholder, or landlord;

x. Commit any act or engage in any conduct that in our commercially reasonable opinion reflects materially and unfavorably on, endangers, or damages any of the Dripp® Name, Marks, goodwill, or reputation or the reputation or operation of the Franchised Business, including (without limitation) being convicted of a felony or other criminal misconduct;

y. Make or have made any material misrepresentation to us; or

z. Cease to have the right to occupy the Franchise Location and do not have a right to relocate the Franchised Business as provided in Section 2.3.

26. CONTINUING LIABILITY. Notwithstanding the termination of this Franchise Agreement under Article 25, we retain all rights and remedies given us by this Franchise Agreement or by law and you remain fully liable for the performance of your existing duties and obligations arising out of this Franchise Agreement or the operation of the Franchised Business, including (without limitation) your obligations to maintain Your Records and make them available to us as required by Article 12; your noncompetition and nondisclosure obligations under Article 13; your nondisclosure obligations relating to the Dripp® Operations Portal, the Dripp® Method, the Other Proprietary Information, and any other information this Franchise Agreement provides is proprietary, confidential, or not to be disclosed; your obligation to indemnify us and our Related Parties as provided in Article 18; and payment of: (a) all amounts then due to us or that become due to us as a result of that termination; (b) the accrued salaries of your employees and all taxes related to those salaries; and (c) all costs and expenses incurred and all profits we have lost as a result of the termination, all of which shall survive the termination or expiration of the term of this Franchise Agreement.

27. PROCEDURE FOR WINDING UP FRANCHISED BUSINESS.

27.1 Procedure.

A. Upon cancellation, termination, or expiration of this Franchise Agreement, you shall:

i. Stop using the Dripp® Name or any of the Dripp® Marks, the Dripp® Method, the Other Proprietary Information, and any item we designate as trade dress from time to time, or any of them, in any manner whatsoever and execute all documents necessary to give notice of cessation, including (without limitation) a statement of abandonment of fictitious, trade, or assumed business name;

ii. Maintain the confidence of and not thereafter disclose or use any information you have regarding the Dripp® Method or the Other Proprietary Information;

iii. Immediately deliver to us all materials containing the Dripp® Name or any of the Dripp® Marks or any other names or marks that belong to us, all materials relating or referring to or containing the Dripp® Method or the Other Proprietary Information, and all materials containing any copyright, symbols, devices, insignia, designs, labels, or logotypes that belong to us or any of Our Affiliates, including (without limitation) all bulletins, instruction sheets, memoranda, guidelines, and forms and delete all those from every computer system in your possession or under your control;

iv. Do all things necessary or appropriate to transfer to us or our nominee all telephone, facsimile, modem numbers, or other electronic communication numbers, IP addresses, or other addresses used in connection with the Franchised Business and make appropriate changes in directory listings;

v. Pay us on or before the expiration date or the effective date of the termination all sums due or to become due to us under this Franchise Agreement; and

vi. Deliver to us a Cancellation Agreement and/or General Release and Covenant Survival Acknowledgment in the form we provide, signed by or on behalf of you and each person holding an equity interest in you or who has signed an Owner's Agreement.

B. Upon termination of this Franchise Agreement under Article 25, in addition to the requirements of Section 27.1A, if we require, you shall: (i) vacate the Franchise Location on or before the effective date of the termination and assign the Lease to us or our nominee or, if you are the owner of the Franchise Location, lease the Franchise Location to us or our nominee for a period equal to the remaining period in the initial term of this Franchise Agreement, with an option to renew for one five year term, at the fair rental value and on terms comparable to those generally offered for comparable commercial premises on the termination date but including the provisions described in Section 4.2; (ii) sell or assign to us or our nominee all of your interest in all or any portion of the signs, digital menu displays, FFE, fixtures, or equipment located on or at the Franchise Location and we shall pay you for your interest in those signs, digital menu displays, FFE, fixtures, or equipment you own a sum equal to the aggregate of the payments you made to acquire your interest in those signs, digital menu displays, FFE, fixtures, or items of equipment, less any portion of that sum you paid as rent, lease payments, or interest and a depreciation allowance of 25% for each year since their purchase, but not less than 10% of the original cost of each item; and (iii) sell all or any part of the goods, supplies, merchandise, Inventory, Food Products, and Ingredients in the Franchise Location to us or our nominee for the same price you paid for them. If we do not exercise the right given us in clause (i) of this Paragraph, you shall do all things we require to de-identify the Franchise Location and remove or alter all elements and characteristics of its appearance that we consider part of our trade dress.

C. Notwithstanding any other provision of this Article, neither we nor our nominee shall be required to purchase any fixtures, equipment, goods, supplies, merchandise, Inventory, Food Products, or Ingredients of a brand we have not then approved or not meeting any specifications we have established or that is older than any expiration or use by date on the goods, supplies, merchandise, or Food Product.

27.2 Failure to Perform. If you do not perform any act described in Section 27.1A within the time period provided, in addition to all other rights given to it by this Franchise Agreement or by law, we may:

a. Enter the Franchise Location without being deemed guilty of trespass or conversion or any other tort and without liability to you or your successors in interest and make the changes and removals described in Section 27.1A for and at your expense and you shall pay that expense on demand;

b. Execute for and in your name any instruments necessary to accomplish the things described in Section 27.1A, and you hereby irrevocably appoint, constitute, and designate us as your attorney-in-fact to do any acts and things necessary to accomplish the winding up of the Franchised Business in accordance with Section 27.1A; and

c. If we have a right to be permitted to occupy the Franchise Location, remove from the Franchise Location and store at your expense at a location we select any personal property in the Franchise Location that we choose to remove. All that property shall be forfeited to us for storage costs if it is not claimed and all storage costs are not paid within 90 days after the termination of this Franchise Agreement or the expiration of its term, as the case may be.

28. RIGHT TO SPECIFIC PERFORMANCE AND INJUNCTION. Because the Franchised Business is part of a system of commercial establishments that have a common appearance and present a uniform public identity and because the Dripp® Name, Marks, and Method are unique, your failure to comply with the terms of this Franchise Agreement would cause irreparable damage to DI, us, our Related Parties, other Dripp® franchisees, and the Dripp® Name, Marks, and Method. Accordingly, if you do not comply with any of your obligations as required by this Franchise Agreement, other than your obligations to pay money to us, we shall be entitled to a decree of specific performance enforcing those provisions and/or an injunction against continued conduct in violation of this Franchise Agreement against you, your officers, directors, shareholders, members, managers, partners, agents, servants, employees, and all others in active concert or participation with you, without notice and without bond or other security.

29. LATE CHARGE; APPLICATION OF PAYMENTS; OFFSET; NONPERFORMANCE FEE; SERVICE CHARGES.

29.1 Late Charge. If we do not receive payment of any sum payable to us under this Franchise Agreement on or before the due date, we shall incur expenses not contemplated by this Franchise Agreement, including (without limitation) processing, accounting, collection, and other administrative expenses, the exact amount of which it would be extremely difficult and impracticable to ascertain. Therefore, you agree that if we do not receive any payment due to us from you under this Franchise Agreement on or before the due date, you shall deliver to us with the past due payment a late charge equal to 10% of the past due payment but not less than $50. You agree that this late charge represents a fair and reasonable estimate of the expenses we will incur as a result of late payments. Acceptance of any late charge shall not constitute a waiver of your default with respect to the past due amount or prevent us from exercising any other rights given us by this Franchise Agreement or law.

29.2 Application of Payments; Offset. We may apply any payments received from you to any items then due or past due from you regardless of any designation you make. We may offset against any sums belonging to you or to which you are entitled any sums you owe us or will, with the passage of time, owe us. You may not offset against any amounts due or payable to us any sums you claim are due from us to you without our prior written consent.

29.3 Noncompliance Fee. You acknowledge that if you have not complied with one or more of your obligations in Articles 10, 11, or 14 through 16 and Section 8.3 (the "Standards Provisions") and you fail to cure that noncompliance in the time period provided in our notice, we and other franchisees will suffer damage to the goodwill and public image of the Dripp® System, the exact amount of which is not readily ascertainable with certainty. Accordingly, you agree that as a reasonable estimate of the damage, if we give you notice of a violation of any of the Standards Provisions and you do not cure that violation in the time period provided in our notice, you shall pay us, in addition to all other sums due to us, a $500 noncompliance fee for each default. You shall deliver the noncompliance fee to us within five business days after you receive an invoice and we may collect it in any manner, including (without limitation) by auto-debit to your bank account or credit card charge as provided in Section 3.5.

29.4 Service Charge. You acknowledge that if we exercise any of the rights given us by Article 11 (maintenance; Refurbishment; additional FFE), Article 12 (recordkeeping; reports; inspections and audits), Section 14.3 (advertising and promotional campaigns), Section 14.10 (signs), Section 14.11 (digital menu displays), Article 17 (insurance), or Article 19 (taxes and assessments; permits and licenses) (collectively, the "Remediable Violations"), we will be performing for and on your behalf certain of your obligations and duties under this Franchise Agreement and, in so doing, we shall incur expenses not otherwise contemplated by this Franchise Agreement, the exact amount of which it would be extremely difficult and impracticable to ascertain. Those expenses include (without limitation) administrative costs related to the procurement and supervision of the remedial work and processing, accounting, and collection costs. Therefore, if we take any remedial action permitted for any of the Remediable Violations, you shall pay us on demand, and we may auto-debit your bank account or charge your credit card as provided in Section 3.5, in addition to all other sums due to us, a service charge equal to 5% of the charges we incurred in taking that remedial action, but not less than $50. You agree that this service charge represents a fair and reasonable estimate of the costs we will incur in taking that remedial action. Acceptance of any service charge shall not constitute a waiver of your default with regard to the obligation or duty we elected to fulfill or prevent us from exercising any other rights given us by this Franchise Agreement or law.

30. ATTORNEYS' FEES AND COLLECTION COSTS.

30.1 Litigation. If any arbitration, action, or proceeding is brought to enforce rights under any portion of this Franchise Agreement, the prevailing party shall be entitled to recover all costs and reasonable attorneys' fees (including all expert witness and consultant fees and fees incurred in connection with any appeal) as costs of suit (and not as damages). For purposes of this Section, prevailing party shall mean the party who is legally entitled to recover costs of suit. A party not entitled to recover costs of suit shall not recover attorneys' fees under this Section. Neither the amount of attorneys' fees awarded to a party nor the portion of an award to a party equal to the amount offered to that party in any statutory offer to compromise shall be included in calculating the amount of a judgment for purposes of determining whether a party is entitled to recover costs or attorneys' fees.

30.2 Collection and Termination Costs. You shall pay us on demand, in addition to all other sums due us, all attorneys' fees and other expenses we incurred in connection with the collection of any sums past due from you under this Franchise Agreement and/or the termination of this Franchise Agreement, whether or not a legal proceeding is commenced or final judgment is obtained, unless you are awarded attorneys' fees under Section 30.1 in a lawsuit brought by us to collect those sums or terminate your interest.

31. NOTICES; PAYMENTS.

31.1 Addresses. All notices and demands required or permitted to be given under this Franchise Agreement shall be given in writing and personally delivered or sent by facsimile transmission, overnight courier service, or United States registered or certified mail, postage prepaid, addressed as follows:

If to us:

Dripp Franchising Inc.
4300 Edison Avenue
Chino, California 91710
Attention: Rabih Sater, President
Email: rabih@espressorepublic.com
Facsimile: (909) 606-6839

If to you:

____
____
____

____

____

____

The addresses in this Section may be changed by giving notice of that change in accordance with this Section.

31.2 Constructive Receipt. Notice shall be deemed to have been received upon delivery as to communications that are personally delivered or sent by overnight courier service, upon facsimile transmission if transmitted any business day before 5:00 p.m. local time at the place of receipt or on the next business day if transmitted after 5:00 p.m. local time at the place of receipt, and upon the earlier of actual receipt or three postal delivery days after deposit in any United States mail post office box in the state to which the notice is addressed or four postal delivery days after deposit in any United States mail post office box other than in the state to which the notice is addressed, postage prepaid and addressed as set forth in this Article.

31.3 Delivery of Payments and Reports. All payments and reports to be made or delivered to us under this Franchise Agreement shall be made or delivered as required by this Franchise Agreement and to the address in Section 31.1. All payments must be received by us no later than the due date.

31.4 Electronic or Facsimile Counterparts. All notices or documents required or permitted to be delivered to you by us may be delivered electronically, including (without limitation) as a PDF attached to an email message, and shall be deemed delivered on any business day on which they are sent before 5:00 PM local time at the place of receipt or the next business day if not delivered before 5:00 PM local time at the place of receipt. Facsimile and electronic signatures shall be as effective as original signatures.

32. MISCELLANEOUS.

32.1 Time of Essence. Time is of the essence of each provision of this Franchise Agreement.

32.2 Successors and Assigns. Except as otherwise provided in Articles 20 and 21 and Section 22.1 the terms of this Franchise Agreement shall apply to, be binding upon, inure to the benefit of, and be enforceable by your and our respective personal representatives, successors in interest, heirs, and assigns.

32.3 Severability; Modification. If any term, covenant, or condition of this Franchise Agreement or the application of it to any person, entity, or circumstance is held invalid or unenforceable to any extent by a final decision of a court of competent jurisdiction, after all appeal rights have been exhausted or have expired, that term, covenant, or condition shall be deemed amended to the extent and for purposes of that application to render it enforceable to the fullest extent permitted by law. The remainder of this Franchise Agreement, or the application of that term, covenant, or condition to persons, entities, or circumstances other than those as to which it is held invalid or unenforceable shall not be affected and shall be valid and enforced to the fullest extent permitted by law. Except as otherwise provided in this Section, no amendment to or modification of this Franchise Agreement shall be effective unless contained in a writing signed by you and us.

32.4 Entire Agreement.

A. This Franchise Agreement is intended to be a final expression of the agreement between you and us regarding the Franchised Business; its terms may not be contradicted by evidence of any prior or contemporaneous agreements. We and you further intend this Franchise Agreement to be a complete and exclusive statement of the terms of our agreement regarding the Franchised Business; no extrinsic evidence other than the related agreements to which reference is made in this Franchise Agreement may be used to interpret, explain, or supplement this Franchise Agreement.

B. You represent and warrant to us that: (i) you have neither received nor reviewed and are not relying upon any earnings claims other than those, if any, contained in the Franchise Disclosure Document delivered in connection with the offer and sale of the franchise; (ii) you have not received or relied upon any promises regarding any financial assistance to be obtained from or through us; (iii) you have not received or relied upon any claim, representation, statement, or projection regarding future growth, income, or viability of the Franchised Business or the Dripp® System; and (iv) neither we nor any of our employees, agents, or representatives have made any representations or promises not expressly stated in this Franchise Agreement or the Franchise Disclosure Document delivered in connection with the offer and sale of the franchise.

C. Nothing in this Franchise Agreement or any related agreement we have made with you is intended to or shall disclaim any representation contained in the last Franchise Disclosure Document we delivered to you or require you to waive reliance on any representation made in that Franchise Disclosure Document or any exhibit or amendment to it.

32.5 Headings. The headings in this Franchise Agreement are for convenience only and shall have no effect on its interpretation.

32.6 Waiver. No waiver by either party of any of its rights under this Franchise Agreement shall be effective unless contained in a writing delivered to the other party. No course of dealing, delay in exercising any right, power, or remedy, acceptance of payments, late charges, or performance from a party when that party is in default, or enforcement of any remedy shall operate as a waiver or otherwise prejudice of the other party's rights, powers, or remedies under this Franchise Agreement.

32.7 Remedies Cumulative. All rights and remedies of the parties under this Franchise Agreement shall be cumulative and none shall exclude any other right or remedy given it by this Franchise Agreement or by law. The exercise by a party of any right or remedy provided by this Franchise Agreement or by law shall not prejudice, exclude, or waive that party's right to avail itself of any other right or remedy provided by this Franchise Agreement or by law and shall not act as or be deemed an election of remedies.

32.8 Survival of Covenants. Wherever the context requires, your covenants and duties under this Franchise Agreement shall survive the cancellation, termination, or expiration of the term of this Franchise Agreement.

32.9 Governing Law. The laws of the State where the Franchise Location is situated, without regard to its law on conflicts of law, shall govern the validity, construction, performance, and enforcement of this Franchise Agreement any dispute relating to it, the Franchised Business, the Franchise Location, or the relationship between us and you.

32.10 Forum; Venue. Any legal action, claim, or lawsuit directly or indirectly arising out of or related to this Franchise Agreement, the Franchised Business, the Franchise Location, or the relationship between us and you shall be instituted exclusively in the federal or state courts located in the County of Riverside, State of California, and nowhere else. Any such legal action, claim, or lawsuit as to which there is for any reason federal jurisdiction shall be instituted exclusively in a federal district court located in the United States District Court having jurisdiction over Los Angeles County, California.

32.11 No Class Actions; No Jury Trial. No action or proceeding directly or indirectly arising out of this Franchise Agreement, the Franchised Business, the Franchise Location, or the relationship between us and you shall be brought as a class action. Any claim you bring or assert against us shall be brought or asserted only by and for you individually and not as a member of any class. To the maximum extent permitted by Applicable Law, you waive any right to a jury trial in any action or proceeding arising out of or related to this Franchise Agreement, the Franchised Business, the Franchise Location, or the relationship between us and you.

32.12 Relationship of Parties. The relationship between you and us is, and shall at all times be, only that of licensee and licensor. You are not and shall not hold yourself out as our agent, employee, legal representative, subsidiary, joint venturer, or partner and nothing contained in this Franchise Agreement or elsewhere shall be construed to create any relationship between you and us other than independent contractors. You shall not have any right or power to and shall not attempt to bind, make liable, or obligate us in any manner whatsoever.

32.13 Joint and Several Liability. The liability of each individual or entity executing this Franchise Agreement as franchisee shall be joint and several.

32.14 Recitals; Schedule and Exhibits. The recitals set forth in paragraphs A through E at the beginning of this Franchise Agreement are the basic premises of this Franchise Agreement and are incorporated in it. The Exhibits and Schedule referred to in this Franchise Agreement are attached and incorporated in it by this reference.

32.15 Use of Pronoun. The word you shall be deemed and taken to mean each and every person or entity executing or authorizing execution of this Franchise Agreement as franchisee. The use of the neuter singular shall be deemed to include the plural, feminine, and masculine.

32.16 Covenants and Conditions. Each of your obligations and duties under this Franchise Agreement shall be deemed to be not only a covenant but also a condition to any of our obligations or duties.

32.17 Counterparts; Electronic Signatures. This Franchise Agreement may be executed in one or more counterparts, all of which taken together shall constitute one original agreement. Facsimile and electronic transmissions, including (without limitation) as a PDF attachment to an email, or by facsimile transmission shall be as effective as an original.

32.18 Anti-Terrorism Law Compliance. You represent and warrant to us that: (a) neither you nor any of your shareholders, members, officers, directors, managers, employees, or anyone associated with the Franchised Business in any way (collectively, "Associates") is subject to sanctions of the United States government or is in violation of any laws relating to anti-corruption, anti-bribery, terrorism, money laundering or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Action of 2001, Public Law 107-56, as amended, and Executive Order No. 13224 (Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism) (the "Executive Order") (collectively, the "Anti-Bribery, Anti-Money Laundering, and Anti-Terrorism Laws"); (b) neither you nor any of your Associates is acting, directly or indirectly, on behalf of terrorists, terrorist organizations, or narcotics traffickers, including those persons or entities that appear on the Annex to the Executive Order, or are included on any relevant lists maintained by the Office of Foreign Assets Control of the United States Department of Treasury, United States Department of State, or other United States governmental authority, all as may be amended from time to time; (c) neither you nor any of your Associates is a country, territory, individual, or entity named on any of (i) the two lists maintained by the United States Department of Commerce (Denied Persons and Entities), (ii) the list maintained by the United States Department of Treasury (Specially Designated Nationals and Blocked Persons), and (iii) the two lists maintained by the United States Department of State (Terrorist Organizations and Debarred Parties) (a "Government List"); (d) neither you nor any of your Associates is currently the subject of any United States sanctions program administered by the Office of Foreign Assets Control of the United States Department of the Treasury ("OFAC") and none of the funds to be used in connection with the Franchised Business constitute property of, or are held by any person currently subject to any United States sanctions program administered by OFAC, nor are those funds derived from or the result of any unlawful activity; (e) no property owned by or interests of you or any of the Associates is subject to being "blocked" under any of the Anti-Bribery, Anti-Money Laundering, and Anti-Terrorism Laws; and (f) if any of the Associates becomes subject to or violates any of the Anti-Bribery, Anti-Money Laundering, and Anti-Terrorism Laws you shall immediately sever their relationship with you and the Franchised Business. Any violation of this Section is an incurable breach of this Franchise Agreement that gives us the right to terminate this Franchise Agreement without prior notice. Your representations and warranties set forth in this Section shall survive the expiration or earlier termination of this Franchise Agreement.

32.19 Information; Investigation; Compliance with FTC Rule and State Law. You acknowledge that you: (a) have had an opportunity to investigate and analyze the Franchised Business independently and discuss with your advisors as you thought appropriate the advisability, risks, and merits of purchasing and operating a Dripp® Shop franchise; (b) have had an opportunity to independently investigate, review, and analyze any Franchise

Location presently identified in Exhibit A, understand that our indication that a location fits our basic site criteria does not constitute any warranty regarding its desirability, viability, or condition, and are not relying on any implicit or explicit representation from us regarding the Franchise Location; (c) received a copy of the Dripp® Franchise Disclosure Document at least 14 calendar days before the date you signed this Franchise Agreement and/or paid or gave us any consideration; and (d) received a copy of this Franchise Agreement and any Addenda to it in form for execution at least seven calendar days before the date you signed this Franchise Agreement.

IN WITNESS WHEREOF, we have caused this Franchise Agreement to be executed by our duly authorized officer and you have executed this Franchise Agreement or caused it to be executed by your duly authorized officer or manager as of the date first above written.

US	**YOU**
Dripp Franchising Inc.,	______________________________
a California corporation	______________________________
By______________________________	By______________________________
Rabih Sater, President	______________________________
	(Print name and title)
Dated: ______________________________	Dated: ______________________________

FRANCHISE LOCATION

EXHIBIT A

FRANCHISE LOCATION

Location for Dripp® Shop selected by Franchisee this ______ day of ______________.

Location: ____.

FRANCHISEE
____
____

By___________________________________
____
(Print Name and Title)

Dripp Franchising Inc., a California corporation

By______________________________
Rabih Sater, President

MEMORANDUM OF TERM COMMENCEMENT DATE

EXHIBIT B

MEMORANDUM OF TERM COMMENCEMENT DATE

As provided by Section 2.1 of that certain Dripp® Franchise Agreement made and entered into by and between Dripp Franchising Inc., a California corporation ("Franchisor") and the undersigned franchisee ("Franchisee"), the undersigned hereby confirms and states that the term of the Franchise Agreement commenced on ________________________________, 20___.

IN WITNESS WHEREOF, Franchisor and Franchisee have executed this Memorandum of Term Commencement Date.

FRANCHISOR

Dripp Franchising Inc., a California corporation

By:________________________________
Rabih Sater, President

FRANCHISEE

____

____
(Print Franchisee's Name)

By________________________________

____
(Print Name and Title)

FRANCHISE LOCATION LEASE ADDENDUM

EXHIBIT C

ADDENDUM

TO LEASE DATED ___________________ ("Lease")

BY AND BETWEEN

____ ("Landlord")

AND

____ ("Tenant")

FOR BENEFIT OF
DRIPP FRANCHISING INC. ("Franchisor")

FACTUAL BASES.

A. Franchisor is the franchisor and Tenant is the franchisee under that certain Dripp® Franchise Agreement dated ________________, 20___ (the "Franchise Agreement"), pursuant to which Franchisor has granted Tenant a franchise to operate a Dripp® Shop (the "Franchised Business").

B. Tenant wishes to enter into a Lease with Landlord (the "Lease") for the premises owned by Landlord described in Schedule 1 (the "Premises").

C. Franchisor has approved Tenant's request to locate the Franchised Business in the Premises so long as the terms and conditions set forth in this Addendum are made a part of the Lease.

D. Recognizing the value of having the Franchised Business in the Premises and wishing to take the action necessary to permit Tenant to enter into the Lease, Landlord is willing to amend the Lease as set forth in this Addendum.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Landlord and Tenant hereby agree to modify, amend, and supplement the Lease as follows:

1. Use of Marks, Trade Dress, Signage, and Menu Boards. Landlord shall permit Tenant to install in the Premises the tenant improvements designated by Franchisor, decorate the Premises with the trade dress designated by Franchisor (including, without limitation, painting and other interior and exterior decorations), use and install signs and menu boards designated by Franchisor from time to time, and change and redecorate the Premises as required by Franchisor from time to time. Any interruption in Tenant's operations related to the exercise of these rights shall not constitute a violation of any continuous operation covenant in the Lease.

2. Restricted Use. The Premises shall be used solely for the operation of the Franchised Business and for no other purpose throughout the duration of the Lease and any extended occupancy by Tenant, except as Franchisor may otherwise agree in writing. Should Tenant lose the right to operate the Franchised Business, the Lease shall terminate unless Franchisor exercises its right to assume the Lease as provided in this Addendum.

3. Franchisor's Right to Assume Lease. Landlord grants Franchisor the right to assume the Lease if Tenant and Franchisor agree to terminate the Franchise Agreement for any reason or at any time when Tenant is in default under the Lease or the Franchise Agreement, without fulfilling any of the requirements or conditions of the Lease and notwithstanding any conditions to assumption set forth in the Lease. Upon receipt of Franchisor's written notice of the assumption of the Lease as provided in this Addendum, Landlord shall recognize Franchisor's assumption of the Lease and shall recognize Franchisor as the tenant under the Lease in place and stead of Tenant, and Franchisor will thereafter be bound by all of the terms and conditions of the Lease. Any assumption of the Lease by Franchisor or subsequent assignment of the Lease by Franchisor as permitted by this Addendum will not release Tenant from its obligations under the Lease and any cure amount paid by Franchisor will be limited to an amount equal to two months of the base rent due under the Lease. Unless and until Franchisor exercises its right to assume and agrees in writing to assume the Lease, Franchisor will have no liability or obligation to Landlord under the Lease or otherwise and shall not succeed to any liability for any default of Tenant that predates Franchisor's assumption of the Lease.

4. Notices to Franchisor; Franchisor's Cure Period. Landlord will deliver to Franchisor copies of each and every communication or notice in any medium whatsoever ("Notice") Landlord delivers to Tenant or to the Premises at the same time the Notice is delivered to Tenant. If the Notice is a notice of default under the Lease and Tenant fails to timely cure the noticed default in the cure period allowed by the Lease or the Notice (whichever is longer), as a condition to any further action by Landlord to terminate the Lease or Tenant's tenancy, on the business day after the cure period expires Landlord shall deliver to Franchisor written notice of Tenant's failure to timely cure ("No Cure Notice"). Franchisor shall have the option but no obligation to cure any default by Tenant. Franchisor shall have five business days after receipt of the No Cure Notice to deliver to Landlord notice that Franchisor elects to undertake to cure the default and 10 days after its receipt of the No Cure Notice to cure any monetary default or commence cure of any nonmonetary default not capable of being cured in 10 days, so long as after the expiration of the 10 day period Franchisor diligently pursues cure of any nonmonetary default (respectively, the "Cure Period"). If Franchisor delivers notice to Landlord that Franchisor will undertake cure of the default, Landlord shall not take any action to terminate the Lease until Franchisor's Cure Period has expired. Franchisor's election to cure shall not be deemed an election to assume the Lease unless and until Franchisor gives Landlord express written notice of assumption as provided in this Addendum. If Franchisor does not elect to cure any Tenant default or does not complete cure, Landlord may proceed directly against Tenant in the manner provided in the Lease but will have no rights or remedy against Franchisor.

5. Franchisor's Assignment of Lease. At any time after Franchisor delivers notice of its election to take an assignment of the Lease, Franchisor may assign the Lease or sublet the Premises to an affiliate of Franchisor or a franchisee approved by Franchisor by delivering written notice of the assignment and a copy of a written assignment and assumption signed by or on behalf of the affiliate or assignee, without charge or penalty. Upon any assignment, Franchisor shall be released from any further obligations under the Lease. Upon request by Franchisor, Landlord shall execute a written consent to assignment or subletting and a general release of Franchisor in a mutually acceptable form.

6. Additional Covenants. Landlord shall not accept Tenant's voluntary surrender of the Lease without Franchisor's prior written consent. Tenant and Landlord shall not renew or extend the term of the Lease without Franchisor's prior written consent. Tenant and Landlord shall not amend, modify, or alter any Lease term without Franchisor's prior written consent, in the absence of which no amendment, modification, or alteration of the Lease shall be enforceable against Franchisor or its assignees or subtenants. Tenant shall not assign its interest in the Lease or sublet all or any portion of the Premises without Franchisor's prior written consent, which may be withheld or conditioned on the same bases Franchisor may refuse to consent to or condition an assignment of the Franchise Agreement.

7. De-Identification. Franchisor shall deliver written notice to Landlord of any termination of the Franchise Agreement prior to its expiration. At any time not more than 30 days after any termination of the Franchise Agreement or 10 days after the expiration of the Franchise Agreement or the Lease, Franchisor may enter the Premises and remove all trade names, trade dress, and other trade indicia associated with Franchisor, including (without limitation) removing external and internal signage and menu boards and point of purchase materials and removing or modifying all architectural characteristics associated with Dripp® as Franchisor deems necessary, all without being guilty of trespass or liable for any tort. Franchisor shall repair any damage to the Premises caused by Franchisor's removals as permitted by this Addendum.

8. Access. Franchisor may access the Premises during the Lease term to ensure compliance by Tenant with its obligations under the Franchise Agreement.

9. Third Party Beneficiary; Addendum Supersedes. Landlord and Tenant agree that Franchisor is an intended third party beneficiary of the Lease with an independent right to enforce its terms against Landlord and Tenant as provided in this Addendum.

10. Renewals and Extensions. If the Lease contains any right for renewal or extension that Tenant does not exercise, Landlord will give Franchisor written notice of Tenant's inaction (the "Renewal Notice"). For 30 days after receipt of the Renewal Notice, Franchisor shall have the option, but no obligation, to exercise Tenant's renewal or extension rights on the terms and conditions set forth in the Lease, except as to time for exercise, by delivering written notice to Landlord. Within 15 days after Landlord's receipt of Franchisor's notice of exercise as provided in this Addendum, Landlord and Franchisor shall execute a Lease assumption agreement in a mutually acceptable form, to be effective on commencement of the extension or renewal term.

11. Notices. Any notices given to Franchisor pursuant to this Addendum shall be in writing and delivered as provided in the Lease notice provisions. Franchisor's address for notice is:

Dripp Franchising Inc.
4300 Edison Avenue
Chino, California 91710
Attention: Rabih Sater, President

12. Effect. This Addendum amends, supplements, and modifies the Lease and shall be and is made a part of the Lease. If there is any conflict between the terms of the Lease and the terms of this Addendum, the terms of this Addendum will govern.

13. Miscellaneous. This Addendum will be binding upon and inure to the benefit of Landlord, Tenant, Franchisor and their respective successors, assigns, heirs, personal representatives, and subtenants. This Addendum sets forth the entire agreement of the parties with respect to Franchisor's rights, superseding any and all prior agreements and understandings between or among the parties to it relating to the subject matter of this Addendum. This Addendum may be amended only by written agreement signed by Landlord, Tenant, and Franchisor.

DRIPP FRANCHISING INC.

By ____________________________
Rabih Sater, President

Date ___________________________

TENANT

____
____

By ________________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

LANDLORD

____
____

By ________________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

EXHIBIT C

SCHEDULE 1: PREMISES

STATE ADDENDUM

EXHIBIT D

AMENDMENT TO FRANCHISE AGREEMENT FOR FRANCHISEES COVERED BY CALIFORNIA LAW

Article 25 is amended for franchisees whose Franchise Location is situated in California by deleting Article 25 of the Franchise Agreement and substituting this Article 25.

25. OUR TERMINATION RIGHTS FOR CALIFORNIA FRANCHISEES.

25.1 Substantial Compliance. Because the Franchised Business and the Franchise Location are part of the Dripp® System, which depends upon uniformity and consistency to protect its value for the benefit of all Dripp® franchisees and because the Franchised Business sells perishable food products so that all aspects of the operation of the Franchised Business require scrupulous care and heightened attention in order to assure product and consumer safety and adequate protection from consumer claims, you acknowledge that your failure to comply with your obligations under this Franchise Agreement that affect the appearance of the Franchise Location, the safety, appearance, operation, and/or quality of the products and services provided by Franchised Business, and the safety and uniformity of the Franchise Location and the goods and services it provides will cause immediate harm to us and other Dripp® franchisees. Accordingly, you acknowledge that for purposes of this Franchise Agreement "substantial compliance" means adherence to the requirements of this Franchise Agreement and the Dripp® Operations Portal in all but the most insignificant details, being those that do not impact in any way the appearance of the Franchise Location, the appearance or quality of the products it sells and the uniformity and quality of the services the Franchised Business provides, or protection from risks related to the operation of the Franchised Business.

25.2 60 Day Notice Defaults. Except for those defaults subject to shorter notice as provided in Section 25.3, you shall be in default and we may terminate this Franchise Agreement if you fail to substantially comply with its requirements within 60 days after we deliver notice that you have:

a. Failed to adhere to the brand designations or approvals, product, supply, FFE, and other specifications, standards, rules, regulations, methods, techniques, and procedures in latest version of the Dripp® Operations Portal we have delivered to you;

b. Failed to carry any menu item included in The Menu or offer or sell at the Franchise Location any other menu item without our prior written consent;

c. Violated the requirements of Section 1.3 regarding use of the Dripp® Name, Marks, or Method;

d. Violated the restrictions in Section 1.3 regarding use of the Dripp® Name, Marks, or Method;

e. Failed to use and maintain all reporting and data systems and/or make any report or maintain and retain any records in accordance with Article 12;

f. Failed to have your Owner Operator and/or General Manager be present in, supervise, oversee, administer, and manage operation of your Dripp® Shop as required by this Franchise

Agreement, unless prevented by a national emergency, act of terrorism, act of Nature, or disaster;

g. Failed to deliver to us on or before the date described in Section 17.4 evidence of the insurance coverage required by Article 17;

h. Had any insurance described in Article 17 cancelled by the carrier;

i. Purported to transfer all or any portion of your interest in this Franchise Agreement or the Franchised Business in violation of Article 20, 21, or 22;

j. Own any interest in, or any of Your Interested Parties or your General Manager owns any interest in, any entity or business that defaults in the performance of any of its covenants, duties, or obligations as required by any other agreement between that party and us or any of our Related Parties, and/or with any third party relating to any business that is the subject of any franchise, license, or other agreement between that person or entity and us or any of our Related Parties;

k. Defaulted in performance of any of your covenants, duties, or obligations under this Franchise Agreement or failed to fulfill any condition of this Franchise Agreement not described in subparagraphs (a) through (j) or Section 25.3; or

l. Defaulted in the performance of any of your covenants, duties, or obligations as required by any other agreement between you and us, any of Our Affiliates, and/or any third party relating to the Franchised Business, the FFE, or the Franchise Location.

25.3 Incurable or Shorter Cure Period Defaults. Notwithstanding the provisions of Section 25.2, you shall be in default and we may terminate this Franchise Agreement if:

a. You or the Franchised Business (i) have any decree or order for relief issued with regard to you in an involuntary case under any applicable bankruptcy, insolvency, or other similar law in effect now or at a later date or appointing a receiver, liquidator, assignee, custodian, trustee, or similar official for you or any substantial part of the property of the Franchised Business, or ordering the winding up or liquidation of your affairs, (ii) had all or a substantial part of your or its assets assigned to or for the benefit of any creditor; or (iii) have admitted inability to pay your or its debts as they come due;

b. You fail to operate the Franchised Business for five consecutive days during which you are required to operate it, or any shorter period after which it is not unreasonable under the facts and circumstances for us to conclude that you do not intend to continue to operate the Franchised Business, unless that failure to operate is due to fire at the Franchise Location, flood, earthquake, or another similar cause beyond your control;

c. You have made or make any material misrepresentations relating to the acquisition of the Franchised Business;

d. You commit any act or engage in conduct that reflects materially (which shall be defined in a manner comparable to the definition of "substantial compliance") and unfavorably on the operation and reputation of the Franchised Business or the Dripp® System or endangers or damages any of the Dripp® Name, Marks, goodwill, or reputation or the reputation or operation of the Franchised Business;

e. For 10 days after receipt of notice of noncompliance, you fail to comply with any Applicable Law, including (without limitation) all health, safety, or building, laws or regulations applicable to the operation of the Franchised Business, fail to pay any taxes, or fail to obtain any license or permit described in Section 19.1;

f. After curing any prior default you fail to comply with this Franchise Agreement in the same manner, whether or not you correct the second noncompliance after we deliver notice;

g. Fail to comply with each and every term, covenant, and condition and to perform on time each of your duties and obligations as required by this Franchise Agreement, other than your obligation to pay us money, on three or more occasions in any calendar year or on more than 10 occasions throughout the term of this Franchise Agreement, whether or not the performance was ultimately rendered;

h. The Franchised Business and/or Franchise Location are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, and a final judgment against you remains unsatisfied for 30 days without your filing a *supersedeas* or other appeal bond;

i. A levy of execution has been made on the license granted by this Franchise Agreement or any of the assets used in the Franchised Business and it is not discharged within five days after levy;

j. You are convicted of a felony or any other criminal misconduct relevant to the operation of the Franchised Business;

k. You fail to pay any sum due and payable to us as and when required by this Franchise Agreement and do not make that payment, including all applicable late charges and interest, within five days after receipt of notice from us;

l. You cease to have the right to occupy the Franchise Location and do not have a right to relocate the Franchised Business as provided in Section 2.3.;

m. We make a reasonable determination that your continued operation of the Franchised Business will result in imminent danger to public health or safety;

n. You disclose, divulge, disseminate, display, duplicate, reveal, reproduce, publish, sell, show, or communicate the Dripp® Method, any of the contents of the Dripp® Operations Portal, or any of the Other Proprietary Information to any person or entity except as permitted by this Franchise Agreement; or

o. You fail on two or more occasions during any 12 month period to pay when due or have available when we make a direct electronic withdrawal or credit card charge any sum due and payable to us as required by this Franchise Agreement, whether or not the payment was ultimately made.

Section 27.2 is amended for franchisees whose Franchise Location is situated in California by adding to Section 27.2:

D. Upon a termination or nonrenewal of this Franchise Agreement, unless (i) you have failed to exercise your right to renew as provided in this Franchise Agreement, (ii) we do not prevent you from retaining control of the Franchise Location so long as you comply with the provisions of this Article relating to deidentification, (iii) we have publicly announced our intention to withdraw completely from offering and selling franchises in the relevant geographic market area (as defined in Applicable Law) in which the Franchise Location is situated, or (iv) we and you agree in writing to terminate or not renew the Franchise Agreement, we shall purchase from you at the price you paid, minus depreciation, all unsold inventory, unsold supplies, equipment, fixtures, and furnishings in your possession on the date notice of termination or nonrenewal is given or your right to renew expires, that you purchased or paid for as required by this Franchise Agreement or any agreement between you and us or our Suppliers. Notwithstanding the foregoing, we shall not purchase any personalized items or any inventory, supplies, equipment, fixtures, or furnishings not reasonably required to conduct the operation of the Franchised Business in accordance with this Franchise Agreement or any ancillary or collateral agreement to which at the cessation of operation of the Franchised Business you cannot lawfully, or do not, grant us upon our tender of payment, good title free and clear of any claim of any other person or entity. Notwithstanding the foregoing, we shall not be required to purchase any inventory, supplies, equipment, fixtures, or furnishings that you sell to any other person or entity between the date of the notice of termination or nonrenewal or the last day for you to exercise a right to renew and your cessation of operation of the Franchised Business. We may offset against any amounts payable pursuant to this Section any amount you owe us.

FRANCHISEE	
________________________________	DRIPP FRANCHISING INC.,
________________________________	a California corporation
By______________________________	By______________________________
________________________________	Rabih Sater, President
(Print Name and Title)	

FRANCHISEE OWNER'S ASSUMPTION, GUARANTY, CONFIDENTIALITY AGREEMENT, AND ASSIGNMENT

FRANCHISEE OWNER'S ASSUMPTION, GUARANTY, CONFIDENTIALITY AGREEMENT, AND ASSIGNMENT

 ("Owner") acknowledges that as a person owning an interest in a Dripp® franchisee or an entity that owns an interest in a Dripp® franchisee ("Franchisee") granted by Dripp Franchising Inc. ("DFI"), Owner:

A. Wishes to induce DFI to enter into a Dripp® Franchise Agreement (the "Franchise Agreement") with and grant a franchise to Franchisee and recognizes why DFI would not grant a franchise to an entity franchisee unless the entity's owners stand behind the entity's obligations under the Franchise Agreement;

B. Will obtain and have access to confidential information, trade secrets, and proprietary information, materials, and data that belong to DFI, including (without limitation) convenience store operating techniques; inventory selection, presentation, and promotion; product composition, descriptions, recipes, formulations, selection, and characteristics; food preparation methods, techniques, and standards; quality control standards and mechanisms; product ideas and concepts; proprietary software, source codes, and object codes; proprietary equipment; customer names, needs, requirements, preferences, and purchasing habits; names of vendors and suppliers; prices at which franchisees purchase and sell products, services, goods, and supplies; operating, production, and sales costs; sales, marketing, and business management techniques and information; employee compensation and other terms of employment; revenue, expense, sales, income, and other financial information; and other methods, standards, practices, ideas, inventions, improvements, plans, and information about the franchised business and its operation and the Dripp® method of doing business, franchise system, franchise operations, business, and products (collectively the "Proprietary Information"); and

C. Understands and agrees that DFI relies on its franchisees and their owners, who use and benefit from DFI's resources, training, know-how, reputation, goodwill, and Proprietary Information, all of which DFI has developed at substantial cost, not only to preserve the secrecy of the Proprietary Information but also to generate and develop new and improved ideas, processes, techniques, methods, and recipes and new and additional business, all of which belong to DFI and are part of the value received by DFI in return for the license granted to Franchisee to use the Dripp® name, marks, and method of doing business and participate in the Dripp® franchise system.

NOW, THEREFORE, in consideration of the grant of a franchise to Franchisee, disclosure of the Proprietary Information, and the license granted to Franchisee to use the Proprietary Information during the term of the franchise (which Owner acknowledges and agrees will benefit Owner), Owner hereby agrees:

1. UNCONDITIONAL ASSUMPTION AND CONTINUING PERSONAL GUARANTY.

1.1 ASSUMPTION. Owner consents to, approves, and agrees to be bound by the provisions of the Franchise Agreement and agrees that any and all of Owner's interest in Franchisee shall be subject to the transfer restrictions and other provisions of the Franchise Agreement and that, except as expressly permitted by the Franchise Agreement, Owner will not transfer or attempt to transfer in any manner whatsoever any interest in Franchisee or cause or permit Franchisee to issue any additional ownership interests of any kind or nature whatsoever without DFI's prior written consent, which DFI may withhold as set forth in the Franchise Agreement. Owner unconditionally and irrevocably assumes and agrees to perform as Owner's personal obligation, as if Owner were a primary and direct party to the Franchise Agreement, each and all of the terms, covenants, and conditions of the Franchise Agreement to be kept or performed by Franchisee, including (without limitation) payment of all sums that become due under the Franchise Agreement.

1.2 PERSONAL GUARANTY. Owner unconditionally, irrevocably, and continually guarantees the full performance of each and all of the terms, covenants, and conditions of the Franchise Agreement to be kept or performed by Franchisee, including (without limitation) payment of all sums that become due under the Franchise Agreement. Owner further agrees that:

a. This guaranty shall continue in favor of DFI notwithstanding any (a) extension, modification, or alteration of the Franchise Agreement; or (b) assignment of the Franchise Agreement, with or without DFI's consent;

b. No extension, modification, alteration, or assignment of the Franchise Agreement shall in any manner release, discharge, or exonerate Owner;

c. Owner consents to any extension, modification, alteration, or assignment of the Franchise Agreement;

d. This guaranty shall continue in full force and effect and shall not be changed despite any bankruptcy, reorganization, or insolvency of Franchisee or any successor or assignee of Franchisee, or any disaffirmance or abandonment by a trustee of Franchisee;

e. DFI may assign or transfer this guaranty in whole or in part, with or without notice, and no assignment or transfer shall operate to extinguish or diminish Owner's liability;

f. Owner's liability under this guaranty shall be primary and DFI may, at its option, proceed against Owner for the payment or performance of any obligation of Franchisee under the Franchise Agreement without first seeking payment or performance by or instituting any action against Franchisee, and without joinder of Franchisee in any action to enforce this guaranty;

g. Recourse may be had against Owner's separate property for Owner's obligations or liabilities under this guaranty regardless of whether the Dripp® franchise is community property;

h. This guaranty shall be binding upon and inure to the benefit of the respective successors in interest, personal representatives, heirs, and assigns of DFI and Owner; and

i. Owner waives presentment, demand for performance, notice of default under the Franchise Agreement, notice of nonperformance, notice of acceptance of this guaranty, and diligence, and all other notices or formalities to which Owner might otherwise be entitled.

2. PROPRIETARY INFORMATION.

2.1 Ownership. The Proprietary Information belongs to DFI and Owner disclaims any rights in it. Owner will use the Proprietary Information only in Owner's capacity as an owner and/or employee of Franchisee and during the term of Franchisee's Franchise Agreement and will not at any time during or after termination of Franchisee's Franchise Agreement directly or indirectly disclose, use, or communicate in any fashion, form, or manner any of the Proprietary Information or any proprietary or confidential information of any kind, nature, or description concerning, affecting, or relating to DFI's business or products except as expressly permitted by the Franchise Agreement and only during the term of the Franchise Agreement. Owner will never use any of the Proprietary Information for the benefit of any person or entity except DFI or its franchisees.

2.2 No Copies. Owner will not make any copies of any of the Proprietary Information or any documents, memoranda, reports, files, samples, correspondence, or other written records or materials related to or concerning DFI's business or products (collectively, "Documents") without DFI's prior written consent. Owner will return to DFI on demand any copies of any Documents or Proprietary Information in Owner's possession

2.3 No Disclosure; No Competitive Employment. Owner joins in, assumes, and undertakes each and every covenant and duty pertaining to protection of Proprietary Information, trade secrets, trade or service marks, or other intellectual property, confidentiality, honesty, and accuracy set forth in the Franchise Agreement. Owner will not (a) directly or indirectly reveal to any person or entity any information Owner learns or learned about DFI's business operations, methods, or customers, while Franchisee is a Dripp® franchisee or upon assignment, expiration, or termination of the Franchise Agreement for any reason; or (b) except as expressly permitted in writing by DFI, undertake any employment or activity competitive with DFI or Franchisee during the term of Franchisee's franchise, or after the term of Franchisee's franchise if the loyal and complete fulfillment of Owner's duties would require Owner to reveal, make judgments based upon, or otherwise use any of the Proprietary Information. Because the Proprietary Information is unique, DFI will be entitled not only to damages for breach of the requirements and limitations pertaining to Proprietary Information but also to specific performance of them and an injunction against any action in violation of them, without having to post any bond.

3. ASSIGNMENT OF INVENTIONS. Owner will disclose to DFI all methods, processes, procedures, techniques, ideas, discoveries, or other innovations that relate in any manner to DFI's past, present, or contemplated business, or any area of business into which DFI might naturally expand, conceived or developed by Owner, alone or with others, during the term of the Franchise Agreement (collectively "Developments"). All Developments shall belong exclusively to DFI. During the term of the Franchise Agreement and at any time thereafter, Owner shall sign any documents DFI deems necessary or desirable to assign to DFI all of Owner's interest in any Development or to obtain patents or copyrights for any Development in any country and Owner will assist DFI in obtaining patents and copyrights anywhere in the world. Owner hereby assigns, sells, and transfers to DFI any and all interest Owner may have in the copyrights or any patent obtained for any Development. Owner represents and warrants to DFI that all the work on any Development created by Owner is Owner's original work and that no other person or entity has any interest in any of it. Owner understands that this assignment requirement does not apply to inventions that qualify fully under California Labor Code Section 2870 to the extent it applies to Owner.

4. SEVERABILITY; LEGAL FEES. If any portion of this Agreement is found to be void or unenforceable, that portion shall be deemed amended to the extent necessary to make it fully enforceable and the remaining portions shall continue to be binding and fully enforceable. If any action is brought for breach of this Agreement, the prevailing party shall be entitled to an award of legal fees incurred in connection with that action.

IN WITNESS WHEREOF, Owner has executed this Agreement.

Dated: ______________________________

____
PRINT NAME

____
SIGNATURE

____
Street Address

____
City and State

__________________/__________________
Telephone: home and cellular

____
Email

CONSENT OF SPOUSE/DOMESTIC PARTNER

CONSENT OF SPOUSE/DOMESTIC PARTNER

I, ____________________, hereby certify that I:

1. Am the spouse/domestic partner of ________________________ ("Owner"), who owns an interest in ____, a _______________________ that has signed a Dripp® Shop Franchise Agreement dated as of ______________________________ (the "Franchise Agreement"). Owner has signed a Franchisee Owner's Assumption, Guaranty, Confidentiality Agreement, and Assignment for Dripp Franchising Inc. ("DFI") (the "Owner's Agreement").

2. Have read the Franchise Agreement and the Owner's Agreement know their contents and that by their provisions Owner agrees to certain restrictions on the assign, sell, or transfer of any interest in the Franchise Agreement, agrees to maintain the confidentiality of certain information, and assigns to DFI all rights in inventions and other intellectual property related to the business that is the subject of the Franchise Agreement (the "Franchised Business").

3. Acknowledge that I may have a community property or other interest in the Franchised Business.

4. Consent to and approve the provisions of the Franchise Agreement and the Owner's Agreement, accept and agree to be bound by the Franchise Agreement and the Owner's Agreement as if I had independently signed each of them, and agree that any and all of my interest, if any, in the Franchised Business shall be subject to the provisions of the Franchise Agreement and the Owner's Agreement.

5. Agree that I will not at any time take any action to hinder the operation of the Franchise Agreement or the Owner's Agreement or the performance of the terms of either of them with respect to my interest, if any, in the Franchised Business or any intellectual property that is the subject of the Owner's Agreement and will not attempt to dispose, by Will or otherwise, of all or any part of any interest I may have in Franchise Agreement or the Franchised Business and that the residuary clause of my Will shall be deemed not to apply to any interest in either of them.

6. Agree that in connection with any dissolution of my present marriage or domestic partnership I will transfer to my spouse or domestic partner any and all of my interest, actual or beneficial, in the Franchise Agreement and the Franchised Business.

7. Consent to having my interest, if any, in the Franchise Agreement and the Franchised Business held by Owner in Owner's name alone and managed, controlled, and disposed of solely by Owner.

8. Appoint Owner as my attorney-in-fact for the exercise of any rights or obligations under the Franchise Agreement or the Owner's Agreement.

9. Agree that this Consent shall be binding on my executors, administrators, heirs, and assigns.

10. Agree to execute and deliver any other documents necessary or desirable to carry out the intent of the Franchise Agreement, the Owner's Agreement, or this Consent.

11. Am aware that the legal, financial, and business interests and matters covered by the Franchise Agreement and the Owner's Agreement are complex and that I should seek independent professional guidance or counsel with respect to them if I wish to have that advice.

12. Acknowledge that I have either sought independent guidance, including legal and financial guidance or counsel or determined after reviewing the Franchise Agreement and the Owner's Agreement carefully that I will waive the right to do that.

13. Acknowledge that I am under no disability or impairment that affects my decision to sign this Consent and I knowingly and voluntarily intend to be legally bound by this Consent.

IN WITNESS WHEREOF, I have executed this Consent knowingly and voluntarily as of the ____ day of ____________________ 20___.

____
Signature

____
Print Name

GENERAL RELEASE AND COVENANT SURVIVAL ACKNOWLEDGEMENT

GENERAL RELEASE AND COVENANT SURVIVAL ACKNOWLEDGEMENT

THIS GENERAL RELEASE AND COVENANT SURVIVAL ACKNOWLEDGEMENT is made and entered into as of _______________, 20____ by ____ ____(“Franchisee”), ____ (“_______________”), ____(“_______________”), and ____(“_______________”) (individually and collectively, “Releasors”) for the benefit of Dripp Franchising Inc., a California corporation (“Franchisor”) and its parents, subsidiaries, affiliates, officers, directors, shareholders, agents, employees, independent contractors, and attorneys (collectively, “Released Parties”) with reference to the following facts:

A. Franchisee is the franchisee of a Dripp® franchise located at ____ (the “Franchised Business”) pursuant to a Franchise Agreement between it and Franchisor dated as of ___________________________________(the “Franchise Agreement”). ____________________ ____ are all the owners of Franchisee.

B. Franchisee is transferring all of its right, title, and interest in the Franchised Business, any lease (“Lease”) of the premises where the Franchise is operated (“Premises”), all of the furnishings, fixtures, equipment, goods, inventory, supplies, and other personal property located in or on the Premises or used in the operation of the Franchised Business, and all of its interest in the Franchise Agreement to ____ ____ (“Assignee”).

C. The Franchise Agreement requires that Releasors release all claims against each of the Released Parties upon transfer of Franchisee’s interest in the Franchise Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, each of Releasors hereby agrees:

1. RELEASE.

1.1 GENERAL RELEASE OF RELEASED PARTIES. On and as of the effective date of this Release, each of Releasors, for it, her, or himself and for it, her, or his shareholders, directors, officers, members, managers, spouse (as manager of any community property interest in Franchisee), domestic partner, heirs, beneficiaries, executors, administrators, predecessors and successors in interest, and assigns, and for every person or entity with any interest, direct or indirect, in Franchisee on the effective date of this Release, hereby releases, acquits, and forever discharges each of the Released Parties, and their respective heirs, beneficiaries, executors, administrators, predecessors and successors in interest, and assigns of those of their officers, directors, shareholders, agents, and employees, and every person or entity with any interest in any of them, from any and all duties, claims, debts, liabilities, demands, obligations, expenses, damages, actions, and causes of action of any kind or nature whatsoever, whether known or unknown, suspected or unsuspected (collectively, “Claims”) arising prior to the effective date of this Release, including (without limitation) those arising out of or related in any manner whatsoever to the Franchised Business, the Franchise Agreement, or any alleged breach of contract, misrepresentation, or violation of any statute, law, rule, or regulation relating to the offer or sale of franchises, business opportunities, seller assisted marketing plans, or similar methods of distribution.

1.2 Unknown Claims. Each of Releasors acknowledges and agrees that it, she, or he intends this Release to be effective as a bar to each and all of the Claims, even though it, she, or he recognizes that it, she, or he may be releasing Claims of which it, she, or he is totally unaware or unsuspecting and that it, she, or he might be unwilling to release if known. Accordingly, each of Releasors expressly agrees that this Release shall be given full force and effect according to each and all of its express terms and provisions, including (without limitation) those related to unknown and unsuspected claims, demands, or causes of action, if any, and shall deprive it, her, or him of all Claims against any or all of the Released Parties. In furtherance of this intention, each of Releasors expressly waives any and all rights or benefits that might otherwise be conferred on it, her, or him by California Civil Code Section 1542 or any similar law that may apply. California Civil Code Section 1542 provides:

> "A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

1.3 No Assignment. Each of Releasors represents and warrants to each Released Party that it, she, or he has not assigned or transferred, or purported to assign or transfer, to any other person or entity any claim or other matter released by this Release. Each of Releasors shall indemnify, defend, and hold harmless each of the Released Parties from and against any loss, claims, costs, or expenses (including, without limitation, all legal, expert, and other fees and costs related to the defense of any action) based upon or arising out of any claimed assignment or transfer by it, her, or him.

2. SURVIVAL OF COVENANTS. Each of Releasors confirms and acknowledges that the following Sections of the Franchise Agreement survive the assignment of the Franchise Agreement and that it, she, or he continues to be bound by Franchise Agreement Sections ______________________________. Each of Releasors confirms and acknowledges that the Franchisee Owner's Assumption, Guaranty, Confidentiality Agreement, and Assignment remains in full force and effect.

3. LEGAL FEES. Should any action or proceeding be brought to interpret or enforce rights pursuant to this Release, the party prevailing in that action shall be entitled to recover reasonable legal fees, including (without limitation) costs and fees incurred in connection with any appeal, as costs of suit (and not as damages).

4. GOVERNING LAW. The laws of the state where the Franchised Business is located shall govern the interpretation, construction, and enforcement of this Release.

5. REPRESENTATION. Each of Releasors acknowledges and warrants that it, she, or he has had the opportunity to be represented by counsel of its, her, or his own choosing in connection with the preparation and execution of this Release and the negotiation of its terms, and has done so to the extent it, she, or he deemed necessary. Accordingly, although this Release was initially prepared by counsel for Franchisor, it shall not be construed more strictly against one party than another.

6. COUNTERPARTS; ELECTRONIC SIGNATURES. This Release may be executed in one or more counterparts, all of which taken together shall constitute one original agreement. This Release shall be binding upon each party as and when it has been signed by or on behalf of that party, regardless of whether any other party has or does sign any counterpart. Signatures on counterparts transmitted electronically or by facsimile transmission shall be as effective as an original but a signatory shall deliver an ink original within three business days after receipt of a written request from any party to or beneficiary of this Release.

7. AUTHORITY. Each signatory represents and warrants that it, she, or he has full authority to execute this Release on behalf of any entity for which it, she, or he signs and that by its, her, or his signature below that entity is bound.

IN WITNESS WHEREOF, each of Releasors has executed this Release as of the date first above written.

RELEASORS

FRANCHISEE

______________________________ ______________________________ Entity Name	______________________________ Signature
By:___________________________ Signature	______________________________ Print Name
______________________________ Name and Title of Signer	______________________________ Signature
	______________________________ Print Name
	______________________________ Signature
	______________________________ Print Name

FRANCHISEE CERTIFICATION

DRIPP FRANCHISING INC.

DRIPP® FRANCHISEE CERTIFICATION

In connection with the execution of a Franchise Agreement between you and Dripp Franchising Inc. ("we", "us", or "our") for your development and operation of a Dripp® franchise (the "Franchise"), we wish to determine whether any of our employees or representatives has made any statement or promise to you that we have not authorized and that may be untrue, inaccurate, misleading, or unenforceable.

Please review each of the questions and statements below carefully and be sure that the responses you provide are accurate and complete.

1. Have you received and personally reviewed the Franchise Agreement, all other agreements you will sign with us ("Related Agreements"), and all schedules, exhibits, addenda, and amendments to all of them?

   Yes _____ No _____

2. Do you understand all of the information contained in the Franchise Agreement, each Related Agreement, and all schedules, exhibits, addenda, and amendments to all of them?

   Yes _____ No _____

   If not, what parts of the Franchise Agreement, Related Agreements, schedules, exhibits, addenda, and amendments do you not understand? (Attach additional pages, if necessary.)

   ____
   ____
   ____
   ____

3. Have you received and personally reviewed our Franchise Disclosure Document ("FDD") dated March 19, 2019?

   Yes _____ No _____

4. Did you sign a receipt for the FDD that correctly reflects the date you first received the FDD?

   Yes _____ No _____

5. Do you understand all of the information contained in the FDD and any state-specific Addendum to it?

   Yes _____ No _____

   If not, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

   ____
   ____
   ____
   ____

6. Have you discussed with an attorney, accountant, and/or other professional advisor the benefits and risks of entering into the Franchise Agreement and developing and operating a Dripp® franchise?

   Yes _____ No _____

   If not, do you wish to have more time to do so?

   Yes _____ No _____

7. Do you understand that the success or failure of your franchised Dripp® business will depend in large part on your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms, and other economic and business factors?

   Yes _____ No _____

8. Has any employee or other person claiming to speak on our behalf made any statement or promise concerning the actual or possible revenues, profits, or operating costs of a Dripp® franchise that is contrary to, different from, or in addition to the information contained in the FDD?

   Yes _____ No _____

9. Has any employee or other person claiming to speak on our behalf made any statement or promise regarding the amount of money you may earn in operating a Dripp® franchise?

   Yes _____ No _____

10. Has any employee or other person claiming to speak on our behalf made any statement or promise concerning the total amount of revenue a Dripp® franchise will or may generate?

    Yes _____ No _____

11. Has any employee or other person claiming to speak on our behalf made any statement or promise regarding the costs you may incur in operating a Dripp® franchise that is contrary to, different from, or in addition to the information contained in the FDD?

Yes _____ No _____

12. Has any employee or other person claiming to speak on our behalf made any statement or promise concerning the likelihood of your success operating a Dripp® franchise?

Yes _____ No _____

13. Has any employee or other person claiming to speak on our behalf made any statement, agreement, or promise concerning the advertising, marketing, training, support service, or assistance we will furnish to you that is contrary to, different from, or in addition to the information contained in the FDD?

Yes _____ No _____

14. Have you entered into any written agreement with us concerning the purchase of a Dripp® franchise before today?

Yes _____ No _____

15. Have you paid any money to us relating to the purchase of a Dripp® franchise before today?

Yes _____ No _____

16. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the Dripp® franchise and your rights to and with regard to it and that any prior oral or written statements not set out in the Franchise Agreement will not be binding?

Yes _____ No_____

17. If you have answered “yes” to any of questions 8-15, please provide a full explanation of each “yes” answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered “no” to each of questions 8-15, please draw a diagonal line through the following lines.

I signed the Franchise Agreement and Addenda (if any) on _____________, 20____, and acknowledge that no agreement or addendum is effective until signed and dated by you.

YOUR ANSWERS ARE IMPORTANT TO US AND WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED CAREFULLY AND RESPONDED TRUTHFULLY TO EACH QUESTION ABOVE.

FRANCHISEE APPLICANT

____
Individual or Entity Name

By___________________________________
Signature

____
Name and Title

_________________________________, 20___
Date

FRANCHISEE INFORMATION

FRANCHISEE INFORMATION

1. Approved location: ____
____
____

Facility Number: ______________

2. Address for notices (if different than 1): ____
____
____

3. Franchisee's ownership and management. The Franchisee is *[check one]*

_____ (a) an individual who is not married and is not a domestic partner
_____ (b) married couple
_____ (c) domestic partners
_____ (d) a corporation State of incorporation: ____________________
_____ (e) a limited liability company State of formation: ____________________
_____ (f) a general partnership State of formation: ____________________
_____ (g) a limited partnership State of formation: ____________________
Identity of general partner: ____________________
_____ (h) other Explain: ____________________

4. The following persons are the owners, officers, directors, and managers of the Franchisee and their spouses or domestic partners:

Name and Address	Home Telephone, Cell Phone, and Personal Email	Indicate all positions held as Manager or Officer, Director, and/or partner and nature and percentage of ownership		

5. Owner Operator: ______________________________________

Initial General Manager: ______________________________________

STATE ADDENDUM

CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

OUR WEBSITE, DRIPP.COM, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT WWW.DBO.CA.GOV.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

ITEM 3. LITIGATION

Neither we nor any person or franchise broker in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

Item 17 is amended for California franchisees as shown in Attachment 1 to this State Addendum, as provided in the California State Addendum to the Franchise Agreement.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning assignment, termination, transfer, or non-renewal of a franchise. California Corporations Code Sections 31000 through 31516, and California Code of Regulations, Sections 310.000 through 310.505 provide additional rights. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

Section 25(t) and (u) of the Franchise Agreement allow us to terminate if you become insolvent or if a petition in bankruptcy is filed by you or filed against and consented to by you or not dismissed within 60 days. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. § 101 et seq.)

RISK FACTORS REQUIRED BY THE STATE OF CALIFORNIA:

PURCHASES

You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from us, from our affiliates, or from suppliers that we designate at prices we 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.

INTEREST RATE

The highest interest rate allowed by law in California is 10% annually.

ITEM 12. TERRITORY

THE TERRITORY IS NOT EXCLUSIVE. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM FRANCHISOR OWNED OUTLETS, OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS FRANCHISOR CONTROLS.

GUARANTY

YOUR SPOUSE MUST ALSO SIGN A PERSONAL GUARANTEE MAKING YOUR SPOUSE INDIVIDUALLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE AGREEMENT. THE GUARANTEE WILL PLACE YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.

OTHER MATTERS

THE FRANCHISE AGREEMENT CONTAINS PROVISIONS THAT LIMIT FRANCHISEE'S RIGHTS AND MAY NOT BE ENFORCEABLE IN CALIFORNIA INCLUDING BUT NOT LIMITED TO A WAIVER OF JURY TRIAL.

ATTACHMENT 1 TO STATE ADDENDUM

The following sections of Item 17 are amended for California franchisees:

Provision	Section in the Franchise Agreement	Summary
g. "Cause" defined – defaults that can be cured	California Addendum to Franchise Agreement Sections 25.2, 25.3(e), 25.3(h), 25.3(i), and 25.3(k)	Not curing within 60 days after notice any failure to: adhere to standards, rules, and procedures; menu requirements; trade identity use requirements and restrictions; use any reporting or data systems other than the point of sale system we designate for your use or fail to make any report; have you, your Owner Operator, and/or General Manager present at your Dripp® Shop as required; deliver evidence of required insurance coverage or have insurance cancelled by carrier; assign, transfer, or encumber the Franchise Agreement or business in violation of restrictions and requirements; perform under your Franchise Agreement or fulfill any condition not described in Section 25.2(a) through (j) or 25.3; perform under any other agreement with us, any of our affiliates, or any third party related to your Dripp® business; or perform any agreement between any entity or business owned or partially owned by you or any of Your Interested Parties and us, any of our affiliates, or any third party related to your Dripp® business. Not curing within 10 days after notice failure to comply with laws applicable to the operation of your Franchised Business, pay taxes, or obtain any license or permit. Not curing within 5 days after notice any failure to pay sums due with late charges. Failure to satisfy final judgment against your Dripp® Shop or its assets for 30 days without posting bond or failure to discharge a levy within 5 days after execution.

h. “Cause” defined — non-curable defaults	Franchise Agreement Sections 2.3, 4.1A, 4.2C, 5.1C, 9.1, and California Addendum to Franchise Agreement Sections 25.3(a), 25.3(b), 25.3(c), 25.3(d), 25.3(f), 25.3(g), 25.3(j), 25.3(l), 25.3(m), 25.3(n), and 25.3(o)	Failure to submit at least one proposed franchise location that fits our basic site criteria within 60 days after the Effective Date of your Franchise Agreement; failure to select a franchise location that fits our basic site criteria within 120 days after the Effective Date of your Franchise Agreement; failure to sign a lease for a site we have confirmed fits our basic site criteria within 150 days after the Effective Date of your Franchise Agreement (subject to a discretionary extension of up to 60 days); failure to complete the build out of your Dripp® Shop within 90 days after you obtain the necessary building permits; failure to open your Dripp® Shop for business within 12 months after you take possession of the franchise location; cease to have the right to occupy the franchise location and do not have a right to relocate or fail to meet milestones and open replacement location if right to relocate is available; entry of an order for relief in involuntary bankruptcy or similar case or appointment of receiver for you or the Franchised Business or liquidation of your affairs, have all or substantial part of your or its assets assigned to a creditor, or admit inability to pay debts as they come due; cessation of operations or failure to open your Dripp® Shop for five consecutive days, or any shorter period under which it is not unreasonable for us to conclude that you do not intend to continue operations, unless excused; disclosure of any part of the Dripp® Operations Portal or any of our proprietary information; act or conduct that reflects materially and unfavorably on us, our trade identity or reputation, or the business; you made any material misrepresentation relating to the acquisition of the Franchised Business or were convicted of a felony

Provision	Section in the Franchise Agreement	Summary
		or other criminal misconduct relevant to the operation of the Franchised Business, or we make a reasonable determination that your continued operation of the Franchised Business will result in imminent danger to public health or safety; failure to pay monies when due to us on two or more occasions in any 12 month period; failure to comply with all terms, other than payments, of Franchise Agreement on three or more occasions in any calendar year or more than 10 occasions throughout the term; or after curing any default, failure to comply with the Franchise Agreement in the same manner.

RECEIPT

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Dripp Franchising Inc. offers you a franchise, it must provide this disclosure document to you at least 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 and Rhode Island require that Dripp Franchising Inc. provide this disclosure document to you at the earlier of the first personal meeting or 10 business days before you sign any agreement with or make a payment to us or our affiliate that relates to the franchise relationship.

Michigan requires that Dripp Franchising Inc. provide this disclosure document to you at least 10 business days before you sign any agreement with or make any payment to us or our affiliate, whichever occurs first.

If Dripp Franchising Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state agency listed in Exhibit A.

The name, principal business address and telephone number of the seller offering the franchise is indicated below:

Name	Address	Telephone Number
1. Mr. Rabih Sater	Dripp Franchising Inc. 4300 Edison Avenue Chino, CA 91710	909-465-4101

Date of Issuance: March 19, 2019.

See Exhibit A for our registered agents authorized to receive service of process.

I have received the Dripp Franchising Inc. disclosure document dated March 19, 2019, that included the following Exhibits:

A State Administrators and Agents for Service of Process
B Dripp® Operations Portal Table of Contents
C Financial Statements
D Franchise Agreement
E Franchisee Owner's Assumption, Guaranty, Confidentiality Agreement, and Assignment
F Consent of Spouse/Domestic Partner
G General Release and Covenant Survival Acknowledgement
H Franchisee Certification
I Franchisee Information
J State Addendum
K Receipt

____
Date

____
Print Name of Franchisee

Return our copy of this receipt to:
Dripp Franchising Inc.
4300 Edison Avenue
Chino, CA 91710
Attn: President
Fax: 909-465-4101

____
Signature

____
Print Name of Signer

____
Print Signer's Title if Franchisee is not an Individual

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H Franchisee Certification
I Franchisee Information
J State Addendum
K Receipt

____
Date

____
Print Name of Franchisee

Return our copy of this receipt to:
Dripp Franchising Inc.
4300 Edison Avenue
Chino, CA 91710
Attn: President
Fax: 909-465-4101

____
Signature

____
Print Name of Signer

____
Print Signer's Title if Franchisee is not an Individual