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 a retail specialty coffee bar offering our unique selection of fresh roasted specialty coffee, espresso-based coffee drinks, iced and blended coffee drinks, tea and tea-based drinks, specialty lemonades, and other hot and cold beverages, assorted bakery products which include, pastries and cookies, ice cream, fresh deli sandwiches, and specified merchandise, using the Dripp® "Marks" and franchise "System" (as defined in the Franchise Agreement). At the center of our franchise system is our directly sourced, "Specialty Coffee" that meets or exceeds the requirements set by the Specialty Coffee Association "SCA", with over all scores of 85+ points. Our beverages and ice cream sandwiches are made to order, and all our products are always made fresh on-site to provide rich, full flavors. Our 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 relaxed atmosphere that emanates from our proprietary interior design and other specifications. Each "Dripp® Coffee Bar" (as defined in the Franchise Agreement) is operated according to our high System Standards for an exceptional customer experience that positively represents our brand.

The total investment necessary to begin operation of a franchised Dripp® Coffee Bar is $442,330 to $926,700 if you lease your "Authorized Location" (listed on Schedule A to the Franchise Agreement), as we anticipate you will. This includes $155,400 to $240,000 that must be paid to the franchisor or its affiliate(s).

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.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Dripp Franchising Inc., 4300 Edison Avenue, Chino, California 91710 or by phone at (909) 465-4101.

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 31,2022

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. Once we have franchisees, you can find their names and contact information in Item 20 or Exhibits to this disclosure document.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the estimated initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit D includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Dripp® business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be Dripp® franchisee?	Item 20 lists current and former franchisees, however, as of the issuance date of this disclosure document, we do not have any franchisees. Once we have franchisees, you can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A to this Disclosure Document.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by face-to-face meeting, then mediation, then arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.

2. **Minimum Royalty Payments.** You must make minimum royalty payments, regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.

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

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EXHIBITS TO FDD

Item 1. The Franchisor and Any Parents, Predecessors, and Affiliates

The Franchisor
To simplify the language in this disclosure document, the terms "Franchisor", or "we" or "us" means Dripp Franchising Inc., the Franchisor. "You" or "Franchisee" means the individual(s) or entity that signs the Franchise Agreement with us and includes each individual who has any ownership in that entity.

The Franchisor, Its Predecessors, and Affiliates
We are a California corporation organized February 6, 2017. Our principal business address is 4300 Edison Avenue, Chino, California 91710 ("Dripp Headquarters"). We do business under the name Dripp® and Dripp Franchising Inc. We do not have any parents or predecessors.

We have 2 Affiliates. Dripp, Inc., a California corporation which shares our principal business address ("DI") owns and operates 3 Dripp Coffee Bars 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. Espresso Republic, LLC, a California limited liability company, which shares our principal business address, ("ER") sources, roasts, and distributes coffee beans and coffee beverage products and sources and distributes tea and tea beverage products. You will purchase the coffee beans and other coffee products and the teas and other tea products you will use and sell in your franchised Dripp business from ER.

We were registered to offer and sell franchises in the State of California on September 14, 2018, but we did not begin offering Dripp franchises until 2020. We have not offered franchises in other lines of business nor do we presently engage in any other businesses.

Our agents for service of process in those states requiring franchise registration are disclosed in Exhibit A to this Disclosure Document.

Dripp® Franchises
We franchise the right to operate a retail specialty coffee bar offering our unique selection of fresh roasted specialty coffee, espresso-based coffee drinks, iced and blended coffee drinks, tea and tea-based drinks, specialty lemonades, and other hot and cold beverages, assorted bakery products which include, pastries and cookies, ice cream, fresh deli sandwiches, and specified merchandise, using the Dripp® Marks and franchise System. We source and use only highly-graded specialty coffee with over all scores of 85+ points, meaning everything we brew uses beans which meet or exceed the Specialty Coffee Association's requirements. Our specialty grade coffee is sourced directly from the farmers who grow it. Each cherry is hand-picked, roasted in small batches using light to medium roast profiles, and finally brewed manually using only the best specialty brewing methods. To complement our specialty coffee, Coffee Bars also sell a limited, carefully curated selection of teas and other freshly made or bottled beverages, pastries, cookies, chocolates, deli sandwiches, and handmade ice cream sandwiches.

The Market and Competition
There are 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 these. Retail outlets of many different kinds and sizes sell many of the items you will sell in your Dripp® Coffee Bar. 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® Coffee Bars owned by DI and by other Dripp® Coffee Bar 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 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® Coffee Bar business you operate and must obtain and maintain all permits and licenses required by governmental entities or agencies in your particular area.

The success of your relationship with us and the success of the Dripp franchise System depend on your strict adherence to our specific practices, procedures, methods, and standards of quality and performance that you are required to follow in all aspects of the development, maintenance, and operation of your Franchised Business (as defined in Section 1 of the Franchise Agreement). We will change our System standards and requirements as we deem necessary and those changes may make it necessary for you to spend additional money from time to time.

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 in Chino, California since our formation in February 2017. Since December 2010, Mr. Sater has been the President, Chief Financial Officer, Secretary and sole member of the Board of Directors of DI in Chino, California. Since February 2011, Mr. Sater has also been the sole Member and Manager of ER in Chino, California.

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
The initial franchise fee ("Initial Franchise Fee") for a single Dripp® Coffee Bar is $30,000. The Initial Franchise Fee is fully earned by us and due at the signing of the Franchise Agreement.

A portion of the Initial Franchise Fee may be refundable if at any time during or within 6 months from completion of our initial training program, we in our sole discretion, conclude that your Coffee Bar is not being operated to our satisfaction, we will offer you the option to have us train a different Designated Owner (subject to your payment of Additional Training Fee of $250/day and travel, lodging and meal expense for our trainer) or to refund $10,000 of the Initial Franchise Fee and terminate your Franchise Agreement. This refund is contingent upon you signing a General Release and complying with all post-termination obligations. Our Current Form of General Releasing Language is attached to the Franchise Agreement as Schedule J.

Training Fee
You will also pay us a $10,000 Training Fee when you sign your Franchise Agreement. The Training Fee covers our initial training program for up to four of your managerial employees, which must include the Designated Owner, your General Manager, and two shift leads, all of whom must sign our Confidentiality Agreement and attend training simultaneously. (Franchise Agreement, Section 4.A). All attendees, including those with an ownership interest in you, must complete this initial training prior to opening. (Franchise Agreement, Section 4.A) You are responsible for any compensation and all travel, lodging, and similar living expenses while your attendees complete training. Our 6 day Onsite Opening Support is included in the Training Fee, however, you are responsible for travel, lodging, meals, incidental and salary expenses of our support personnel during this 6 days. (See Item 7 for more information). Additional training that you request or we require, whether before or after you open, for other managerial staff will be provided upon payment of our additional training fee once all attendees sign our Confidentiality Agreement. We currently charge $250 a day for additional training plus travel, lodging, meals and incidental expenses, subject to change. After you have opened, we charge our then-current training fee (which may be more or less than the current $10,000 initial training fee) any time we provide our complete Dripp Coffee Bar training course for up to four managerial employees from your Authorized Location who attend simultaneously, this is subject to change. (See Item 11 for more detail on our Training Program).

Furnishings, Fixtures, and Equipment
You must install and use in your Dripp® Coffee Bar 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 Coffee Bar but we estimate you will pay us for furnishings, fixtures, and equipment $90,000 to $150,000. The cost of these goods is nonrefundable.

Initial Inventory, Promotional Materials, Expendable Supplies, and Graphics Kit
Before opening, all franchisees must stock their Dripp® Coffee Bar 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 Coffee Bar 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. The cost of these goods is not refundable.

Small Wares
Before opening, all franchisees must equip their Dripp® Coffee Bar 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 Coffee Bar 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.

ITEM 6. OTHER FEES

Type of Fee (Notes 1 & 2)	Amount	Date Due	Remarks
Royalty Fee	The greater of 5% of Gross Revenue during the preceding calendar month or $3,000. (Note 3)	7th day of each calendar month via autodraft.	“**Gross Revenue**” means all charges, sales and/or revenues earned or received in the operation of the Franchised Business, less sales or excise taxes, and actual, documented customer refunds, adjustments and credits.
Technology Fee	$400 per month	7th day of each calendar month via autodraft.	You pay us $300 per month for access to the Dripp Operations Portal which includes annual updates and website hosting; an additional $100 per month is due to us for maintaining Digital Menu Content.
Expenses For Our Onsite Opening Support	$1,800 - $3,700	Upon presentment of invoice.	We send 1-2 individuals to your Coffee bar for 6 days, to provide Onsight Opening Support and guidance as you open. The fee for this Support is included in the Training Fee, but you will reimburse us for the travel, lodging, meals and salary expenses we incur.
Additional Training or Assistance, Management Fees & Expenses	$250 per day plus cost of travel, lodging, meals and incidentals, subject to change.	On demand.	These charges apply if we require or you request additional training or additional assistance from us. Also applies if we must temporarily manage your Coffee Bar due to death, disability or other event causing significant dysfunction of operations. See Item 11.
Out of area or multiple site visit Fees & Expenses	$250 per day plus costs of travel, lodging, meals and incidentals.	Some payable when visit scheduled, remaining balance due when billed.	If we visit proposed sites outside the Counties of Los Angeles, Orange, Riverside, and San Bernardino, California, we visit more than three sites you have proposed for your Coffee Bar OR we manage your operations, we charge our per day/visit fee, as applicable, plus expenses.

Type of Fee (Notes 1 & 2)	Amount	Date Due	Remarks
Local Marketing requirement	$1,500 per month	As incurred.	You are required to spend a minimum of $1,500 per month in local area marketing and advertising efforts. You must provide us evidence of your advertising spent upon request.
Marketing Fund Fee	2% of Gross Revenue. (Note 3)	7th day of each calendar month via autodraft based on Gross Revenue in the preceding calendar month.	See Item 11 for Marketing Fund description.
Marketing Co-op	Not yet established.	As established.	We may establish one or more local or regional cooperatives in your area under terms and conditions we set or approve. You must participate and contribute in an amount determined by a majority of the members. (See Item 11)
Interest	1.5% per month or highest allowed by law; whichever is greater.	As incurred.	Payable if you do not pay amounts when due.
Insufficient Funds Fee	Currently $100.	As incurred.	We will withdraw fees owed to us from your bank account. If you do not have sufficient funds in your bank account for any withdrawal or any other payment you make to us, you must pay us an insufficient funds fee plus reimburse us for any bank service charges.
Alternative Approved Supplier or Service Provider Assessment Fee and costs	$5,000 plus actual costs	As incurred.	This covers the time and cost to assess, inspect and/or test any alternative approved supplier or service provider for which you request our approval. Suppliers or products we indicate are exclusive may not be changed.
Audit	Underpayment plus interest and all costs of audit.	Within 5 days after receipt of invoice.	Payable if an audit shows you have understated any fees due to us. Includes travel, lodging, meals and incidentals. Doesn't waive or excuse breach caused by underpayment.

Type of Fee (Notes 1 & 2)	Amount	Date Due	Remarks
Collection and Enforcement Costs	Actual cost, which is variable.	Within 5 days of your receipt of our invoice.	Payable if we incur costs, such as hiring legal counsel or collection agency, to collect monies you owe or reports due and do not pay or submit, to enforce any of your obligations.
Transfer Fee	50% of the then current Initial Franchise Fee	Before consummation of the transfer.	For transfers of a franchise or ownership in the franchisee.
Indemnification	Reimbursement of damages and losses.	On demand.	You must indemnify us for all costs and expenses (including attorneys' fees) we incur in connection with losses or damages we incur as a result of the operation of your Dripp® Coffee Bar.
Renewal Fee	$10,000	At least 30 days prior to expiration of existing Franchise Agreement term.	Your ability to renew your franchise is subject to the terms and conditions set forth in your Franchise Agreement, including compliance with our quality standards and System (collectively, "Store Maintenance Activities") at your own expense.
Required "Coffee Bar Update" Expenses	Varied	As incurred.	You must bring your Coffee Bar up to newest design and facility standards with a total update once each term and as a condition to any renewal term.

Notes:

(1) Unless otherwise stated, all fees are uniformly imposed and collected by and payable to us. None of the above fees are refundable.

(2) Before opening, you must sign and deliver to us, and your bank, all required documents that permit us to debit your bank account for royalties, marketing fees and any other amounts due to us, from time to time.

(3) We may withdraw a Marketing Fee in the amount of the prior month's Marketing Fee plus 10% and/or the then-current Minimum Royalty Fee, as applicable, if we do not receive or are unable to access a report showing your Gross Revenue, subject to reconciliation as set forth then in Schedule G to the Franchise Agreement.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT FOR A SINGLE FRANCHISE

Type of Expenditure (Note 1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment Is to be Made
Initial franchise fee (Note 2)	$ 30,000	$ 30,000	Lump sum	Upon signing Franchise Agreement	Franchisor
Real property lease deposit and 1st month's rent (Note 3)	$ 3,500	$ 25,000	As arranged	As required by landlord	Landlord
Construction, remodeling, leasehold improvements (Note 4)	$ 150,000	$ 400,000	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	$ 150,000	$ 250,000	From us, lump sum. As arranged with suppliers and installers when ordered from others.	When ordered. As arranged with other suppliers and installers	Franchisor and/or designated vendors
Ceramic service items (cups, tea pots, etc.) and dishware	$ 5,000	$ 10,000	Lump sum	When ordered	Franchisor and/or Designated vendors
Initial order, Graphics and Uniforms	$ 1,000	$ 2,000	Lump sum	When ordered	Franchisor and/or Designated vendors
Computers, Electronics, and POS equipment	$ 2,000	$ 5,000	Lump sum	When purchased	Designated supplier
Signs	$ 6,000	$ 12,000	Lump sum	When ordered	Designated supplier

Type of Expenditure (Note 1)	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment Is to be Made
Digital menu display Equipment	$ 10,000	$ 15,000	Lump sum	When ordered	Designated supplier
Utility deposits	$ 1,500	$ 1,500	Lump sum	When account opened	Utility companies
Training Fee	$10,000	$10,000	Lump sum	Whey you sign Franchise Agreement	Franchisor (See Items 5 and 11)
Costs During initial training (per attendee)	$ 500	$ 5,000	Variable	As incurred	Travel carriers, hotels, restaurants, car rental agencies, attendees and other providers.
Opening inventory of beverage ingredients and components, flavorings, food product ingredients and components, merchandise, paper goods, packaging, and supplies	$ 30,000	$ 60,000	Lump sum	When ordered	Various designated or approved suppliers, including our Affiliate. See Items 5 and 8.
Grand opening promotion campaign (Note 5)	$ 5,000	$ 7,500	As arranged	Must be held within 30 days after opening	Advertising media and other suppliers. See Item 8.
Permits, Licenses, Insurance, Legal, and accounting expenses (Note 6)	$ 6,000	$ 15,000	As arranged	As arranged	Insurance carriers, Lawyer, accountant, and other professional service providers
Additional funds – 3 months (Note 7)	$ 30,000	$ 75,000	As required	As required	Employees, suppliers, utilities, other overhead.
TOTAL	$442,330	$926,700			

Notes:

(1) The initial investment estimates in the table are based on costs related to our Affiliate's Coffee Bars and pro-forma costs. We do not provide financing for any of the above expenses. Of the above estimates, we know only that the fees paid to us are not refundable under any circumstances. The other expenses may or may not be refundable depending on the terms and conditions related to each expense.

(2) Initial Franchise Fee. If you sign a Franchise Agreement, the Initial Franchise Fee will be $30,000. The Initial Franchise Fee is due in full at the time you sign the Franchise Agreement.

(3) Real Property Lease. We assume you will sign a lease for your Authorized Location. The typical Coffee Bar has between 1,400 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. Typically, your Authorized Location will be a freestanding location adjacent to or part of a local or regional shopping center, offering sit down space, usually both indoor and outdoor, encouraging customers to spend time, access free WiFi, or engage in study or work activities. Rent and common area maintenance charges are estimated to be between $3,500 and $12,500 per month, depending on various factors, including, size, condition, and geographic market of your Authorized Location. 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.

(4) Construction Costs and Equipment Signage Fixtures and Furniture. We will provide you with detailed model plans, specifications, and standards which will need to be adapted for your Authorized Location by an architect we approve. You must have your Dripp® Coffee Bar built out, improved, fixturized, decorated, and branded to our specifications and requirements by a contractor we designate or approve. A typical Dripp Coffee Bar will be a vanilla shell (empty commercial space with only a concrete floor and utility lines stubbed out) 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. Alternatively, your Authorized Location could be an existing food service space requiring a less extensive build out that may include installation of counters, cabinets, furnishings, fixtures, and equipment required for a Dripp® Coffee Bar, and installation of the décor and finishes that are part of the Dripp® trade dress.

(5) Grand Opening Costs. We may recommend that you spend more than the contractually required amount for your Grand Opening. Though not required, recommendations will be made based on our and our Affiliates' experience in Coffee Bar openings and promotions.

(6) 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 Coffee Bar. Your general contractor must carry the above coverage type/limit as well. 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 Coffee Bar in amounts and with coverages we designate, which we may change in the future but presently are replacement costs for fire, theft, and extended coverage; $2,000,000 combined single limit liability insurance; and business interruption providing one year of payments to us.
You must name us as additionally 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.

(7) Additional Funds. This is an estimate of the funds needed for the first 3-months of operation to cover certain business start-up costs and expenses including initial payroll, insurance premiums, utilities, and other supplies. These figures are estimates, and you may need further funds than those shown during the first 3 months of initial operation and additional funds afterwards. Your costs will depend on a number of factors, some of which you may have control over and some of which you may not, including but not limited to your management skill, experience, and business acumen; local economic conditions; the local market for Dripp® branded products and services; the prevailing wage rate; lease costs and competition. We relied on our affiliate's Coffee Bar opening and operations, in compiling these estimates.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must develop and operate your Dripp® Coffee Bar as required by our detailed operating guidelines and procedures and using all the elements of the Dripp System as updated from time to time, including the purchase or lease of all equipment, fixtures, furniture, signs, supplies, inventory, trade dress and other products and materials used in the construction and operation of your Dripp® Coffee Bar. Our requirements, standards, approved items and suppliers are stated in our Operations Portal, training and though other communications from us. These are highly detailed and comprehensive which translates into a uniform, consistent, high-quality customer experience that reflects positively on our brand, at every Dripp® Coffee Bar, every time. We may periodically update and alter our standards, specifications and requirements and add to or delete from the list of products and services authorized for sale from Dripp Coffee Bars.

We can require that you obtain products and/or service we specify exclusively from suppliers we designate or approve. We can designate or approve a single, or multiple suppliers for any specified item and designate a single suppler as an exclusive supplier of a required item. We select or designate 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, but also on their ability to maintain acceptable pricing and payment or other consideration to us or our Affiliates. We will change approved and/or designated suppliers, modify specifications, and grant or revoke approval for suppliers as we deem appropriate.

Franchisor may negotiate with suppliers, including its Affiliates, Licensor and/or a Franchisor Associate, for the benefit of the System and/or Dripp® Coffee Bar franchisees. Franchisor, Licensor and/or a Franchisor Associate each may be party to agreements with suppliers that provide for marketing or promotional rebates or allowances, volume discounts or other economic benefits. We and or Affiliates have the right to realize a profit on the sales of product and/or services to you. 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. Mr. Rabih Sater, who serves as our President, CFO and Secretary, owns an interest in our Affiliates, DI and ER, which are approved/designated suppliers.

You must engage and pay for the services of one of our approved architects and kitchen designers. We designate all the paint and finishes, wall coverings, ceiling treatment, floor treatment, décor, and furnishings, fixtures, equipment (including small wares) and features of your Dripp® Coffee Bar and you must obtain all of them from vendors we designate, some of whom will be us or one of our Affiliates. You must hire and use the suppliers we designate as the Architect, General Contractor and Kitchen Designer related to the design and build out of your Dripp® Coffee Bar and install all the required furnishing, fixtures, and equipment, including signage and menu displays, and decorate it as we require. After your Authorized Location has been identified on Schedule A to the Franchise Agreement, we will provide a list of all the required furnishings, fixtures, equipment, and small wares and identify any approved and/or designated supplier from whom you must obtain these items, which may be us or our Affiliate. Currently we designate the Square Point of Sale System consisting of one tablet with kitchen display system and, depending on the size of your Coffee Bar, 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 software that you license for a fee, 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 capable of interfacing with the point of sale system and that meets our specifications. See Item 11 for additional information.

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, product lists, recipes, and product preparation instructions. We require that you sign our Operations Portal End-User License Agreement attached as Exhibit C to this Disclosure Document.

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

Beverages, Food, Small Wares, and Merchandise
You must purchase exclusively from ER and sell in your Dripp® Coffee Bar, 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 various branded glassware and apparel items (presently hoodies and t-shirts), as well as 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 from the approved supplier(s) we designate. We may require that specified items display any logo and/or other branding we designate.

Additionally, all marketing and promotional material, gift cards, uniforms, pins, and other logoed materials must be imprinted and used in your Coffee Bar as we specify and must be obtained from or approved by us.

Music
You must install the sound system we designate, subscribe to the business music broadcast service we designate, which is presently MOOD by Pandora, and broadcast in your Coffee Bar the music we designate at any given time. You must pay the broadcast service all required royalty fees.

Proportion of Required Purchases
We estimate that the purchases and payments described in this Item will be 99% of your total purchases in establishing your Dripp® Coffee Bar and approximately 60% of your total purchases during the operation of your Dripp Coffee Bar.

Revenue from Franchisee Purchases
Because we do not yet have any franchisees, we cannot report the total amount of or percentage of our or our Affiliates' revenues derived from the sale or lease of required products and services to franchisees.

Alternative Supplier Request Process, Fee
If you wish to purchase goods and services from a supplier not currently approved by us, and if we do not require that you use a particular designated suppler for a product/service, you may make your request to us in writing. The proposed supplier must submit written documentation with any qualifying information we request. We will give you written notification of our approval or disapproval of the proposed supplier within 90 days of the date of our receipt of all required items. You must pay the Alternative Approved Supplier Assessment Fee which is currently $5,000 and any associated costs for us to consider other vendors or suppliers.

Cooperatives and Other Benefits
Currently there are no purchasing or distribution cooperatives for our franchisees. Any bylaws or charter must be approved in advance by us and include a provision that a representative or ours or our Associate will be a Co-op member. If established, you must participate and contribute as specified by a majority of the Coffee Bars in the Co-op but will not exceed 3% of your Gross Revenue unless a greater amount is approved by more than two thirds of the Coffee Bars in the Co-op, whether franchised or owned by us or our Associate. Franchisee's payments to any such Co-op will not be considered Marketing Fund contributions and are separate from your other marketing fee obligations or any program participation costs, related to gift cards, loyalty programs or similar fees. We do not provide any material benefits to you based on your purchases from designated or approved sources.

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	Section 3 and Schedule A	Items 7, 11, and 12

Obligation	Sections in the Franchise Agreement	Franchise Disclosure Document Item
b. Pre-opening purchases/leases	Section 3 D	Items 7 and 8
c. Site development and other pre-opening requirements	Sections 3, 13 C, 13 H and 14 A	Items 6, 7, 8, 11 and 12
d. Initial and ongoing training	Section 4	Item 5, 6, 7 and 11
e. Opening	Section 3 D	Item 7 and 11
f. Fees	Sections 2 B, 4 A, 4 B, 7 B, 10 A, 10 C, 11, 13 E, 17 A, 18 D, 23, Schedules G and H	Items 5, 6, 7 and 17
g. Compliance with standards and policies/Dripp Operations Portal	Sections 2, 3, 4, 5, 7, 9, 10, 12, 13 and14 A	Items 8, 11, and 16, Exhibit C
h. Trademarks and proprietary information	Sections 5, 6,8,10 D	Items 11, 13, 14 and 17
i. Restrictions on products/services offered	Section 3 D and 13 C	Item 8 and 16
j. Warranty and customer service requirements	Section 13 A	Item 8 and 11
k. Territorial development and sales quotas	Section 3 E and 13 A	Item 12
l. Ongoing product/service purchases	Sections 12 C, 13 G and 14	Item 6, 8 and 16
m. Maintenance, appearance and remodeling requirements	Section 13 B	Item 6 and 11
n. Insurance	Section 3 D and 14 A	Items 7
o. Advertising	Section 10	Items 6, 7, 8 and 11
p. Indemnification	Section 14 B, 20 B and Schedule H	Item 6, 13 and 14
q. Owner's participation/management/staffing	Section 4 A, 7 B and 13G and 13 K	Items 11 and 15
r. Records and reports	Sections 12 A and 12 B	Item 6 and 11
s. Inspections and audits	Section 3 C, 12 D and 12 E	Items 6 and 11
t. Transfer	Sections 18 B-D and 19	Items 6 and 17

Obligation	Sections in the Franchise Agreement	Franchise Disclosure Document Item
u. Renewal	Section 2 B	Items 6 and 17
v. Post-termination obligations	Sections 15 C, 17, 30 F, Schedules B, D, E and I Dripp	Item 17
w. Non-competition covenants	Section 15 B, 15 C, 17 A and Schedules D and E	Item 17
x. Dispute resolution	Section 30	Item 17
y. Assumption and guarantee of franchisee's obligations, assignment of inventions and innovations	Section 32 B and Schedule B	Item 14 and 15

ITEM 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee any loan, lease or other obligation you may enter into.

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® Coffee Bar, we will:

1. Review the sites you propose and confirm that our site selection criteria is satisfied before we designate a site you have proposed as your Authorized Location on Schedule A to the Franchise Agreement. (Franchise Agreement, Section 3);

2. Review any lease for your Authorized Location to confirm that it fulfills the requirements of the Franchise Agreement. (Franchise Agreement, Section 3);

3. Provide you with our required specifications for interior design and layout for a Dripp® Coffee Bar. (Franchise Agreement, Section 3);

4. Provide you list a list of Approved Suppliers including architects, contractors and designers for the construction of your Coffee Bar. (Franchise Agreement, Section 3 C);

5. Provide you with a list of Approved Suppliers and distributors to supply Equipment, Products and/or Services for use or sale at the Coffee Bar or for purchase by Franchisee and assist you with initial ordering. (Franchise Agreement, Section 13 D);

6. Train up to 4 of your employees, including the Designated Owner. (Franchise Agreement, Section 4 A). See below for details about the initial training;

7. Give you electronic access to the Dripp Operations Portal that contains mandatory and suggested practices, standards, procedures, processes and methods, recipes, site specifications and layouts, checklists, forms, procedure guide instructions, and directions you must use in the operation and management of your Coffee Bar. (Franchise Agreement, Section 7 A). 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 if 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 35 pages. We may modify the Dripp Operations Portal at any time. A copy of the Dripp Operations Portal Table of Contents is attached to this Disclosure Document as Exhibit B;

8. Approve or provide you with materials for your grand opening promotion and initial advertising. (Franchise Agreement, Section 10. F); and

9. Provide, at your expense, additional initial training you request. (Franchise Agreement, Section 4).

Assistance During Operation

During the operation of your Coffee Bar we will:

1. Provide you with additional general operational guidance as we consider appropriate. (Franchise Agreement, Section 4 D);

2. Perform field inspections as often as we deem appropriate to maintain System Standards, using our proprietary operations checklist and score card. You must promptly correct at your expense any deficiencies identified during an inspection and you are responsible for reimbursing our costs and expenses incurred, including a re-evaluation fee, for repeat and/or continued non-compliance, as determined by us. (Franchise Agreement, Section 12 D);

3. Conduct unscheduled inspections and/or mystery shopper, at our sole discretion, visits to confirm that your Coffee Bar is being operated in compliance with the System and the Dripp Operations Portal;

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 4 B);

5. Update and modify the Dripp Operations Portal as we deem necessary. (Franchise Agreement Section 7 A);

6. Update and improve the System as we deem necessary or desirable and send you any resulting Dripp Operations Portal, or other updates. (Franchise Agreement Section 7 A);

7. Maintain a Dripp Coffee Bar Website, or a similar public digital presence, and include your Coffee Bar in the list of Coffee Bars on it so long as you are not in default under your Franchise Agreement. (Franchise Agreement, Section 10 D);

8. Review proposed advertising you submit for our approval, if we require you to do so. (Franchise Agreement, section 10 A); and

9. Directly or indirectly, implement the gift card and loyalty programs among Dripp Coffee Bar franchisees and Affiliates. (Franchise Agreement, Section 10 B)

Site Selection
The site you select for your Coffee Bar must fit our site selection criteria. (Franchise Agreement, Section 3 A)

You may own, lease, or purchase the premises for your Dripp® Coffee Bar but most franchisees lease their Authorized Location. The lease must be for the same term as your franchise agreement including any renewal options and must contain any other provisions we require and you must enter into the Collateral Assignment of Lease with us and your Landlord, in the form attached as Schedule F to the Franchise Agreement.

We will provide you with our proprietary site criteria checklist and consult with you regarding site selection. You will have 60 days from the Effective Date of the Franchise Agreement to deliver to us a request for approval of at least one proposed site that fits our site selection criteria and is located in an acceptable geographical area (the "Proposed Site(s)"), accompanied by the site landlord's 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. We are not required to approve or disapprove a proposed location within any particular time, but expect that we will notify you within a reasonable time not to exceed 21 business days. We currently charge $250 per day plus expenses for site visits out of our local area and/or if we visit more than 4 sites related to your site selection process, subject to change. See detail in Item 7.

If we deliver notice that your first Proposed Site does not meet our site selection criteria, you must continue diligent efforts to propose and deliver alternate sites until we notify you that a Proposed Site fulfills our site selection criteria to our satisfaction.

Within 120 days after the Effective Date of your Franchise Agreement, you must complete your site search so that we may identify an Authorized Location for your Coffee Bar that complies with our site criteria. If we have not approved a site that meets our criteria and signed Schedule A to your Franchise Agreement identifying your Authorized Location, we may, at our option, terminate the Franchise Agreement, with no refund of any amounts paid by you. The factors impacting 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 coffee bars, and other factors we may consider relevant. Our approval of your Authorized Location is an indication that the site meets our site selection criteria.

You must sign a Lease for your Authorized Location. We do not assist you with negotiating a lease but provide various lease terms that must be included in your lease and require that you present the Collateral Assignment of Lease attached as Schedule F to your proposed landlord, as you begin your lease negotiations. You must then engage the architect, submit plans for approval by the appropriate governmental entity, obtain building permits, build out your Coffee Bar to our specifications and open your Coffee Bar within 10 calendar months (300 days) after the Effective Date of your Franchise Agreement (the "Opening Period Deadline"), unless otherwise authorized by us in writing.

Based on our Affiliate-owned locations, the typical time it takes to open a Dripp Coffee Bar for business is within eight to 10 calendar months after the Effective date of your Franchise Agreement. You should note the some common factors that may affect when your Coffee Bar opens include; the time it takes you to locate a suitable site so that we may identify your Authorized Location; how long it takes you to negotiate and sign a lease that meets our lease requirements; how long it takes you to obtain financing to develop your Coffee Bar; how long it takes to obtain permits, build out and staff your Coffee Bar.

Local Marketing
In addition to your Marketing Fund Contribution described below, you must spend a minimum of $1,500 per month on local marketing that is approved by us in advance.

In addition to the $1500 monthly expenditure, at your expense, you must participate in all of our promotions for the market in which your Dripp Coffee Bar is located, display all in-store promotional materials and pay for the cost of products being promoted. We sometimes may introduce in your local market advertising/marketing promotions and programs which may or may not be funded in part by the Marketing Fund and which are recommended, but not required. Your participation in optional programs is at your sole cost which will vary. We currently allow you to count these expenses toward your $1500 local marketing requirements, but we can change this in the future. You should inquire about the availability of any of these voluntary promotions/programs in your market area and their respective costs to you, if any.

We can require that any advertising/promotional materials of any kind for your Coffee Bar include a brief statement as approved by us regarding the availability of Dripp Coffee Bar franchises. We do not require that you report monthly on your local marketing expenditures however, you must provide copies of your receipts and written substantiation to show that you have fulfilled your local marketing requirements, within 30 days of our written request for such information. Other Dripp Coffee Bar franchisees may not be subject to similar local advertising requirements, if any, and we may waive or reduce the Local Advertising expenditure and/or other advertising expenditure requirements where we think the venue or other circumstances warrant it.

Marketing Cooperatives
The franchise system currently does not have marketing cooperatives; however, we reserve the right to establish a local or regional cooperative in your market area in the future under terms and conditions we establish and/or approve. You will be required to participate in and contribute to the cooperative in an amount determined by a majority of its members. Each Coffee Bar will have a single vote and any bylaws or charter must be approved by us and include a provision that a representative of ours will be a member.

Marketing Fund
We intend to establish a marketing fund (“Marketing Fund” or “Fund”) to promote the Dripp® Coffee Bars, the System and the Marks. All franchisees must contribute 2% of Gross Revenue on a monthly basis to the Marketing Fund. Franchisor-owned or Affiliate owned outlets are not required to contribute to the Marketing Fund but may choose to do so. If we do not receive or are unable to access a report showing your Gross Revenue for the prior month, then we may withdraw an amount equal to the amount of your Marketing Fund Fee withdrawn the previous month plus 10% as an estimate of your Marketing Fund Fee for the current month, subject to reconciliation as described in Schedule G to the Franchise Agreement. Your monthly contributions to the Marketing Fund will be used for marketing and advertising initiatives and

marketing related expenses as we deem appropriate, including internet, product and website development and support, search engine optimization, social media, television, radio, magazine, newspaper and other general advertising campaigns, signage; direct mail and outdoor billboard advertising; public relations activities; in-house or outside advertising agencies; and costs of our personnel and other departmental costs for advertising that we may administer or prepare internally, including legal, insurance, audits, research, 800 #s and franchise advisory groups. You must honor all coupons, price reduction and other promotions/programs we implement. The Fund is accounted for separately from our other funds. We have no obligation to you to account for our administration of our expenditures under the Fund or to audit the Fund. We have the right to include on any advertising and/or Fund produced material a brief statement regarding the availability of Dripp® Coffee Bar franchises.

We require that you to participate in any System-wide advertising campaigns, programs, contests, drawings, and other promotional events or activities. 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 pre-approved by us. These may be conducted and funded as part of the Marketing Fund or outside of the Marketing Fund and require additional funds from you.

There is no obligation to ensure that your contributions to the Fund are used in your market area, and we have no obligation to ensure that your Dripp Coffee Bar benefits directly or pro rata from the placement of advertising.

Internet, Social Media and Grand Opening
We strictly control all internet and social media postings of advertising or promotional material for Coffee Bars. 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 Coffee Bar.

Within 30 days after you open your Coffee Bar 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 promotions, marketing materials, media or internet advertising. (Franchise Agreement, Section 10 F). We will deliver to you a quantity of the Dripp® coffee of your choice with a wholesale value of $500 for your use in connection with your grand opening as either a promotional item and/or give-away and we offer digital marketing assistance to help promote your grand opening.

Telephone Landline and Listings
You must have one primary voice telephone landline or equivalent devoted only to your Coffee Bar and list that number in all your local advertising. Your telephone listings must identify your Coffee Bar as an independently owned and operated franchise and expressly identify your Store # as assigned to you by us. You must assign all telephone numbers you use for the Coffee Bar to us upon expiration, termination, or cancellation of your Franchise Agreement. (See Schedule I to the Franchise Agreement)

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

Website
We have developed and currently maintain the Dripp website to advertise, market, and promote Coffee Bars (the "Website"). We include your Coffee Bar in the list of Coffee Bars 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. You may not establish any website, Internet directory listing or any other presence on the Internet relating to your Coffee Bar or the Franchised Business or publish any information or statements using the Marks, including social networks and related media, without our prior written consent. You will not operate or be involved with any on line store offering or selling products or services the same as or competitive with the Products and Services available through the Franchised Business.

Internet Connection; Computer Requirements
You must have a business quality high speed, wireless internet connection at your Coffee Bar 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, 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 obtain upgrades and updates necessary to ensure that your software is the most recent version available and/or to meet our new standards and specifications.

You must use in your Coffee Bar 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 Coffee Bar, 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. You must participate in any Loyalty Program we implement, directly or indirectly through a third party vendor, including free merchandise give-aways for various tiers of customer loyalty, measured by a customer's purchase volume among other factors.

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. 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 to operate your Dripp® Coffee Bar, 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 Coffee Bar belongs to us and we may retrieve, analyze, download and use it at any time. You authorize us to share system information or data among Dripp franchisees and others for our business purposes, including secret shopper and customer survey programs conducted with your Coffee Bar. We can require that accounting, bookkeeping and other business systems specified by us be used by you and maintained in a uniform manner

Dripp Operations Portal and/or Manual
You are given access to our Dripp Operations Portal ("Portal") and/or other written, electronic or online information, instructions and or guidance related to your Dripp Coffee Bar ("Manual"). The Portal and/or Manual may include inventory lists, practices, methods, procedures, policies, and performance criteria, standards, requirement methods, forms, guides, checklists, recipes, ingredient and supply lists, preparation instructions, techniques, tips, and various other tools for management and operation of your Coffee Bar. The Portal and Manual contents are trade secrets and highly confidential and you must maintain strict confidentiality of this content, use the Dripp Operations Portal and Manual only in connection with the operation of your Coffee Bar, and prevent unauthorized access. You must sign user agreements to gain access to the Portal and/or Manual and must remain in compliance with all terms and conditions of use at all times. Neither you nor any of your management authorized to use the Portal and/or Manual may duplicate or permit any other person to duplicate in any manner or medium, any part of the Portal or Manual and will not disclose, disseminate, display, reveal, reproduce, publish, sell, show, or communicate to any person or entity, any of the contents of the Portal or Manual, except as expressly permitted by the franchise agreement and/or the related user licenses. You may not post or enter any information on or in the Portal or Manual or in any electronic, online or other medium, any defamatory, pornographic or derogatory matter related to the System, any Dripp Franchisee, Franchisor, Licensor or any of our Affiliates or Associates. Failure to comply with the terms and conditions of your Franchise Agreement and/or terms of use and/or access to the Portal or Manual may subject you to any or all of the following: (i) immediate termination of your use and access to the Portal and/or Manual, (ii) termination of your franchise agreement and (iii) legal action against you by us and/or DI. A copy of our Portal End-User License Agreement is attached to this Disclosure Document as Exhibit C.

Any personnel and security-related policies or procedures related to your Coffee Bar contained in or on the Portal or Manual are suggestions and you alone dictate such policies and procedures not us. You and we are not joint employers and you will defend, indemnify and hold us harmless from any such claims. You agree to fully and promptly pay our license, technology, usage and/or any maintenance fees for the Portal and Manual. Our current Technology Fee is $400 per month and will be auto-drafted from your account, but this is subject to change.

Training Program
Before you open your Coffee Bar, 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, all attendees must complete this initial training simultaneously and to our satisfaction. (Franchise Agreement, Section 7.1) The cost of the initial training for your four trainees is $10,000 and is paid when you sign your Franchise Agreement. You may need to pay the compensation of your trainees during the training period, and you are responsible for the travel, lodging, and similar living expenses for your trainees related to their attendance at the training, and for such expenses for our trainers related to your Initial Onsite Support. 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 Additional Training Fee, whether the training occurs prior to opening or during your operation of your Coffee Bar. We currently charge $250 a day plus expenses for Additional Training, subject to change at any time. After you have opened, we charge our then-current training fee (which may be more or less than the current $10,000 initial training fee) any time we provide our complete Dripp Coffee Bar training course for up to four managerial employees from your Authorized Location who attend simultaneously, this is subject to change.

If you add any nonmanagerial personnel to your Coffee Bar staff, you must train those persons. If they are to have managerial responsibility for your Coffee Bar, they must attend and successfully complete our training program.

The training program consists of at least 48 hours of training conducted on weekdays for up to two consecutive weeks. The training is conducted at a Coffee Bar operated by DI and/or at a mock Dripp® Coffee Bar site we may designate. The training will start no less than one week before the anticipated opening of your Coffee Bar. Additionally, we will come to your Authorized Location for Onsite Opening Support for 6 days, prior to and during the opening of your Coffee Bar.

Our instructors are individuals employed by us, DI, or another of our Affiliates with at least three years' experience running a Coffee Bar 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	1	Dripp Headquarters
Operations	2	16	Dripp Headquarters or other designated Dripp Coffee Bar location(s)
Pre-Opening	1		Dripp Headquarters
Customer Service	1	1	Dripp Headquarters or other designated Dripp Coffee Bar location(s)
Food Items Merchandising and Products		2	Dripp Headquarters or other designated Dripp Coffee Bar location(s)
Facilities and Equipment	1	3	Dripp Headquarters or other designated Dripp Coffee Bar location(s)
Sales Reports and Royalties	.5	.5	Dripp Headquarters or other designated Dripp Coffee Bar location(s)
Management	1	16	Dripp Headquarters or other designated Dripp Coffee Bar location(s)
Quality Control	.5	.5	Dripp Headquarters or other designated Dripp Coffee Bar location(s)
Total	**8**	**40**	

ITEM 12. TERRITORY

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We, any of our Affiliates, and/or other Dripp® franchisees can establish and operate a Dripp® Coffee Bar, another coffee store, another retail outlet that sells coffee and tea under a proprietary brand or otherwise, or any other store anywhere, regardless of how close it is to your Dripp® Coffee Bar. We do not presently plan 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® Coffee Bar but we are not prevented from doing so.

We and our Affiliates also may use any distribution channel of any type to trade to sell the services, products and merchandise you sell in your Dripp® Coffee Bar to customers located anywhere, including, but not limited to, supermarkets, grocery outlets, convenience stores, gasoline stations, discount stores, department stores, bookstores, music stores, kiosks, mobile facilities, vending carts, stadiums, convention centers, concert halls, amusement parks, fair grounds and other areas of public gatherings, any temporary or mobile facilities, mail order facilities, direct response media, or onsite coffee services for business locations, via the internet, catalogue sales, or by telemarketing, regardless of how such activities impact your sales or whether using the Marks or System.

Your Franchise Agreement gives you the right to operate a single Coffee Bar at your Authorized Location. The specific street address of your Dripp® Coffee Bar will be set forth in Schedule A to your Franchise Agreement as your Authorized Location, either when you sign the Franchise Agreement if it is known or after you select and lease a suitable location that meets our criteria. You must operate your Coffee Bar only at the Authorized Location and you may not relocate your Coffee Bar without first obtaining our written consent and our approval of a new location, neither of which we are required to grant. You do not have any right to establish additional outlets, acquire additional franchises, or establish or operate another Coffee Bar. You are not granted any rights to use the System and the Marks in connection with any location other than from or in connection with your full-service, brick and mortar Dripp® Coffee Bar and according to the terms and conditions of this Agreement.

Our current policy allows you to market to customers located anywhere, but we may change this policy and you agree to comply with mandatory policies as implemented.

There is no minimum sales quota.

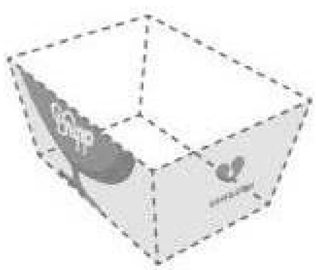
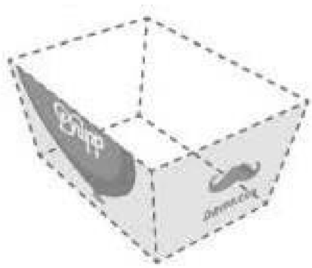
We reserve all rights not expressly granted to you in your Franchise Agreement. We specifically reserve the rights to operate, or to license others to operate any kind of business in any area selling to customers located anywhere, whether or not using the Dripp® brand and System.

We and/or any of our affiliates can acquire, be acquired by, merge, affiliate or co-brand with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere, and including arrangements in which (1) other units are (or are not) converted to the Dripp Coffee Bar or other format (including using the System and/or Marks) and/or (2) we and/or any of our affiliates are acquired, and/or company-owned, franchised or other businesses are converted to another format, maintained under the System or otherwise. All Dripp Coffee Bars owned by you must fully participate in any such conversion, at your sole expense, except as otherwise stated in the Franchise Agreement. You have no right to any additional store franchises under the Franchise Agreement.

ITEM 13. TRADEMARKS

We grant you the right to operate under the name “Dripp” and to use in connection with your expanding those trade or service marks we designate for use by all franchised Coffee Bars, 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 pursuant to the terms of a Master License Agreement.

DI has registered the following trademarks on the Principal Register:

Mark	Registration or Application No.	Registration or Filing Date
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
Dripp	4566724	April 29, 2014

Mark	Registration or Application No.	Registration or Filing Date
DRIPP	4139945	May 8, 2012, renewed June 17, 2021
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. 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 and/or have registered with the United States Patent and Trademark Office.

You must use the Marks in compliance with your Franchise Agreement and other usage requirements we prescribe. You may not use the Marks as part of an entity name or with modifying words, designs, or symbols except as we designate. You may not use the Marks in any url, domain name or email address. You may not use 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 Coffee Bar. (Franchise Agreement, Section 5)

Franchisor, DI, and or our Affiliates, may develop and operate Coffee Bars under the Marks and/or other commercial symbols and trademarks but are not subject to the terms and restrictions of a Dripp franchise agreement.

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 entered into a Master License Agreement with DI regarding our use of the Name and Marks, Dripp Operations Portal and the other intellectual property that is part of the franchise System. This Master License Agreement gives us the right to license the Name, Marks, Portal and System to you and prevents DI from using or permitting any third party to use the Name, Marks, or System in a way that violates your rights under the Franchise Agreement. Upon any termination of the Master License Agreement, you will continue to have the right to use the Name, Marks, Portal and System for the balance of your franchise agreement term, although may be prohibited from continued use thereafter.

You may not to take any action that jeopardizes our or DI's interests in, or the validity or enforceability of, the Marks and must notify us immediately of any unauthorized use of or any challenge to our or DI's use or ownership of the Marks or any name or mark confusingly similar to the Marks or any claim or litigation against you involving the Marks of which you learn. We and/or DI have the right to take any action either we or DI deems appropriate in our sole and absolute discretion and to exclusively control any settlement, administrative proceedings or litigation involving the Marks and you must cooperate fully in those actions. We and/or DI are entitled to all damages awarded based on infringement of the Marks (Franchise Agreement, Section 5C)

You must modify or discontinue use of the Marks as we require. We may modify or discontinue use of the Marks or adopt new names or marks in our discretion and at your sole cost and expense. (Franchise Agreement, Section 5 D)

Other than as expressly provided in this disclosure document, we do not know of any superior prior rights or infringing uses that could materially affect your use of the Marks we license you to use.

ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

You acknowledge and agree that Franchisor owns or is the licensee of works that are protected by copyright law and that Franchisor may create, acquire or obtain licenses for additional works subject to copyright law that Franchisee may use in operating the Coffee Bar (the "Copyrighted Works") according to Franchisor's requirements. The Copyrighted Works include DI's patented ice cream boat, registered with the United States Patent and Trademark Office under Patent Number D770,274, the Operations Portal, any Manual, training curriculum, and any proprietary recipes, interior design and/or trade dress, formulas, preparation techniques, methods, processes, advertisements and promotional materials developed by or licensed to Franchisor. Franchisee shall notify Franchisor immediately on learning of any unauthorized use of any of the Copyrighted Works. Franchisor and its Licensor, as applicable, shall have the right, but not the obligation, to take such action as they deem appropriate, if any, with regard to the possible unauthorized use. Franchisee shall reasonably cooperate with Franchisor to protect Franchisor's/its licensor's interests in the Copyrighted Works. (Franchise Agreement, Section 6)

All names, marks, ideas, concepts, innovations, or improvements relating in any manner whatsoever to a Dripp® Coffee Bar, the System, or the business of operating a retail outlet that sells any of the products sold in your Coffee Bar that you develop during the term of the Franchise Agreement will be deemed 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. You may not make any changes or improvements in the System or any of the furnishings, fixtures, or equipment in your Dripp Coffee Bar without our prior written consent, which may be withheld in our sole discretion.

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

We believe that the success of your Dripp® Coffee Bar depends upon your personal and continued supervision, attention and efforts. You will designate on Schedule A to the Franchise

Agreement an individual who signs the franchise agreement or a person who owns at least 50% of the equity in the Business Entity Franchisee and who is authorized to act for you in all matters relating to the Dripp Coffee Bar and responsible for the Coffee Bar operation and supervision (the "Designated Owner"). Your Designated Owner must successfully complete our training program and must at all times devote best efforts to the operation and administration of your Dripp Coffee Bar. If you own just one Dripp® Coffee Bar, we require that your Designated Owner be present in and operate your Coffee Bar at least four days a week for at least eight hours a day, including weekends as well as during the Coffee Bar's busiest operating hours. If you own more than one Dripp® Coffee Bar, we require that your Designated Owner be present in and operate each of your Coffee Bars at least three days of every week for at least eight hours a day. Whenever your Designated Owner is not present in and running your Coffee Bar 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 manage and be responsible for the day to day operation of your Coffee Bar (a "General Manager"). Your General Manager may not have an interest or business relationship with any of our business competitors.

You are responsible to supervise your affiliates, managers, employees and representatives to prevent unauthorized use or disclosure of our trade secrets and other confidential information including, the Portal database content. We require that these managers and senior employees sign written confidentiality and non-competition agreements.

If you are a Business Entity Franchisee, then all of your Owners must be individuals and not other business entities or trusts. The Franchise Agreement may not be signed by a trust. Additionally, the Business Entity Franchisee must be formed for, and remain exclusively dedicated to, the operation of the Franchised Business.

Each individual who owns an interest in the Business Entity Franchisee must sign an agreement (Guarantee and Assumption of Obligations attached as Schedule B to the Franchise Agreement), guaranteeing, assuming and agreeing to discharge all obligations of the franchisee under the Franchise Agreement. Additionally, we can require spouses/domestic partners who are neither owners nor guarantors under the Franchise Agreement to sign a consent in the form of Schedule K to the Franchise Agreement.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

A fundamental requirement of you joining and remaining part of the Dripp® Coffee Bar System will be your commitment to the operation of your Dripp® Coffee Bar according to then-current System Standards. In all cases, your Dripp® Coffee Bar must be constructed, improved and operated only in the manner we authorize.

You must offer and sell only those goods and services that we have approved (please refer to Item 8 of this Disclosure Document). You must not offer or sell any products or services not approved by us. Your business is to be used solely for the operation of the business licensed under your Franchise Agreement, and you cannot use or permit the use of your Dripp® Coffee Bar for any other purpose or activity at any time without our prior written approval.

You must inventory, sell or offer for sale all menu items, products and services required by us. You must not deviate from our methods, procedures, standards and specifications, including ingredients, methods of preparation and service and product/service delivery, weight, quality and dimensions of products served. You must discontinue selling and offering for sale any menu items, products or services that we disapprove at any time. We can, add, delete or otherwise change any required menu item, products, practices or other components of the System. There are no limits on our right to do so, and, in these cases, you must, at your expense, comply with all these changes in the timeframe we specify. Your business may only be identified by the name "Dripp" or another of the licensed marks designated in writing by us. We do not impose any restrictions as to the customers to whom you may sell or offer to sell these items, goods or services.

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 FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	Section 2 A	10 Years.
b. Renewal or extension of the term	Section 2 B	You may renew for one additional five year term, if you satisfy all conditions for renewal.
c. Requirements for you to renew or extend	Section 2 B	Renewal requirements include: (i) giving us written notice of the exercise of that right not less than eight calendar months before the expiration of the existing term of the Franchise Agreement; (ii) executing the form of Renewal Franchise Agreement, Renewal Addenda or extension agreement we are then require for renewing franchisees; (iii) paying us the $10,000 renewal fee at least 30 days before the expiration of the existing term (iv) full update and upgrade of your Coffee Bar to satisfy then-current requirements; (v) full compliance with all franchise agreement and other requirements, (vi) right to remain in possession of Authorized Location for balance of renewal term; (vii) sign a general release.
d. Termination by you	Article 16 E	Only as permitted under applicable law; we have 90 days after notice to cure.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
e. Termination by us without "cause"	16 D	We cannot terminate without cause; however, if the master license agreement between us and DI is terminated or expires, DI can, if it chooses, take an assignment of some or all then existing franchise agreements. Franchise agreements not assumed by DI are deemed mutually terminated at the expiration of the then-current term of your agreement.
f. Termination by us with "cause"	Section 4 C, 16 A, 16 B and California Addendum (Schedule D)	We can terminate if we determine you have not successfully completed initial training or if you default on any of your obligations. Subject to applicable state law.
g. "Cause" defined — defaults that can be cured	Section 16 B and California Addendum (Schedule D to the Franchise Agreement)	You have 5 days to cure monetary defaults, funds transfer account deficiencies and defaults concerning Approved Suppliers or Products and Services or to stop use of unauthorized products/suppliers. You have 60 days to cure any other curable defaults/non-compliance with any other requirement. If you fail to cure within these timeframes, we may terminate your franchise. Subject to applicable state law.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
h. “Cause” defined — non-curable defaults	Section 16 A and California Addendum (Schedule D to Franchise Agreement)	Non-curable defaults include: failure to have an Accepted Location within 120 days of the Effective Date of the Agreement or open/operate Coffee Bar by Opening Period Deadline; failure to successfully complete the Initial Training Program; making material misrepresentation or omission in Franchise application; felony or other offense likely to have adverse impact on the franchise; unauthorized use or disclosure of Trade Secret, Confidential Information or Copyrighted Works; abandonment of Franchised Business; failure to relocate after vacating Accepted Location; unauthorized Transfer; submission of 3 or more falsified/inaccurate reports or other information; insolvency, receivership, bankruptcy or assignment for the benefit of creditors; misuse of Marks or any act expected to impair goodwill of the Marks; failure 2 or more times within 12 month period to timely submit required reports or other information, to pay Royalty Fees or other amounts, or to comply with franchise agreement, whether or not failures are corrected; more than 2 written notices of default concerning Approved Suppliers or Products and Services, even if cured; any safety, health or consumer protection violation; failure to comply with laws relating to the franchise; failure to have, maintain and provide proof of sufficient insurance; failure to transfer in the event of death or incapacity. Subject to applicable state law.

Provision	Section in Franchise Agreement	Summary
i. Your obligations on termination/ non-renewal	Section 17 and California Addendum (Schedule D to Franchise Agreement)	De-identify as present or former Dripp Coffee Bar franchisee; stop using our System and Marks; cancel or assign any assumed name containing Dripp or any derivative; pay us amounts already due, or incurred after termination/expiration, including our costs for collection, enforcement, damages, expenses and Attorneys' Fees; discontinue, return and/or destroy any Manual, instructional program, marketing materials, and any items bearing Marks as we decide; discontinue/remove domain names, email addresses, Internet key word purchases, social network pages, videos and other publications using Marks; comply with non-compete and other covenants, including limitations on the operation of, participation in, or support to a Similar Business in relation to the Franchised Business; assign phone and fax numbers, email addresses and domain names to us; notify phone company and other listing agencies of termination/expiration of right to use phone/fax numbers, email addresses, domain names and other directory listings associated with the Marks; permit us to purchase Coffee Bar assets if we want per formula; pay other amounts which would have become due under the franchise agreement or other agreement with us if you had continued as franchised Store for full term. We have no obligation to repurchase any remaining Proprietary Products or supplies inventory unless required under applicable law. At our request and your expense, you must return the remaining Proprietary Products or supplies inventory to a location we designate. If you operate another franchised Dripp Coffee Bar, we

Provision	Section in Franchise Agreement	Summary
		may permit you to use the inventory at the other store. Obligations listed here or that expressly or by their nature survive expiration/termination of the Franchise Agreement continue until satisfied or by nature expire.
j. Assignment of contract by us	Section 18 A	No restriction on our right to assign.
k. "Transfer" by you – defined	Section 18 B	Includes assignment, sale, gift, pledge, grant or merger of any security, ownership or other interest in the Coffee Bar, the Franchise Agreement or the franchisee or a substantial portion of the assets.
l. Our approval of a transfer by you	Section 18 B	You must receive our prior written approval.
m. Conditions for our approval of the transfer	Sections 18 C, 18 D and 20.	Transferee must have good credit rating and business qualifications and meet new franchisee standards and you provide us with this information; transferee must pay the then-current initial training fee and complete Initial Training Program and/or demonstrate ability to operate the Store; transferee and its Owners sign personal guarantees as well as new franchise agreement and/or written assignment of your obligations under your franchise agreement; we decide whether transferee's term will be for unexpired portion of your franchise agreement or full term of new franchise agreement; we receive the Transfer Fee; you cannot own any security interest in franchise after transfer without our prior written consent; we can request you and transferee sign consent to transfer; the transferee cannot own interests in Similar Businesses or otherwise breach its franchise agreement; all amounts due must be paid in full; each certificate representing ownership interest in the transferee entity must include a statement that

Provision	Section in Franchise Agreement	Summary
		ownership interests are subject to the franchise agreement restrictions on transfer; no interest in the transferee entity may be transferred or issued without our prior written request; Store and its operations must be brought into full compliance with current standards for a new Dripp Coffee Bar. Subject to applicable state law. We do not charge a transfer fee for a one-time transfer to a wholly owned business entity formed by you, but additional conditions apply to this type of transfer to a business entity franchisee. Except for a transfer from individual franchisee(s) to a wholly owned Business Entity, we have a right of first refusal on any proposed transfer.
n. Our right of first refusal to acquire your business	Section 20 and California Addendum (Schedule D to Franchise Agreement)	We can match any offer for your business and can also require certain terms of sale. Subject to applicable state law.
o. Our option to purchase your business	Section 17 A	On written notice to you, on termination or expiration of the Franchise Agreement, we can elect to purchase for cash or set-off, product inventory for cost less 20% and the assets of your Coffee Bar, including signs, equipment, supplies, advertising materials, forms and software, at cost or fair market value, whichever is less.
p. Your death or disability	Section 19	Your interest must be transferred to an approved 3rd party within 180 days.
q. Non-competition covenants during the term of the franchise	Sections 15 A, 15 B, 15 F and Schedule D	You and your Owners must not divert any customers, do anything to injure goodwill of Marks or have involvement or family involvement in any Similar Business.

Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Sections 15 C, 16 D and Schedules D and E	For 2 years after termination or non-renewal, you, your Affiliates, Family Members (includes an individual and his/her spouse and/or domestic partner, and their respective mother, father, brother, sister, son, and daughter, as defined in Section 15 B of the Franchise Agreement) and Owners cannot be involved in a Similar Business within a 10-mile radius of your Store or any other Dripp Coffee Bar location. Subject to state law. (See State Addendum, Exhibit G). If you are not in default of the Agreement and the Agreement is mutually terminated because our license agreement from our affiliate ends, you are not required to comply with the non-competition obligations of Section 15 C.
s. Modification of the Franchise Agreement	Section 27	No modification except in writing signed by you and us, but we may modify the Dripp Operations Portal unilaterally, as we wish.
t. Integration/merger clause	Section 27	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside this Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by face-to-face meeting, mediation, arbitration	Section 30 and Schedules D and E.	Except for claims for injunctive and other provisional relief or actions for collection of undisputed payment, any claim arising out of or relating to the Agreement, or its breach must be resolved by face-to-face meeting (may be via videoconference if in-person is unduly burdensome), then, if needed, mediation, and if mediation is not successful, then by arbitration in San Bernardino County, California. Waiver of punitive, exemplary or multiple damages; class action waiver. Subject to state law. (See State

Provision	Section in Franchise Agreement	Summary
		Addendum, Exhibit G).
v. Choice of forum	Sections 29 B and 30 C	San Bernardino County, California. Subject to state law. (See State Addendum, Exhibit G)
w. Choice of law	Section 29 A and Schedules D and E	California law applies, except for breaches of Section 15 (in which case law of the place where breach occurs controls) and no California franchise law applies unless jurisdictional, definitional and application requirements of the law are met independently of this franchise term. The Owner Non-Compete, Non-Disclosure and Confidentiality Agreement (Schedules D and E to the Franchise Agreement) is governed by the laws of the state where a claimed breach occurs, and no provisions of any statute, regulation or law regarding franchises will apply unless jurisdictional, definitional and other requirements thereof are met independently of this Section. Subject to state and applicable federal law. (See State Addendum, Exhibit G).

ITEM 18. PUBLIC FIGURES

We do not use any public figure to promote our 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 isa 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.

The following information is derived from the operation of two Company-owned Dripp® Coffee Bar outlets owned and operated by our Affiliate, DI, that are substantially similar to the outlets franchised under this disclosure document, operating under the same trade name and Marks, menu and with only slight variations in trade dress. No Dripp Coffee Bar outlets have been excluded. We do not currently have any Dripp Coffee Bar franchised outlets.

Some outlets have earned this amount. Your individual results may differ. There is no assurance you will earn as much.

Historical Performance of
Affiliate-Owned Outlets.

GROSS SALES

	2021
STORE #1002	$599,039
STORE #1003	$642,026

Notes:

1. "Gross Sales" as stated above, includes all revenue received from all goods and services sold, delivered, or performed in or from the location and includes the gross amount received for orders taken, originated, accepted, or received elsewhere but filled at the location; orders taken, originated, accepted, or received at the location but filled, delivered, or performed elsewhere.
2. The two Affiliate-Owned outlets represented in the figures above are both located in Southern California in anchored neighborhood shopping centers with well-recognized co-tenant brands and high pedestrian traffic levels. Outlet 1002 has 2,260 square feet and has been operating for 5 years. The second Affiliate-Owned outlet in South Coast Plaza opened in February, 2021 so its gross sales are for a partial calendar year. Outlet 1003 has 1200 square feet
3. Due to COVID-19 government mandated closures, Outlet 1002 above was closed from March 14, 2020 through April 15, 2021, so its gross sales are for a partial calendar year. .
4. Written substantiation for the financial performance representation will be made available to a prospective franchisee upon reasonable written request.
5. The figures above have not been audited and are not presented in accordance with generally accepted accounting principles. The information presented is not an income statement, statement of operations, statement of cash flow or any other financial statement.
6. Other than the preceding financial performance representation, 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 not contained in this Item 19, 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

Table No. 1
Systemwide Outlet Summary
For Fiscal Years 2019 to 2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Company-Owned*	2019	2	2	0
	2020	2	2	0
	2021	2	2	0
Total Outlets	2019	2	2	0
	2020	2	2	0
	2021	2	2	0

*Owned and operated by our Affiliate, DI.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Fiscal Years 2019 to 2021

State	Year	Number of Transfers
CA	2019	0
	2020	0
	2021	0

Table No. 3
Status of Franchised Outlets
For Fiscal Years 2019 to 2021

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
CA	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Totals	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

Table No. 4
Status of Company-Owned Outlets*
For Fiscal Years 2019to 2021

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	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	1	0	1	0	2
Totals	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	1	0	1	0	2

*Owned and operated by our Affiliate, DI.

Table No. 5
Projected Openings as of December 31, 2021

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	0	0
Total	0	0	0

We do not have any franchises and therefore do not have any franchisee who signed confidentiality agreements during the last 3 fiscal years, or 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 franchise system.

Franchisee Associations
We do not have any trademark specific franchisee associations.

ITEM 21. FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit D are our audited financial statements for the periods ending December 31 of 2019, 2020 and 2021.

ITEM 22. CONTRACTS

Copies of the following contracts are attached to this Disclosure Document:

Exhibit C Dripp® Operations Portal End-User License Agreement
Exhibit E Franchise Agreement
Exhibit F Statement of Prospective Franchisee

ITEM 23. RECEIPTS

Two copies of the Receipt for this Disclosure Document are attached as Exhibit I, at the end of this document. You must date and sign both copies, keep one for your records and return one copy to us.

EXHIBIT A TO THE
FRANCHISE DISCLOSURE DOCUMENT

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE FRANCHISE LAW ADMINISTRATORS

California:
Department of Financial Protection
and Innovation
One Sansome Street, Ste. 600
San Francisco, CA 94104

320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

2101 Arena Blvd.
Sacramento, CA 95834

1350 Front Street, Room 2034
San Diego, CA 92101-4233

1-866-ASK-CORP

Hawaii:
Department of Commerce and
Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813

Illinois:
Office of the Attorney General
500 South Second Street
Springfield, IL 62706

Indiana:
Indiana Securities Division
Secretary of State
302 West Washington Street, Room E-111
Indianapolis, IN 46204

Maryland:
Office of the Attorney General
Division of Securities
200 Saint Paul Place
Baltimore, MD 21202-2020

Michigan:
Michigan Attorney General's Office
Consumer Protection Division
Franchise Section
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, MI 48913

Minnesota:
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101

New York:
Office of the New York Attorney General
Investor Protection Bureau
Franchise Section
28 Liberty Street, 21st Floor
New York, NY 10271-0332
(212) 416-8236 (phone)
(212) 416-6042 (fax)

North Dakota:
North Dakota Securities Department
600 East Boulevard, 5th Floor
Bismarck, ND 58505

Oregon
Director
Department of Consumer & Business Services
Division of Finance & Corporate Securities
P.O. Box 14480
Salem, Oregon 97309-0405
(503) 378-4140

Rhode Island:
Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex, Building 69-1
Cranston, RI 02920-4407

South Dakota:
Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, SD 57501

Virginia:
State Corporation Commission
Division of Securities and
Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219

Washington:
Department of Financial Institutions
Securities Division
P. O. Box 9033
Olympia, Washington 98507-9033

Wisconsin:
State of Wisconsin
Office of the Commissioner of Securities
4822 Madison Yards Way, North Tower
Madison, WI 53705

AGENTS FOR SERVICE OF PROCESS

California:
California Commissioner of Financial Protection and Innovation
Department of Financial Protection and Innovation
1 Sansome Street, Suite 600
San Francisco, California 94104

Hawaii:
Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

Illinois:
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana:
Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204

Maryland:
Securities Commissioner
200 Saint Paul Place
Baltimore, Maryland 21202-2020

Michigan:
Department of Attorney General's Office
Consumer Protection Division
670 Law Building
Lansing, Michigan 48913

Minnesota:
Commissioner of Commerce
85 7th Place E.
St. Paul, MN 55101

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

North Dakota:
Commissioner of Securities
600 East Blvd., 5th Floor
Bismarck, North Dakota 58505

Rhode Island:
Director of Business Regulation
Division of Securities
John O. Pastore Complex 69-1
1511 Pontiac Avenue
Cranston, RI 02920

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

Virginia:
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

Washington:
Director
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, WA 98501

Wisconsin:
Administrator
Department of Financial Institutions
Division of Securities
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53703

EXHIBIT B TO THE
FRANCHISE DISCLOSURE DOCUMENT

DRIPP® OPERATIONS PORTAL TABLE OF CONTENTS

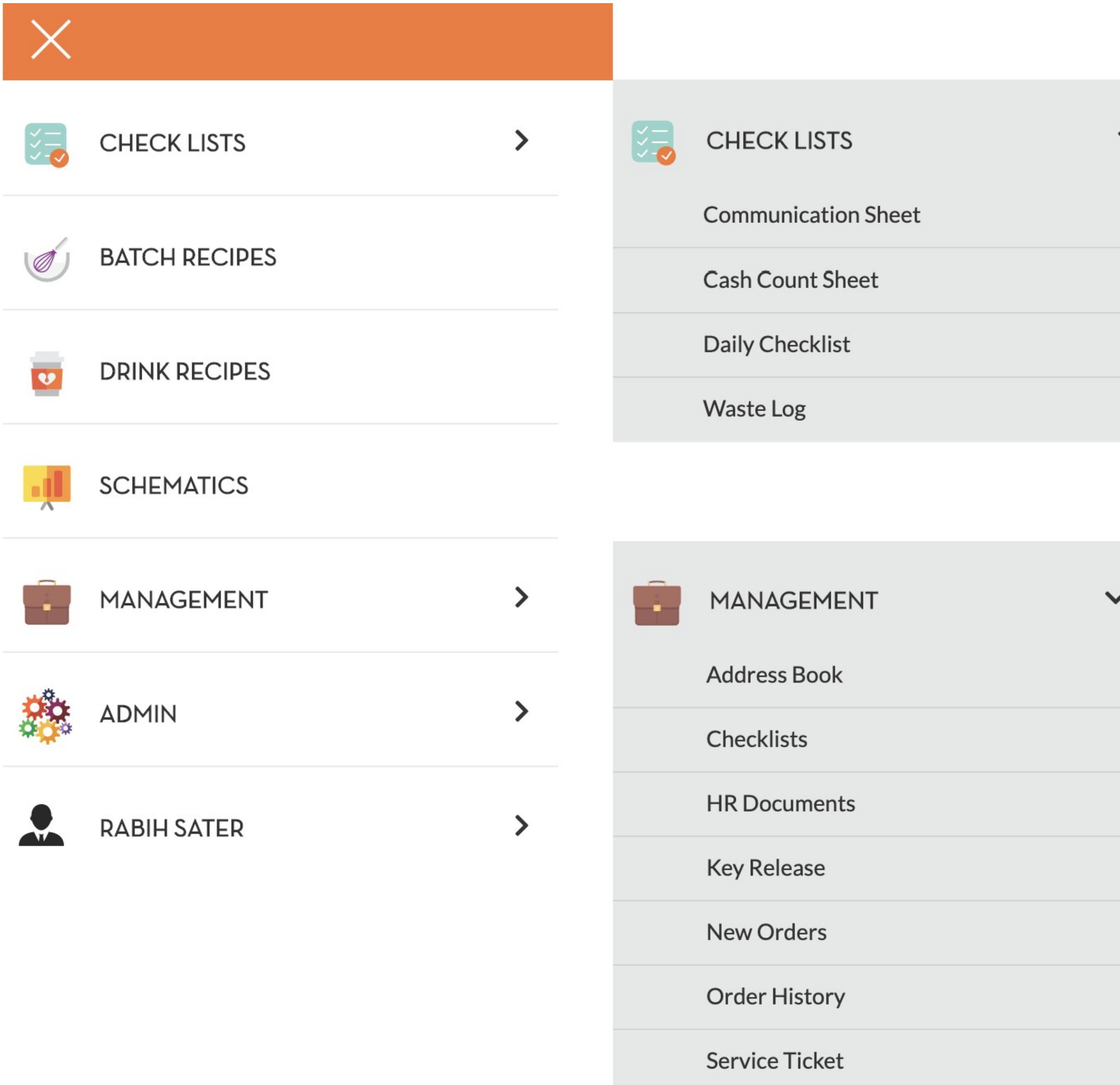

CHECK LISTS
BATCH RECIPES
DRINK RECIPES
SCHEMATICS
MANAGEMENT
ADMIN
RABIH SATER
CHECK LISTS
Communication Sheet
Cash Count Sheet
Daily Checklist
Waste Log
MANAGEMENT
Address Book
Checklists
HR Documents
Key Release
New Orders
Order History
Service Ticket

EXHIBIT C TO THE
FRANCHISE DISCLOSURE DOCUMENT

DRIPP® OPERATIONS PORTAL END-USER LICENSE AGREEMENT

Dripp® OPERATIONS PORTAL

END-USER LICENSE AGREEMENT

Important: Please Read the Entire Agreement Before Accepting

The DRIPP® Operations Portal (the “PORTAL”) is an Internet portal providing access to a database (“the DATABASE”) developed and owned by DRIPP, INC. (“DI”) for the retrieval of information, including, without limitation, methods, standards, requirements, instructions, recipes, schematics, waste logs, communication management, service resources, inventory management, site specifications, store layout and design, and other information and operational tools, related to the management and operation of a Dripp® Coffee Bar (“DRIPP COFFEE BAR”). DI has entered into a Master License Agreement (“MASTER LICENSE”) with its affiliate, DRIPP FRANCHISING INC. (“DFI” or “LICENSOR”), wherein DI grants LICENSOR the exclusive right to monitor and/or manage the PORTAL and the DATABASE and to grant sublicenses to DFI’s franchisees and licensees consistent with the MASTER LICENSE. This End-User License Agreement (the “EULA”) is a binding contract between you (“USER”) as a Franchisee under a signed franchise agreement with DFI for the development and operation of a DRIPP COFFEE BAR (“FRANCHISE AGREEMENT”), and LICENSOR, and USER acknowledges that USER is granted online access to the PORTAL, the DATABASE and the contents thereof in consideration of, and only upon, USER's agreement to the terms and conditions set forth below and in the FRANCHISE AGREEMENT. By clicking on the “I ACCEPT” button, USER hereby agrees to only access, and/or use the data in the DATABASE that USER is permitted to access, as outlined herein or in the FRANCHISE AGREEMENT or as otherwise specified by LICENSOR, in accordance with the terms, conditions, and limitations contained within this EULA and the FRANCHISE AGREEMENT; and in return, LICENSOR hereby grants to USER a non-exclusive, non-transferable sublicense to access and/or use the DATABASE and PORTAL for the Term and on the computer system(s) located at the Authorized Location designated in the FRANCHISE AGREEMENT, and in accordance with the terms, conditions, and limitations contained within this EULA and the FRANCHISE AGREEMENT. In addition, LICENSOR will provide to USER, set-up and training related to the use of the PORTAL and DATABASE, as well as arrange for their periodic support, upgrading and maintenance, as provided herein.

A. General Website and Database Use.

1. License. USER represents and warrants that the login information used to gain access to the DATABASE and its contents is the information provided to USER for such purpose by LICENSOR; and that USER has not provided, and will not provide, the login information to any other party to gain access to the DATABASE or its contents except as expressly permitted by LICENSOR. USER hereby agrees that it will not make any attempt to unlock or bypass the security measures, initialization systems, or encryption technologies intended or utilized to maintain data integrity in the DATABASE. Further, USER understands and acknowledges that the PORTAL and DATABASE code and structure, and all copyrights, trademarks, patents, rights of privacy or publicity, and other rights therein, are commercially valuable, proprietary trade secrets and/or products of DI and are and will remain, solely and exclusively owned by DI. USER hereby agrees that it will not, during the term of this EULA or at any time thereafter, decode, modify, merge, disassemble, decompile, reverse-engineer, or otherwise directly or indirectly engage in, or refrain from taking, any action or inaction which may in any way lead to the unauthorized dissemination, reproduction, or use of the PORTAL or DATABASE code or structure by, any third party, or for USER’s own commercial benefit, except as expressly permitted under the terms of this EULA and the FRANCHISE AGREEMENT. Except for the explicit rights granted in this EULA, USER has no right, title and/or interest, in or to the PORTAL, DATABASE and related software programs.

2. Confidentiality and Trade Secrets. The data and information contained in the DATABASE and on the PORTAL, like the code and structure, are confidential and constitute protected and valuable trade secrets of DI. USER will maintain in strict confidence and not disclose to anyone other than an authorized third party any of the information or data contained in or on the DATABASE or PORTAL in any manner whatsoever, either during or after

the expiration or termination of this EULA or the FRANCHISE AGREEMENT.

B. Administration, License and Use Fees.

Transactions associated with administration, license and/or use fees charged by LICENSOR, may occur within or entirely outside the PORTAL environment and control, as required by LICENSOR from time to time. If USER pays any administration, license and/or use fees from the PORTAL, USER shall be responsible for providing a valid payment method and for authorizing the service to charge the payment method for any such fee. LICENSOR may collect and/or pay monies on behalf of or to another party.

C. Data Submission, Access, and Use.

Nothing in this EULA is intended nor may be construed to grant to USER any right, interest, or title to data contained within the DATABASE, except as expressly granted herein.

1. Data Ownership. As referenced in the FRANCHISE AGREEMENT, during any period of time when USER holds a written FRANCHISE AGREEMENT with LICENSOR, USER hereby grants to LICENSOR all rights, interest, and title to any and all data associated with USER's DRIPP® COFFEE BAR that USER enters or submits to the DATABASE. LICENSOR represents that it has obtained rights to sublicense all in the DATABASE so that said data may be accessed and used in accordance with this EULA by other appropriate parties. USER acknowledges and agrees that USER has no ownership rights nor reasonable expectation of privacy in or to, any data in the DATABASE, whether entered into the DATABASE by USER or otherwise, and further agrees that all data, including data entered into the DATABASE by USER, will be collected, maintained, used, analyzed, sold, distributed, disclosed and/or licensed to third parties, including to the general public, by LICENSOR in its sole and absolute discretion, and without notice to or prior consent of USER.

2. Data Accessibility and Integrity. USER is hereby licensed to use and access any and all data within the DATABASE that USER is permitted to access, as outlined in this EULA or the FRANCHISE AGREEMENT.

3. Permitted and Prohibited Uses of Data. USER is hereby licensed to view, report, summarize, perform statistical and other types of analyses, print, export, download, or disclose to any authorized third party any data in the DATABASE subject to the restrictions and conditions contained in this EULA and/or the FRANCHISE AGREEMENT. USER hereby agrees that it will not alter, remove, or obscure any proprietary legend, logo, copyright, or trademark notice on any printout or electronic report generated from the DATABASE. Further, USER agrees that it will not, during the term of this EULA or at any time thereafter, falsely report, improperly use, disclose or manipulate, or otherwise misrepresent data contained in the DATABASE, to any third party in any medium or nature whatsoever. Authorized third party(ies) and/or authorized use, as used in this EULA, shall mean USER and its employees who are bound by the terms of a confidentiality agreement that includes the terms of this EULA, for internal use on the computer(s) at USER's Dripp Coffee Bar operated at the Authorized Location designated in the FRANCHISE AGREEMENT.

D. Warranties, Disclaimers, and Limitations of Liability.

1. General Warranty. LICENSOR warrants that the PORTAL and DATABASE shall be free from material defects, and that LICENSOR will maintain and support them during the term of this EULA. Further, LICENSOR warrants that the PORTAL and DATABASE shall maintain commercially reasonable capacity, volume, and response times in relation to other online database applications in the industry. LIMITATION: EXCEPT AS EXPRESSLY STATED HEREIN, THE PORTAL, DATABASE, AND DATA CONTAINED THEREIN ARE PROVIDED "AS IS," WITHOUT WARRANTY OF ANY KIND, EXPRESSED OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF PERFORMANCE OR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, SATISFACTORY QUALITY, ACCURACY OF INFORMATIONAL CONTENT, OR ARISING FROM A COURSE OF DEALINGS, LAW, USAGE, OR TRADE PRACTICE. IN NO EVENT SHALL LICENSOR BE LIABLE TO USER OR ANY OTHER PERSON FOR ANY SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES.

2. Data Integrity and Accuracy. LICENSOR warrants that all data in the DATABASE that is restricted by this EULA or the FRANCHISE AGREEMENT from being altered or deleted will remain unaltered, except as explicitly allowed by this EULA or the FRANCHISE AGREEMENT. However, as USER may enter, input, or otherwise submit data to the DATABASE, and certain data may be altered, deleted, or archived in accordance with this EULA and the FRANCHISE AGREEMENT, LICENSOR cannot warrant absolute accuracy of all such data contained within the DATABASE. As such, the primary source of the data may be the only source of absolute accuracy. USER THEREFORE ASSUMES THE ENTIRE RISK AS TO THE USE OF THE INFORMATION CONTAINED WITHIN THE DATABASE AND AGREES THAT USER IS RESPONSIBLE FOR DETERMINING THAT ALL INFORMATION IT USES FROM THE DATABASE IS SUFFICIENTLY ACCURATE. LICENSOR SHALL NOT BE LIABLE FOR ANY LOSS OR INJURY ARISING OUT OF OR CAUSED BY, IN WHOLE OR IN PART, ANY ERRORS OR OMISSIONS BY USER OR OTHERS IN SUBMISSION OF DATA OR INFORMATION TO THE DATABASE, ANY ERRORS OR OMISSIONS BY PERMITTED USERS IN ALTERING OR DELETING INFORMATION IN THE DATABASE, OR FROM ANY ERRORS OR OMISSIONS BY OTHERS IN COMPILING OR REPORTING THE INFORMATION OUTSIDE OF THE DATABASE.

3. Data Security and Backup. Significant efforts have been made by LICENSOR to assure that data in the DATABASE is secure and backed up. Data is housed on an independent server, which only DI's and/or LICENSOR's authorized staff may access. Stand-alone data may not be accessed without authorized credentials (i.e., valid username and password), and incoming data requests may only be executed from the web server. LICENSOR hereby agrees to maintain a backup copy of the DATABASE to minimize the possibility of data loss. At a minimum, transaction log files will be created weekly and stored both locally and remotely from the primary servers. Backup data will be encrypted on a cloud-based service and placed on a server environment using not less than a 128-bit Advanced Encryption Standard Protocol.

4. Software Upgrades. From time to time, DI and/or LICENSOR may, but are not obliged to, upgrade the PORTAL and/or DATABASE by adding new functions or features or making new information services available to USER. If upgrades to the PORTAL or DATABASE cause accessibility issues, LICENSOR agrees to use its commercially reasonable efforts to correct the accessibility issue in a timely manner. LICENSOR SHALL NOT BE LIABLE TO USER OR ANY OTHER PERSON FOR ANY SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES THAT MAY BE CAUSED BY DATA INACCESSIBILITY.

5. Downtime. Except for acts of God or actions or inactions by USER or any third party that are outside the control of LICENSOR, LICENSOR will use its commercially reasonable efforts to minimize downtime caused by routine maintenance, system upgrades, backups, and other like activities, on the related network, servers, routers, and other hardware necessary for hosting and running the PORTAL and DATABASE.

6. Equipment Incompatibly. USER hereby agrees that LICENSOR shall not be responsible nor liable for incompatibility of the DATABASE with any of USER's software, hardware or any other equipment, all of which shall be obtained and maintained by USER, at its sole cost and expense, and in compliance with the FRANCHISE AGREEMENT.

E. Effect and Term.

1. Effect of EULA. This EULA, together with the provisions of the FRANCHISE AGREEMENT, constitute USER's and LICENSOR's complete understanding of the rights and obligations each has with respect to the PORTAL, DATABASE, and the contents thereof, and supersedes any prior understanding or agreement, oral or written, additional terms that may appear on the PORTAL, or conflicting terms communicated by LICENSOR through any means, which are related thereto.

2. Term. This EULA is effective upon acceptance by USER by clicking on the "I ACCEPT" button. The term of this EULA shall be coterminous with the FRANCHISE AGREEMENT, unless otherwise terminated in accordance with Section F below or when superseded by a subsequent version of this EULA.

F. Termination.

1. By USER. USER may not terminate this EULA for any reason.

2. By LICENSOR. LICENSOR may terminate this EULA as follows:

a. If USER fails to timely pay any appropriately assessed administration, license and/or use fee charged by LICENSOR, LICENSOR may terminate this EULA following 10-day notice to USER;

b. If USER defaults, breaches, or materially fails to fulfill its obligations under the terms of this EULA, and within 15 days after notice from LICENSOR specifying the nature of the default, breach, or material failure, USER does not cure the default, breach, or material failure, or, if the default, breach, or material failure cannot be cured within 15 days, USER fails within such time to commence and pursue curative action with reasonable diligence, LICENSOR may immediately terminate this EULA upon notice to USER; or

c. If the MASTER LICENSE that LICENSOR has with DI is terminated, LICENSOR may terminate this EULA with written notice to USER, the effective date of such termination shall be the next occurring expiration date of USER's FRANCHISE AGREEMENT, whether expiration of an initial or renewal term.

3. Effect of Termination. USER understands and acknowledges that upon termination of this EULA for any reason, USER will be denied access to the PORTAL and the DATABASE and the contents thereof, and agrees to only use data from the DATABASE that USER has legitimately exported or downloaded during the term hereof, and then only as permitted herein and under the FRANCHISE AGREEMENT.

G. Miscellaneous.

1. Assignment. USER understands and acknowledges that it is strictly prohibited from assigning or otherwise transferring its rights and obligations under this EULA, except as expressly permitted under the terms and conditions of the FRANCHISE AGREEMENT. Any attempted assignment by USER not in accordance with all the terms and conditions of the FRANCHISE AGREEMENT shall be null and void.

2. Changes in Terms and Conditions. USER understands that LICENSOR, from time to time, may modify or amend any of the existing terms and conditions of this EULA, provided that any such modification or amendment may only serve to clarify existing provisions; update provisions to account for upgraded software, hardware, encryption protocols or other technical specifications referenced in the EULA; or to add rights to USER or obligations to LICENSOR. Therefore, each time that USER seeks online access to the website, the PORTAL and/or the DATABASE, LICENSOR may require that USER assent to the most current version of this EULA.

3. Notice. Notices to either party must be made in writing, but may be sent by United States Post, delivery service, or electronic mail. Such notices shall be deemed to have been given at the expiration of the third day after the date of deposit in the United States Post or on the date of confirmed delivery by delivery service or electronic mail. Notices to LICENSOR may be sent to the mailing or email address on the Contact Us page of the PORTAL. Notices to USER may be sent to the mailing or email address used by USER during registration.

4. Waiver; Severability. The failure of any party on any occasion to exercise any right granted under this EULA shall not operate as a waiver of such right as to subsequent occasions, and shall not effect a modification of this EULA. If any clause or provision of this EULA is or becomes illegal, invalid, impossible to perform, or unenforceable under present or future laws effective during the term of this EULA, the parties intend and agree that the remainder of the EULA shall continue in force and shall not be affected. The parties intend and agree that in lieu of each clause or provision of this EULA that is or becomes illegal, invalid, impossible, or unenforceable,

there be added as part of this EULA a clause or provision as similar in terms as may be legal, valid, possible, and enforceable.

5. Governing Law. The laws of the State of California shall govern this EULA, together with all rights, obligations, and disputes arising out of or related thereto.

6. Forum; Venue. Any dispute or legal action arising out of or relating to this EULA shall be resolved in accordance with the dispute resolution provisions as stated in the FRANCHISE AGREEMENT.

7. Remedies. The following shall be enforced to the extent it is not in conflict with the dispute resolution provisions of the FRANCHISE AGREEMENT: the parties hereby acknowledge that in the event of a material breach of this EULA, an aggrieved party would be substantially or irreparably harmed, and that such harm may not be susceptible to accurate measurement. Accordingly, the parties agree that a non-breaching party, in addition to seeking recovery of monetary damages and other remedies available at law to compensate for a breach, shall be entitled to seek and obtain preliminary and permanent injunctive relief to prevent a breach or threatened breach. The non-breaching party seeking this remedy shall not be required to show or prove that any monetary damage has been sustained, nor be required to post bond or security to obtain injunctive relief.

**EXHIBIT D TO THE
FRANCHISE DISCLOSURE DOCUMENT**

FINANCIAL STATEMENTS

DRIPP FRANCHISING INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

CONTENTS

KATZ | CASSIDY
AN ACCOUNTANCY CORPORATION

Neal M. Katz, CPA
Mark K. Chapman, CPA
Catherine E. Thompson, CPA

Barbara A. Barschak, CPA

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Dripp Franchising Inc. (a California corporation), consisting of the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Dripp Franchising Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are

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considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of Dripp Franchising Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dripp Franchising Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control matters that we identified during the audit.

Katz Cassidy

Katz Cassidy
An Accountancy Corporation
Los Angeles, California
March 25, 2022

DRIPP FRANCHISING INC.

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

	2021	2020
Assets		
Current Assets		
Cash	$ 18,935	$ 62,919
Due from affiliates, net	32,588	1,963
Total Current Assets	51,523	64,882
Total Assets	$ 51,523	$ 64,882
Liabilities and Stockholder's Equity		
Current Liabilities	$ -	$ -
Stockholder's Equity		
Common stock, no par value: 100,000 shares authorized; 10,000 shares issued and outstanding	100,000	100,000
Additional paid-in capital	151,000	151,000
Accumulated deficit	(199,477)	(186,118)
Total Stockholder's Equity	51,523	64,882
Total Liabilities and Stockholder's Equity	$ 51,523	$ 64,882

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

DRIPP FRANCHISING INC.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Revenue	$ -	$ -
Operating Expenses	13,359	50,759
Net Loss	$ (13,359)	$ (50,759)

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

DRIPP FRANCHISING INC.

STATEMENTS OF STOCKHOLDER'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
Balance, December 31, 2019	$ 100,000	$ 88,000	$ (135,359)	$ 52,641
Contribution of additional paid-in capital		63,000		63,000
Net loss			(50,759)	(50,759)
Balance, December 31, 2020	100,000	151,000	(186,118)	64,882
Net loss	-	-	(13,359)	(13,359)
Balance, December 31, 2021	$ 100,000	$ 151,000	$ (199,477)	$ 51,523

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

DRIPP FRANCHISING INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities:		
Net loss	$ (13,359)	$ (50,759)
Adjustments to reconcile net loss to net cash used in operating activities:		
Increase (decrease) in:		
Due from affiliates, net	(30,625)	46,451
Net Cash Used in Operating Activities	(43,984)	(4,308)
Cash Flows from Financing Activities:		
Contribution of additional paid-in capital	-	63,000
Net Cash Provided by Financing Activities	-	63,000
Net Increase (Decrease) in Cash	(43,984)	58,692
Cash, Beginning	62,919	4,227
Cash, Ending	$ 18,935	$ 62,919

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

	2021	2020
State franchise taxes	$ 800	$ 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 receives revenue from the sale of franchises and from royalties, which are based on a defined percentage of franchise store revenues and are recognized as franchisee sales occur.

The Company's franchise agreement has an initial term of ten years with one five-year renewal period, 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.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers. The amount of revenue to be recognized reflects the consideration to which the Company is entitled to receive in exchange for the goods or services delivered. To achieve this core principle, the Company applies the following five steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as the Company satisfies a performance obligation.

ASU 2014-09 initially required revenue from the licensing of symbolic intellectual property to be recognized over the period of time during which the franchisee has access to such intellectual property.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

In January 2021, FASB provided a practical expedient under which franchisors may account for pre-opening services provided to a franchisee or other licensee as distinct performance obligations and recognize revenue accordingly. Franchisors may also elect to treat specific pre-opening activities identified by FASB as a single performance obligation. The Company has adopted the practical expedient as of the earliest period presented in the financial statements, but has not elected to treat all eligible pre-opening activities as a single performance obligation.

Management estimates that services provided from the execution of a franchise agreement until the franchisee receives site approval account for 50% of its pre-opening performance obligations. Services provided after site approval until the location opens, including training, account for the remaining 50% of its pre-opening performance obligations. Management believes that the value of its performance obligations after opening, consisting primarily of licensing, are equal to the royalties and other fees charged to each location. Therefore 50% of the franchise fee is recognized as revenue upon site approval, and 50% upon the opening of each location.

As of as of December 31, 2021, the initial franchise fee is $30,000. In addition, franchisees are required to pay a training fee of $10,000. $10,000 of the initial franchise fee is refundable if training is not successfully completed. As of December 31, 2020, the initial franchise fee was $40,000.

The Company has no franchisees as of December 31, 2021 and 2020.

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. As of December 31, 2021 and 2020, DI owns and operates two Dripp locations for which the Company receives no franchise fee or royalty revenue. As of December 31, 2021, the Company has made net advances to DI totaling $10,033. As of December 31, 2020, the Company has received net advances from DI totaling $3,303. 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, 2021 and 2020, the Company has made advances to ER totaling $39,334 and $22,045, respectively. The advances are payable on demand.

2. RELATED PARTY TRANSACTIONS (Continued)

The Company has received operating expense advances from companies controlled by the stockholder's family members totaling $16,779 as of December 31, 2021 and 2020. The advances are payable on demand.

3. COVID-19 PANDEMIC

On January 30, 2020, the World Health Organization declared an international public health emergency over the spread of the COVID-19 coronavirus. The extent of the impact of COVID-19 on the operational and financial performance of the Company will depend on future developments, including the duration and spread of the outbreak, and the impact on franchisees, customers, employees and vendors, all of which are uncertain and cannot be predicted.

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 25, 2022, the date on which the financial statements were available to be issued.

DRIPP FRANCHISING INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

CONTENTS

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

Opinion

We have audited the accompanying financial statements of Dripp Franchising Inc. (a California corporation), consisting of the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

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, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Dripp Franchising Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are

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considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of Dripp Franchising Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dripp Franchising Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control matters that we identified during the audit.

Katz Cassidy

Katz Cassidy
An Accountancy Corporation
Los Angeles, California
March 24, 2021

DRIPP FRANCHISING INC.

BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

	2020	2019
Assets		
Current Assets		
Cash	$ 62,919	$ 4,227
Due from affiliates, net	1,963	48,414
Total Current Assets	64,882	52,641
Total Assets	$ 64,882	$ 52,641
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable	$ -	$ -
Total Current Liabilities	-	-
Stockholder's Equity		
Common stock, no par value: 100,000 shares authorized; 10,000 shares issued and outstanding	100,000	100,000
Additional paid-in capital	151,000	88,000
Accumulated deficit	(186,118)	(135,359)
Total Stockholder's Equity	64,882	52,641
Total Liabilities and Stockholder's Equity	$ 64,882	$ 52,641

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

DRIPP FRANCHISING INC.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Revenue	$ -	$ -
Operating Expenses	50,759	19,315
Net Loss	$ (50,759)	$ (19,315)

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

DRIPP FRANCHISING INC.

STATEMENTS OF STOCKHOLDER'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
Balance, January 1, 2018	$ 100,000	$ -	$ (81,044)	$ 18,956
Contribution of additional paid-in capital		88,000	-	88,000
Net loss	-	-	(19,315)	(19,315)
Distributions to stockholder	-	-	(35,000)	(35,000)
Balance, December 31, 2019	100,000	88,000	(135,359)	52,641
Contribution of additional paid-in capital		63,000	-	63,000
Net loss	-	-	(50,759)	(50,759)
Balance, December 31, 2020	$ 100,000	$ 151,000	$ (186,118)	$ 64,882

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

DRIPP FRANCHISING INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities:		
Net loss	$ (50,759)	$ (19,315)
Adjustments to reconcile net loss to net cash used in operating activities:		
Increase (decrease) in:		
Due from affiliates, net	46,451	(11,690)
Accounts payable	-	(29,866)
Net Cash Used in Operating Activities	(4,308)	(60,871)
Cash Flows from Financing Activities:		
Contribution of additional paid-in capital	63,000	88,000
Distributions to stockholder	-	(35,000)
Net Cash Provided by Financing Activities	63,000	53,000
Net Increase (Decrease) in Cash	58,692	(7,871)
Cash, Beginning	4,227	12,098
Cash, Ending	$ 62,919	$ 4,227

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2020	2019
Cash paid during the year for:		
State franchise taxes	$ 800	$ 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 receives revenue from the sale of franchises and from royalties, which are based on a defined percentage of franchise store revenues and are recognized as franchisee sales occur.

The Company's franchise agreement has an initial term of ten years with one five-year renewal period, 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.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers. The amount of revenue to be recognized reflects the consideration to which the Company is entitled to receive in exchange for the goods or services delivered. To achieve this core principle, the Company applies the following five steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as the Company satisfies a performance obligation.

ASU 2014-09 initially required revenue from the licensing of symbolic intellectual property to be recognized over the period of time during which the franchisee has access to such intellectual property.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

In January 2021, FASB provided a practical expedient under which franchisors may account for pre-opening services provided to a franchisee or other licensee as distinct performance obligations and recognize revenue accordingly. Franchisors may also elect to treat specific pre-opening activities identified by FASB as a single performance obligation. The Company has adopted the practical expedient as of the earliest period presented in the financial statements, but has not elected to treat all eligible pre-opening activities as a single performance obligation.

Management estimates that services provided from the execution of a franchise agreement until the franchisee receives site approval account for 50% of its pre-opening performance obligations. Services provided after site approval until the location opens, including training, account for the remaining 50% of its pre-opening performance obligations. Management believes that the value of its performance obligations after opening, consisting primarily of licensing, are equal to the royalties and other fees charged to each location. Therefore 50% of the franchise fee is recognized as revenue upon site approval, and 50% upon the opening of each location.

As of as of December 31, 2020, the initial franchise fee is $30,000. In addition, franchisees are required to pay a training fee of $10,000. $10,000 of the initial franchise fee is refundable if training is not successfully completed. As of December 31, 2019, the initial franchise fee was $40,000.

The Company has no franchisees as of December 31, 2020 and 2019.

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, 2020, the Company has received advances from DI totaling $3,303. As of December 31, 2019, the Company has made advances to DI totaling $25,260. 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, 2020 and 2019, the Company has made advances to ER totaling $22,045 and $39,932, respectively. The advances are payable on demand.

The Company has received operating expense advances from companies controlled by the stockholder's family members totaling $16,779 as of December 31, 2020 and 2019. The advances are payable on demand.

3. COVID-19 PANDEMIC

On January 30, 2020, the World Health Organization declared an international public health emergency over the spread of the COVID-19 coronavirus. The outbreak and responses to the virus have significantly disrupted and will continue to disrupt the Company's business. Social distancing restrictions have been enacted throughout the United States, requiring locations to reduce capacity, temporarily close or shift to off-premises service only.

The Company has continued limited operations throughout the pandemic in compliance with various government-mandated guidelines. However, the COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the operational and financial performance of the Company will depend on future developments, including the duration and spread of the outbreak, and the impact on franchisees, customers, employees and vendors, all of which are uncertain and cannot be predicted.

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 24, 2021, the date on which the revised financial statements were available to be issued.

In February 2021, Dripp Inc. (Note 3) opened an additional location for which the Company receives no franchise fee or royalty revenue.

EXHIBIT E TO THE
FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

DRIPP FRANCHISING INC.

FRANCHISE AGREEMENT

Dripp®

COFFEE BAR

Store #:____

Franchisee:____

Address:____

Effective Date of Agreement:__________________________

Expiration Date:____________________________________

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DRIPP FRANCHISING INC.
FRANCHISE AGREEMENT

This Franchise Agreement ("this Agreement") is made and entered into on__________________, 20 (the "Effective Date") by and between **Dripp Franchising Inc**., a California corporation ("Franchisor"), and ____, a________________________________("Franchisee"), upon the terms, conditions, covenants and agreements contained herein. Unless otherwise defined herein, certain capitalized terms used in this Agreement are defined in Section 37, below.

RECITALS

A. WHEREAS, Franchisor administers a franchise system, including various business techniques, methods, know-how, trade secrets, confidential and proprietary information, copyrights, and other intellectual property rights (the "System") for the establishment and operation of retail shops offering our unique selection of fresh roasted specialty coffee, espresso-based coffee drinks, iced and blended coffee drinks, tea and tea-based drinks, specialty lemonades, and other hot and cold beverages, assorted bakery products which include, pastries and cookies, ice cream, fresh deli sandwiches, and specified merchandise, as well as other seasonal beverages and food items (the "Dripp® Coffee Bar or "Coffee Bar") identified by the Dripp trade name and other trademarks and service marks and related trade dress, as licensed hereunder (the "Marks").

B. WHEREAS, the System includes the Marks and Franchisor's trade secrets, proprietary methods and information and procedures for the establishment and operation of Dripp Coffee Bars, including, without limitation, proprietary products. recipes, menu specifications, marketing, advertising and sales promotions, equipment, furniture and fixtures, cost controls, accounting and reporting procedures, operation and training methods, distinctive interior design and displays, and color scheme and décor.

C. WHEREAS, Franchisor is licensed by its Affiliate, Dripp, Inc., ("Licensor") to grant franchises for Dripp Coffee Bars and has the right to license the System and the Marks in connection with its franchise program. Franchisor grants to qualified persons who are willing to undertake the required investment and effort, a license to open and operate a Dripp® Coffee Bar.

D. WHEREAS, Franchisee desires to become a franchised operator of a Dripp Coffee Bar as a licensee of the Marks and System under the terms and conditions of this Agreement and Franchisor is willing to grant Franchisee a franchise on the terms contained in this Agreement (the "Franchise").

E. WHEREAS, Franchisor is entering into this Agreement in reliance upon the representations of Franchisee as to itself and to the person(s) who will participate in the ownership and management of the Dripp Coffee Bar.

F. WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality and service and the necessity of operating the business franchised hereunder in strict conformity with Franchisor's standards and specifications.

G. WHEREAS, Franchisee acknowledges having received a copy of Franchisor's Franchise Disclosure Document and having had an adequate opportunity to investigate the business contemplated by this Agreement and to discuss the terms and conditions of this Agreement with financial and legal advisors of Franchisee's choosing at least fourteen (14) calendar days prior to signing. Franchisee confirms that it is not relying upon any representation as to profits and/or sales volume that Franchisee may achieve nor upon any representations or promises by Franchisor that are not contained in this Agreement.

NOW, THEREFORE, in consideration of the premises and of the consideration set below, the parties agree as follows:

AGREEMENT

1. Grant of Franchise.

A. Grant. Franchisor grants to Franchisee, and Franchisee accepts, the non-exclusive right to use the System and Marks only for the establishment and operation of a single retail Dripp® Coffee Bar using and selling Franchisor-approved Products and Services from the Authorized Location (the "Franchised Business"). The Authorized Location, as defined in Section 3 A., below, is to be identified on Schedule A to this Agreement, which is a part of this Agreement. Franchisee shall not open or operate any additional Coffee Bars or engage in any resale and/or sublicensing or franchising of the Marks, System, Portal or any Manual, or any other elements of the Franchise. Franchisee shall not provide any Products or Services from or at a location other than the Authorized Location, except as authorized in writing by Franchisor in its sole discretion. Franchisee must not conduct any activities from or at the Coffee Bar other than the operation of a Dripp Franchised Business, without Franchisor's prior written consent. Franchisee has no rights to any additional Dripp Coffee Bar franchises under this Agreement.

B. No Grant of Territory; Rights Reserved by Franchisor and Franchisor Associates.

i) Franchisee acknowledges and agrees that the Franchisee's license to use the Marks and the System as provided in this Agreement is non-exclusive. Franchisee is not awarded an "exclusive territory" or any "exclusive," "protected" or "reserved" territorial rights under this Agreement. No such rights are granted or will be inferred. Franchisor and Franchisor Associates, as defined in Section 37, below, have the right to locate, and to license others to locate, and operate anywhere, Dripp Coffee Bars or any other kinds of businesses under the Marks or any other brand, regardless of their proximity to or competition with Franchisee's Coffee Bar. Franchisor and Franchisor Associates have the right to use, and to license others to use, any distribution channels of any type for the sale of any and all kinds of goods and services, including, but not limited to, supermarkets, grocery outlets, convenience stores, gasoline stations, discount stores, department stores, bookstores, music stores, kiosks, mobile facilities, vending carts, stadiums, convention centers, concert halls, amusement parks, fair grounds and other areas of public gatherings, any temporary or mobile facilities, mail order facilities, direct response media, or onsite coffee services for business locations, via the internet, catalog sales, or by telemarketing, whether or not using the Marks or System. Franchisee has no right to exclude any businesses, regardless of their proximity to or competition with Franchisee. Franchisor and Franchisor Associates also can develop or become associated with other concepts, including dual branding and/or other license/franchise systems, for any kind of products and/or services, whether or not using the Dripp System and/or the Marks, in Franchisor's sole and absolute discretion.

ii) Franchisor, Licensor and Franchisor Associates can acquire, be acquired by, merge, affiliate or co-brand with, or engage in any transaction with other businesses with outlets located anywhere, whether or not competitive or franchised. Franchisee agrees to participate at Franchise's expense in any brand/chain conversion, as Franchisor requires.

iii) Franchisor, Licensor and Franchisor Associates reserve all rights not expressly granted to Franchisee or expressly precluded under this Agreement.

2. Term and Renewal.

A. Term. The Term of this Agreement shall be as follows:

i) If this Agreement is awarded for a new Franchise, the term starts on the Effective Date and expires on the tenth (10^{th}) anniversary of the Effective Date (the "Initial Term").

ii) If Franchisee is entering the Franchised Business as a transferee of an existing Franchise, then the term will, at Franchisor's option, either be ten (10) years or will end on the expiration date of the transferor's franchise agreement.

iii) The term of any successor ("Renewal") Franchise Agreement is established under the preceding, expired franchise agreement.

The applicable Expiration Date appears on the cover page of this Agreement. Regardless of the stated Expiration Date, this Agreement can be terminated sooner as provided in Section 16.

B. Renewal. Subject to the provisions of Section 2 D., below, Franchisee has the right to a successor Franchise at the expiration of an Initial Term of the Franchise for one additional five (5) year term, so long as Franchisee satisfies the following conditions before and at Renewal, as required by Franchisor. Franchisee shall:

i) be in full compliance with this Agreement, the mandatory terms on the Portal or in any Manual and any and all other agreements with Franchisor, Licensor and any Franchisor Associate;

ii) by the Expiration Date of this Agreement have brought the Coffee Bar and its Equipment and other operating assets into full compliance with the specifications and standards then applicable for a new or renewing Coffee Bar, as established by Franchisor, including any Coffee Bar Update then required by Franchisor for Franchisee's Coffee Bar to meet then current standards and specifications;

iii) prove to Franchisor's satisfaction that Franchisee has the right to remain in possession of the Coffee Bar premises for the duration of any Renewal term;

iv) comply with Franchisor's then-current qualification and training requirements;

v) have given written notice of Franchisee's desire to renew to Franchisor at least two hundred forty (240) days, but not more than three hundred sixty five (365) days, before the Expiration Date of the Initial Term;

vi) have paid all amounts due to Franchisor, Licensor and any Franchisor Associate up to and through any Renewal date;

vii) have signed, along with all Franchisee Owners (if Franchisee is a Business Entity) and any Franchisee Affiliates, a General Release in favor of Franchisor, Licensor and Franchisor Associates and related persons in a form specified by Franchisor;

viii) have paid Franchisor 30 days prior to the Expiration Date, a Renewal Fee of Ten Thousand Dollars ($10,000); and

ix) have signed Franchisor's then-current form of franchise agreement, Renewal addenda, and/or extension agreement, as then required by Franchisor in its sole discretion, and any related documents then customarily used by Franchisor for a Renewal Franchise, the terms of which may differ from the terms of this Agreement in material ways (including possibly different payment amounts or arrangements and new fee requirements). Any new form of franchise agreement may be modified to the extent Franchisor considers appropriate to reflect the grant of the Renewal term.

C. Notice of Deficiencies; Franchisor Extension. Within a sixty (60) days after receipt of Franchisee's written renewal notice, Franchisor shall provide Franchisee with written notice of i) any reasons that could cause Franchisor not to permit Renewal; and ii) Franchisor's then-current image, facility standards and other requirements for the Coffee Bar or its operations. Franchisor's award of a successor Franchise to Franchisee is conditioned on Franchisee's timely compliance with these requirements as prescribed in the notice and all terms of this Agreement. Franchisor can extend the term of this Agreement in its sole discretion to be consistent with the terms of any such notice or to comply with applicable franchise laws. Franchisor is not obligated to grant Franchisee a successor franchise if Franchisee fails to deliver to Franchisor a notice of election to renew, as provided in Section 2 B. v), above.

D. Market Withdrawal. If Franchisor publishes an announcement that it has determined that continued franchising in the state, region or standard metropolitan statistical area (as established by the United States Office of Management and Budget) within which Franchisee's Coffee Bar is located is not appropriate for reasons that relate to Franchisor's economic or other interests and that it is withdrawing from franchise activity in such state/region/area (provided that Franchisor can continue to honor any then existing area developer agreements and to service existing Franchisees under outstanding agreements), then Franchisor will be considered to have made a general market area withdrawal, will have no liability to Franchisee therefore and will not be required to offer Franchisee any renewal Franchise or similar rights (a "Market Withdrawal"). In that event and if Franchisee is not in default of this Agreement, Franchisee will not be required to comply with its non-competition obligations under Section 15 C., and Franchisor shall not prevent Franchisee from retaining control of the principal place of the Franchised Business. Franchisee agrees that if any statute or court decision requires "good cause" (or any similar standard) for non-renewal, Franchisor's compliance with the provisions of this clause will be deemed to be good cause.

3. Coffee Bar Location, Development and Opening

A. Proposed Coffee Bar Locations and Site Review; Franchisor's Written Acceptance Required. Franchisee shall operate a Coffee Bar at a location accepted by Franchisor (the "Authorized Location"). If the Authorized Location has not been identified at the time this Agreement is signed, Franchisee must notify Franchisor in writing of at least one proposed location within sixty (60) days from the Effective Date. If Franchisor reasonably determines that the site warrants further consideration, Franchisor may schedule a site review with Franchisee, which shall be held on-site and at mutually acceptable dates and times. Any acceptance of a proposed site by Franchisor must be in writing and shall not be, nor be construed to be, any representation or warranty as to the suitability of the location for the Franchised Business or of its possible success. Franchisor will provide acceptance or rejection of a proposed site within a reasonable time, not to exceed twenty-one (21) business days from Franchisee's submission of all required information. Franchise must pay additional fees, currently $250 per day plus any travel, lodging, meals or incidental expenses incurred, subject to change, for site visits out of Franchisor's local County area or for multiple site visits, currently in excess of four (4) sites. Franchisee is solely responsible for identifying a suitable location for the Coffee Bar and for obtaining Franchisor's written acceptance of the proposed location within one hundred and twenty (120) days of the Effective Date of this Agreement. If Franchisee and Franchisor do not agree on an Authorized Location within one hundred and twenty (120) days of the Effective Date of this Agreement and Franchisor has not granted a written time extension, Franchisor can elect to terminate this Agreement so long as Franchisee and Franchisee Owner(s), if applicable, sign a mutual termination agreement and a General Release in a form satisfactory to Franchisor. The Post-Termination Provisions of this Agreement will survive such mutual termination. Franchisee shall not make any site commitments before obtaining Franchisor's written consent to the site. Any proposed relocation of Franchisee's Coffee Bar requires Franchisor's prior written acceptance, will be at Franchisee's sole cost and expense and subject to all review, leasing and development requirements applicable at the time Franchisee's relocation request is made, which may include additional criteria in Franchisor's sole discretion.

B. Lease Related Matters. Franchisee agrees to submit any lease and all site-related documents to Franchisor for review prior to their execution. Franchisor may condition approval of the Authorized Location on a lease addendum or other appropriate site-related documents containing some or all of the following terms, in Franchisor's sole discretion. The lessor must: i) provide upon request sales and other operations information related to Franchisee's Coffee Bar; ii) permit Franchisee to operate the Coffee Bar in accordance with this Agreement; iii) require that the Coffee Bar premises be used only for the operation of the Coffee Bar, and prohibit Franchisee's assignment or modification of any lease term or other rights without Franchisor's prior written consent; iv) give Franchisor copies of any written notices to Franchisee (whether of default or otherwise) and the right to cure any default if Franchisor so chooses; v) give Franchisor the right to enter the Coffee Bar during normal business hours for purposes of inspection to take steps to protect the Marks and Trade Dress and/or prevent/cure any default; and vi) give Franchisor a right to take assignment and possession of the Coffee Bar under the Collateral Assignment of Lease attached as Schedule F. Franchisee must deliver to Franchisor a copy of the signed lease or sublease and Collateral Assignment of Lease within five (5) days after their execution. Franchisor's review of a lease or purchase agreement, or any advice or recommendation offered by Franchisor, is not and shall not be construed as a representation or guarantee that Franchisee will succeed or an expression of Franchisor's opinion regarding the lease terms. Franchisee acknowledges and agrees that Franchisee shall solely rely on Franchisee's' review of any such lease and is encouraged to review the same with a competent attorney.

C. Coffee Bar Development. Franchisee must meet any Coffee Bar development standards and specifications Franchisor establishes, which may relate to the Coffee Bar Trade Dress, design, decoration, facility layout, equipment, furniture, fixtures, signs and other items for the Coffee Bar. Franchisor will provide Franchisee an interior design and layout for a Dripp Coffee Bar, but shall not be responsible for detailed architectural or construction drawings or design services for the Coffee Bar. Franchisee must engage and pay for the services of the architect, contractors and/or designers designated as the Approved Supplier to build out, design, furnish and/or stock the Coffee Bar and must obtain Franchisor's prior written approval of site-specific drawings/plans before beginning construction. Franchisee shall cooperate with and permit Franchisor or its designees to enter the Coffee Bar premises during normal business hours, with prior notice to Franchisee and without causing any undue interruption, to inspect and evaluate any construction for compliance with System Standards and other Franchise requirements. Franchisor or its designee will give Franchisee notice of any deficiencies, and Franchisee agrees to correct them promptly at Franchisee's expense, subject to the terms and conditions of this Agreement. All matters related in any way to Franchisee's site, its development, construction and equipment are Franchisee's sole responsibility, including related costs and expenses. Franchisee must purchase or lease and install all Equipment, fixtures, signage, small wares, supplies and inventory Franchisor requires and from the Approved Suppliers as required by Franchisor, prior to opening the Coffee Bar. The Coffee Bar must comply with all applicable local, state, and federal laws, including without limitation the Americans with Disabilities Act ("ADA"). Franchisee must deliver to Franchisor an ADA Certification in the form attached to this Agreement as Schedule C before the Coffee Bar can open. Franchisee is solely responsible for identifying and obtaining all required building, utility, sign, health, sanitation, and other business permits and licenses required for the Coffee Bar. Any proposed revisions to the Coffee Bar premises and plans as previously approved by Franchisor must be submitted to Franchisor for review for consistency with development standards and for Franchisor's prior written authorization.

D. Opening Requirements. Franchisee must occupy the Authorized Location and be open for business to the general public as a Dripp® Coffee Bar within three hundred (300) days of the Effective Date of this Agreement (the "Opening Period Deadline"), unless otherwise authorized by Franchisor in writing. Franchisor can terminate this Agreement if Franchisee fails to comply with the Opening Period Deadline, in its sole discretion. Prior to opening and for so long as Franchisee has a Dripp® Franchise, Franchisee shall obtain and maintain all insurance, licenses, permits and approvals needed to conduct the Franchised Business lawfully at the Coffee Bar and in compliance with this Agreement (including health and food service legal requirements); make leasehold improvements; hire personnel; and obtain and install all necessary Computer Systems, Equipment, Products and other inventory and furnishings needed to start and operate the Coffee Bar in compliance with all applicable Franchisor standards and specifications and this Agreement. Franchisee shall not open its Coffee Bar to the public without Franchisor's prior written authorization, which shall require that; i) all Initial Franchise Fees and any other amounts due Franchisor have been paid; ii) Franchisor has determined that the Coffee Bar development requirements have been met to Franchisor's reasonable satisfaction, and Franchisee has signed and delivered to Franchisor a Telephone Listing Assignment Agreement in a form prescribed by Franchisor; iii) certificates of insurance coverage consistent with Section 14 A., below, have been received by Franchisor; and iv) Franchisee has completed pre-opening training requirements to Franchisor's satisfaction and has delivered to Franchisor at least fifteen (15) days prior to opening satisfactory evidence that a Designated Owner has obtained Franchisor approved food handler certifications required for the operation of the Franchised Business.

E. Maximizing Gross Revenue and Operating Hours. Franchisee will use best efforts to operate the Dripp® Coffee Bar in a manner that will produce the maximum volume of Gross Revenue at all times. Franchisee will be open for business during the maximum allowable days and for all hours permitted by applicable law and/or any other requirements imposed upon the Authorized Location; unless otherwise prohibited, daily between 7:00 a.m. and 10:00 p.m. Failure to maximize Gross Revenue is a material breach of this Agreement.

4. Training and Onsite Opening Support Programs.

A. Initial Training Program. The person identified on Schedule A as Franchisee's Designated Owner must hold at least a 50% equity interest in Franchisee, must successfully complete Franchisor's Initial Training Program to our satisfaction, obtain all applicable state or local certifications required for the operation of the Franchised Business ***and*** devote best efforts to the operation and administration of your Dripp Coffee Bar. If you own ***a single*** Dripp® Coffee Bar, ***your*** Designated Owner ***must*** be present in and operate your Coffee Bar at least four days a week for at least eight hours a day, including weekends as well as during the Coffee Bar's busiest operating hours. If you own more than one Dripp® Coffee Bar, your Designated Owner ***must*** be present in and operate each of your Coffee Bars at least three days of every week for at least eight hours a day. In addition to initial training, Franchisor will send 1 or 2 individuals to Franchisee's Coffee Bar for up to six (6) days, to provide Onsite Opening Support. This Onsite Opening Support is included in initial training fee paid by Franchisee, but Franchisee is responsible to pay all travel, lodging, meals and incidental expenses of the individuals sent to assist.

Franchisee agrees to train all other Store staff in the skills and subject areas required of their positions and to ensure that at least one employee with a food handler course or equivalent certification as may be required under state or local law is on Coffee Bar premises during all operating hours. Franchisor shall make an Initial Training Program available to the Designated Owner and up to 3 other attendees, all of whom shall participate in the program at the same time. Franchisee's payment of an initial training fee in the amount of $10,000 is due in a lump sum upon signing the franchise agreement. Any subsequent training participants shall be charged Franchisor's then current Additional Training fee, currently Two Hundred Fifty Dollars ($250) per day plus all travel, lodging, meals and incidental expenses during such training, subject to change. Franchisor can choose to eliminate or shorten the Initial Training Program for persons who have previously participated or who have comparable experience in Franchisor's sole estimation. Franchisee will be responsible for all travel, living, incidental and other expenses Franchisee and Franchisee's personnel incur while attending an Initial Training Program and any other instructional or informational programs, remedial training, seminars or meetings/conventions Franchisor may provide. Franchisee is solely responsible for hiring sufficient personnel to adequately staff each Coffee Bar. If any Coffee Bar is not operating according to System Standards, Franchisor reserves the right to require the Designated Owner and/or any applicable General Manager to participate in remedial initial training instruction. Franchisee is responsible for payment to Franchisor of the then current fee for any such remedial instruction, as published in the Portal or Manuals or through other written communication to Franchisees, as well as for any incidental costs that Franchisor and/or Franchisor's personnel may incur, such as lodging, transportation, and other related expenses.

B. Additional Programs and Possible On-Site Assistance. Additional training services or programs, if any, shall be offered at Franchisor's sole discretion. Franchisor can charge a reasonable fee for any additional instructional programs, the amount of which will be published in the Portal or Manuals to the extent applicable. On site consultation services may be available in Franchisor's sole discretion and subject to Franchisor availability. Franchisee must pay Franchisor's then current consulting fee and any incidental expenses incurred by Franchisor's personnel participating in any such additional on-site consultation, including, without limitation, costs of transportation, lodging, and other living expenses. Franchisor can require the Designated Owner, General Managers, as applicable, to attend additional programs offered on-line or at Franchisor headquarters or another location selected by Franchisor from time to time so they remain up to date on Products and Services and brand standards. Franchisee will be required to pay any then current participation fees, as published in the Portal or any Manual or through other written communication to Franchisees. Franchisee is responsible for all incidental costs that Franchisor and/or Franchisor's personnel may incur in connection with any training program, such as lodging, transportation, and other related expenses.

C. Limited Partial Fee Refund. If during or within 6 months after the opening of Franchisee's Coffee Bar, Franchisor determines that the Designated Owner has not attended or successfully completed the Initial Training Program, Franchisor has the unrestricted right to either i) require that a substitute Designated Owner complete the training or ii) terminate this Agreement. If Franchisor elects to terminate, then Franchisor will refund $10,000 of the Initial Franchise Fee paid by Franchisee. Franchisee's access to the Portal will be terminated and Franchisee must return any Manual received to date and sign a General Release upon such termination. The post-termination provisions of this Agreement will survive such a termination.

D. ***Additional Guidance.*** Franchisor will provide general guidance regarding the operation of Franchisee's Dripp® Coffee Bar to the extent Franchisor determines appropriate. This guidance can be furnished in whatever manner Franchisor selects, including electronically, in writing or telephonically, through the Portal, web-based programs, and/or on-site consultations, among other methods.

5. Marks.

A. ***Goodwill and Ownership of Marks.*** Licensor developed at great expense and owns all of the elements of the System and the Marks. Franchisor is licensed to grant to Franchisee, and Franchisee is hereby granted, a non-exclusive right to use the Marks and System as expressly authorized under this Agreement. Nothing in this Agreement grants Franchisee any right, title or interest in the Marks or System, and Franchisor and Licensor have all rights in and to the Marks and System. All goodwill related to the Marks belongs exclusively to Franchisor or Licensor and any use of the Marks by Franchisee inures to Franchisor's/Licensor's benefit. Franchisee agrees not to oppose or engage in any acts or omissions inconsistent with this Agreement or Franchisor's/Licensor's rights in and to the Marks. This Agreement applies to all trademarks, service marks and other commercial symbols that Franchisee may be authorized to use under this Agreement throughout the Term.

B. ***Limitations and Use of Marks.*** Franchisee agrees to do business under "Dripp®" and such other Marks as Franchisor may prescribe. Dripp® shall be the sole identifier for Franchisee's Coffee Bar and displayed without any accompanying words or symbols, other than as may be approved by Franchisor in its discretion. Franchisee will not use any Mark, or modified version or derivative of a Mark, as part of its legal name or any other business entity name. Franchisee shall give such trademark registration and other notices, including notices of independent ownership, as Franchisor directs and shall obtain fictitious or assumed name registrations as may be required under law. Franchisee will display the Marks in compliance with Franchisor's requirements and will not use the Marks so as to negatively affect their goodwill. Franchisee agrees not to use any Mark in connection with the performance or sale of any unauthorized services or products or at any location or in any other manner not authorized in writing by Franchisor. Franchisee agrees not to use any Mark on or in connection with any web site/page, domain name, site directory, e-mail address or other electronic display/use, without Franchisor's advance written consent, which Franchisor has an unrestricted right to withhold. Franchisee agrees to use for the Coffee Bar as required any email address assigned by Franchisor and a telephone listing identifying Franchisee's Coffee Bar as independently owned and operated and including the Store number assigned by Franchisor. Franchisee will strictly comply with all policies and requirements established by Franchisor regarding Internet key word purchases, social network pages, e-mail protocol, web pages, websites, videos, digital content, telephone listings or any other publication on the Internet in which the Marks are used or mentioned. Upon termination or expiration of this Agreement, Franchisee will cease all use of the System and all use of the Marks in all media, including, but not limited to, web-sites, web pages and social media. Franchisee will instruct in writing all online directories, search engines, and other advertising publishers as necessary to take down and remove any directory listings and advertisements for Franchisee containing the Marks and will not use or authorize the use of links or similar reference devices associated with any use of the Marks. Franchisee will deliver copies of such instructions to Franchisor within three (3) days of the termination or expiration of this Agreement, and hereby authorizes Franchisor to send such notices and instructions to such media, as applicable, if Franchisee fails to do so within such three (3) day period. These requirements survive the termination or expiration of this Agreement. Franchisee agrees that electronic commerce is a rapidly developing field and that Franchisor can impose conditions and requirements in addition to the provisions of this Section 5 B. and may establish and modify policies concerning use of the Internet and various media, and Franchisee will comply with all such policies.

C. ***Notification of Infringements and Claims.*** Franchisee agrees not to take any action that jeopardizes Franchisor or Licensor's interests in, or the validity or enforceability of, the Marks. Franchisee agrees to immediately notify Franchisor of any apparent or actual infringement of, or of any challenge to Franchisee's use of, the Marks. Franchisor or Licensor will take such action as either of them deems appropriate in its sole and absolute discretion. As owner of the Marks, Licensor has the exclusive right to control any settlement, litigation or proceeding arising out of or related to any such matters and shall be entitled to all damages awarded based on infringement of any Mark. Franchisee shall cooperate with Franchisor and Licensor to protect Franchisor's/Licensor's interests in the Marks and shall assist Franchisor or Licensor in connection with any litigation involving the Marks to the extent requested by and at the expense of Franchisor or Licensor, as applicable.

D. Changes in Marks. Franchisor can require Franchisee to discontinue, modify, substitute or add any Mark, and Franchisee will comply at Franchisee's sole cost and expense within thirty (30) days of receipt of notice thereof. Franchisor cannot and does not guarantee that a modification, discontinuance or other change may not be required at any time for any reason. Franchisor and Franchisor Associates will not have any liability or obligation to Franchisee for or related to any modification, discontinuance, substitution, change or otherwise in connection with or to any Marks.

6. Ownership and Use of Copyrights.

Franchisee acknowledges and agrees that Franchisor owns or is the licensee of works that are protected by copyright law and that Franchisor may create, acquire or obtain licenses for additional works subject to copyright law that Franchisee may use in operating the Coffee Bar (the "Copyrighted Works"). The Copyrighted Works include the Portal, any Manual, training curriculum, and any proprietary recipes, proprietary interior design which comprises our Trade Dress, formulas, preparation techniques, advertisements and promotional materials developed by or licensed to Franchisor. Franchisee shall notify Franchisor immediately on learning of any unauthorized use of any of the Copyrighted Works. Franchisor and its Licensor, as applicable, shall have the right, but not the obligation, to take such action as they deem appropriate, if any, with regard to the possible unauthorized use. Franchisee shall reasonably cooperate with Franchisor to protect Franchisor's/its licensor's interests in the Copyrighted Works.

7. Operations Portal and Manuals.

A. Operations Portal and/or Manual Publication. Franchisor shall grant to Franchisee the right to access and use of the Dripp® Operations Portal (the "Portal") and/or any other online, print or electronic manual (collectively "Manual") in connection with the management and operation of Franchisee's Franchised Business and as specified by Franchisor. The Portal and Manual will contain mandatory and suggested specifications, standards, and operating procedures that Franchisor develops for a Coffee Bar and information related to other obligations of a Dripp franchisee. Franchisor has the right to add to and otherwise modify the Portal and Manual in any manner, and Franchisee will comply with any mandatory changes as specified by Franchisor and at Franchisee's sole expense. Franchisor's master copy of any Manual will control in the event of any dispute regarding the Manual.

B. Use Restrictions and Fees. You must sign the appropriate user agreements in order to be granted access to the Portal and Manual and must remain in compliance with all terms and conditions of use at all times. Such user agreements contain confidentiality, non-disclosure, and other terms of use. You may only allow use or access to the Portal and/or any Manual, to your Coffee Bar personnel serving in a management level position and who have signed appropriate confidentiality agreements in advance of any such access or use. You will not duplicate or permit any other person to duplicate in any way or medium any part of the Portal or Manual 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 Portal or Manual, except as expressly permitted by this Agreement and/or the user license agreements related to the Portal or Manual. In addition, you and/or anyone you authorize to use the Portal and Manual, may not post or enter any information on or in the Portal or Manual or in any electronic, online or other medium, any defamatory, pornographic or derogatory matter related to the System, any Dripp® Franchisee, Franchisor, Licensor or any of our Affiliates or Associates. Failure to comply with the terms and conditions of your Franchise Agreement and/or terms of use and/or access to the Portal or Manual, in any manner, may subject you to any or all of the following: (i) immediate termination of your use and access to the Portal and/or Manual, (ii) termination of your franchise agreement and (iii) legal action against you by us and/or DI. You agree to fully and promptly pay our license, technology, usage and/or any maintenance fees associated with your access to the Portal and Manual. Our current Technology Fee is $400 per month and will be auto-drafted from your account, but this is subject to change.

C. Franchisee's Control. Franchisor and Franchisee acknowledge and agree that Franchisor neither dictates nor controls labor or employment matters for Franchisee and Franchisee employees, including, but not limited to, hiring, firing and/or discipline of Franchisee employees, or the manner and means by which they carry out their duties. Franchisee further acknowledges and agrees that any personnel and security-related policies or procedures in the Portal or any Manual or other written information from Franchisor are for Franchisee's optional use and are not mandatory provisions. It is Franchisee's sole responsibility to determine to what extent, if any, any such policies and procedures described in the Portal or Manual or otherwise by Franchisor might be applicable to operations at Franchisee's Coffee Bar. Franchisor and Franchisee agree that neither is, nor will be deemed to be, a joint employer with the other and Franchisee will defend, indemnify and hold harmless Franchisor, its Licensor and Franchisor Associates with respect to any such or similar claims against any or all of them.

8. Confidential Information; Non-Disclosure and Non-Use.

A. "Confidential Information" Defined. Confidential Information includes in any form current and future:

i) the Operations Portal, any Manual, techniques, processes, instructional materials and curricula, policies, procedures, systems, data, and know how regarding the establishment, operation and franchising of Dripp Coffee Bars;

ii) Proprietary layouts and designs, specifications for any Dripp® customized Products and Services, and supplier lists and related agreements, pricing and terms; and

iii) Trade Secrets and other non-public information regarding the System or Dripp Coffee Bars, including potential location plans, System statistics, profits, financial data, marketing plans, business strategies, proprietary recipes, formulas and mixtures, cooking and preparation processes, Store performance information, customer lists and related data for all Dripp® Coffee Bars, and other operating data/information, all of which is owned by and proprietary to Franchisor or a Franchisor Associate, as applicable.

B. Exclusions. "Confidential Information" is not intended to include any information that:

i) is or subsequently becomes publicly available other than by Franchisee or Franchisee Owner's breach of any obligation;

ii) was known by Franchisee or any Owner prior to Franchisee becoming a Dripp franchisee;

iii) became known to Franchisee or any Owner other than through a breach by Franchisee or any Owner of a legal obligation; or

iv) is independently developed by Franchisee.

For avoidance of doubt and notwithstanding any other term of this Agreement, Franchisee acknowledges that Franchisee's customer lists and related data are owned by Franchisor. Franchisee's only interest in any of Franchisor's, Licensor's or any Franchisor Associate's Confidential Information or in any Trade Secret is the right to use it pursuant to this Agreement.

C. Franchise Covenants. Both during and after the term of this Agreement, Franchisee agrees: i) to use the Confidential Information and any Copyrighted Works only for the operation of Franchisee's Dripp® Coffee Bar as authorized under this Agreement; ii) to maintain the confidentiality of the Confidential Information; iii) not to make or distribute, or permit to be made or distributed, any unauthorized copies of any portion of the Confidential Information and/or any Copyrighted Works; iv) not to alter, appropriate, use and/or distribute any Confidential Information or Copyrighted Works except as authorized by Franchisor; and v) to implement all procedures Franchisor reasonably prescribes for prevention of unauthorized use or disclosure of the Confidential Information and Copyrighted Works. Franchisee must comply with the then-current Payment Card Industry Data Security Standard and any revision to it adapted by the PCI Security Standards Council, LLC (the "PCI Council") or any successor organization or standards Franchisor may specify. Franchisee shall implement enhancements and security requirements and other requirements established by the PCI Council for merchants accepting payment by credit or debit cards.

D. Franchisee and Franchisee's Employees and Agents. Franchisee shall notify each of its employees, General Managers and Owner(s) of Franchisee's obligations with respect to the covenants provided under this Section 8. To the extent permitted by law and if so required by Franchisor, Franchisee agrees to cause anyone who has access to Confidential Information to sign a form of confidentiality and non-use agreement in a form as may be reasonably approved by Franchisor. A form for Owners is attached as Schedule D (for California Franchisees) or Schedule E (for non-California Franchisees). A proposed form for General Managers and other applicable employees and agents is included in the Portal or any Manual. Franchisee will provide Franchisor copies of all such confidentiality agreements upon its request. Franchisee shall take such measures to guard any Dripp Confidential Information and Copyrighted Works against misuse or misappropriation as Franchisee does for Franchisee's own confidential information and intellectual property, but no less than reasonable measures. Additionally, Franchisee hereby grants to Franchisor and Licensor the unrestricted, perpetual right without charge to own, use and license the use of any enhancement, adaptation, invention, publication, derivative work, modification or new process developed or acquired by Franchisee or its employees/agents/suppliers concerning any aspect of the Coffee Bar or its operation, menu items, instructional activities/curricula/recipes or promotion.

E. Enforcement. If any court of competent jurisdiction deems the duration of the non-disclosure requirements of this Section 8 overbroad, Franchisee will comply with such requirements with respect to such Confidential Information during and for a period of five (5) years following the Term of this Agreement and, with respect to any Trade Secret, for so long as its Trade Secret character is retained.

9. System Standards and Changes.

Franchisee understands that it is important for the System to be flexible to respond to commercial opportunities and challenges. Franchisee agrees to comply with mandatory provisions of the Portal or any Manual, the System and System Standards as they are changed and understands that such changes may require additional investments by Franchisee. Franchisee shall operate the Coffee Bar in compliance with any mandatory Dripp procedures, policies, methods and requirements established by Franchisor and published in the Portal or any Manual or otherwise to promote System Standards, to protect or maintain the goodwill associated with the Marks, to meet competition and/or otherwise as Franchisor considers appropriate. Franchisor has the unrestricted right to change, eliminate or modify any elements of the System, the Portal or any Manual or the Marks. Franchisee has the sole responsibility for managing the daily operations of the Coffee Bar and for implementing and maintaining System Standards. System Standards may involve requirements relating to Product preparation, storage, handling, packaging and storage; catering and delivery services (if approved); signage; use and display of the Marks; logo wear requirements; hours of operation; required participation in research, surveys, campaigns, conventions and promotions; payment systems and check verification services; bookkeeping and accounting systems; and other aspects of the Coffee Bar and its operations that Franchisor determines to be beneficial to the System or the establishment and preservation of good will and image associated with the Marks. Franchisee acknowledges that without Franchisee's commitment to the System and to fulfill each of the obligations detailed in this Agreement, Franchisor would not form this franchise relationship with Franchisee.

10. Marketing.

A. Local Marketing. Franchisee must spend a minimum of $1,500 per month on approved local marketing efforts. Franchisor may, but is not required to, provide Franchisee or engage other suppliers to provide, advertising templates, electronic, mobile or other applications or other promotional material for marketing the Coffee Bar, which Franchisee may have to customize for use with Franchisee's Coffee Bar. Franchisor may choose to charge a reasonable fee for any such item. Such charges shall not be considered as or deemed to be Marketing Fund contributions or fees and are separate and distinct from Franchisee's marketing fee obligations as provided in Section 10 C., below, but such charges shall count towards Franchisee's fulfillment of any Marketing Co-op requirements under Section 10 G., below. All advertising and promotion for Franchisee's Coffee Bar must be conducted in a professional manner and conform to the highest ethical advertising standards and any policies Franchisor establishes from time to time. Franchisor requires that Franchisee obtain Franchisor's prior written approval before publishing any advertising, marketing or promotional material or information in any medium which displays the Marks, including social media, or independently negotiating any pricing terms with an Approved Supplier. Monthly reporting of Franchisee's local marketing minimum expenditures is not required, provided that, Franchisor may make written request that Franchisee deliver such substantiation within thirty (30) days of such request. Franchisee agrees not to use any materials, publications, promotions or programs disapproved by Franchisor. Franchisor can request that Franchisee display in Franchisee's Coffee Bar informational material provided at Franchisor's expense relating to Dripp® franchise opportunities. Franchisee shall not without Franchisor's prior written consent make representations, warranties or guarantees concerning any Dripp® Products or Services, except and only to the extent consistent with those offered or provided by any applicable manufacturer or third-party services provider. Franchisee agrees to participate at Franchisee's expense in any mandatory advertising/marketing campaigns implemented by Franchisor, including any such campaigns involving discount coupons, gift cards, loyalty rewards or other customer incentives. Such expenses shall not be considered as or deemed to be Marketing Fund contributions or fees and are separate and distinct from Franchisee's marketing fee obligations as provided in Section 10 C., below, but such charges shall count towards Franchisee's fulfillment of any Local Marketing requirements above and Co-op requirements under Section 10 G., below. Franchisee's participation in any recommended or optional marketing that Franchisor offers will be at Franchisee's sole cost and expense unless otherwise specified but may count towards Franchisee's fulfillment of its Local marketing requirements above or Co-op requirements set forth in Section 10, all as Franchisor may specify in each such instance. Franchisor may vary, waive or reduce, local marketing requirements, as deemed appropriate for the venue or circumstance, in our sole discretion.

B. Gift Card, Certificates and Customer Loyalty Programs, Mobile or Other Payment Capability/App/Programs. Franchisee agrees not to implement any gift card, gift certificate, customer loyalty or similar rewards program or any mobile or other payment capability/app/program for its Store without Franchisor's prior written approval or as may be authorized in the Portal or any Manual or through other written communication to Franchisees. Franchisor can condition any such consent upon Franchisee's compliance with or inclusion of particular program terms or practices designed to protect the good will associated with Marks. Franchisee agrees to accept credit cards, debit cards, and such other means of payment; to sell and accept Franchisor approved gift cards, gift certificates, and other comparable items, as provided or designated by Franchisor or which are prepared using any standard form and or electronic system Franchisor prescribes; and to abide by the terms of any gift card or gift certificate or loyalty program Franchisor specifies, all as provided in the Portal or any Manual or through other written communication to Franchisees and at Franchisee's expense, including without limitation all policies and procedures relating to sales, issuance and redemption and payment of related fees and costs. Franchisee agrees to honor gift cards in the form, manner or means Franchisor provides or approves, if any, regardless of whether issued directly or indirectly by Franchisee, Franchisor or another Dripp® Coffee Bar, and to timely make any payments due to Franchisor or a designee for gift cards sold by Franchisee and to comply with processes for requests for reimbursement for goods and services sold in exchange for gift cards. Franchisee further agrees to implement and accept in its Franchised Business any electronic, mobile or any other payment capability/app/program Franchisor designates from time to time and to abide by the terms of any related electronic, mobile or any other payment program policies and procedures, all as provided in the Portal or any Manual or through other written communication to Franchisees and at Franchisee's sole cost and expense. Franchisee agrees to purchase or lease, install and use all equipment components and software that meet any standards and specifications Franchisor establishes and which allow Franchisee to accept and process any such gift/loyalty cards, certificates or programs and electronic, mobile or any other payment programs, as Franchisor may require. Franchisee shall give Franchisor independent access to related system information. Expenses incurred by Franchisee in connection with any gift card, certificate or customer loyalty program or any electronic, mobile or other payment capability/app/program shall not be considered or deemed to be Marketing Fund contributions or to satisfy any Marketing Co-op requirement and are separate and distinct from Franchisee's marketing fee obligations, as provided in Section 10 C. and Franchisee's Local Marketing or Co-Op requirements under Section 10 G. below.

C. Marketing Fund and Marketing Fund Fees. With respect to the marketing fund:

i) Franchisor intends, but is not obligated to, establish a fund (the "Marketing Fund" or "Fund") for the purpose of promoting and enhancing the Dripp® Coffee Bars, the System and the Marks. If Franchisor establishes a Marketing Fund, Franchisee shall participate in all Marketing Fund programs and pay to Franchisor a Marketing Fund contribution as provided in this Section 10 C. On or before the seventh (7th) day of each calendar month throughout the term of this Agreement, Franchisee shall pay to Franchisor without offset, credit or deduction of any nature, a marketing fee equal to two percent (2%) of Franchisee's Gross Revenues, as defined in Section 11 C., below, in the immediately preceding calendar month. Although the current marketing fee payment period is the calendar month, Franchisor reserves the right to change to a different payment period (e.g., weekly, etc.). If Franchisor modifies the payment period, any amounts which are paid and/or calculated for a calendar month will be appropriately adjusted on a pro-rata basis, as will any related requirements. Any Dripp Coffee Bar owned by Franchisor, Licensor or a Franchisor Associate or Affiliate may, but is not obligated to, make contributions to any Marketing Fund.

ii) If/when Franchisor establishes a Marketing Fund, the Marketing Fund will have the characteristics and be operated according to the terms contained in this Section 10 C. Franchisor will have sole discretion over all matters relating to its operations and be solely responsible for its financial management. The Marketing Fund will be accounted for separately and contributions may be used to pay for taxes related to the Fund and all administrative, accounting, audit, legal and other costs related to Fund activities and purposes and/or as authorized by the relevant Franchise Agreements. Franchisor has no obligation to account for our administration of our expenditures under the Fund or to audit the Fund. The Marketing Fund will be used for marketing and advertising initiatives and marketing related expenses, as Franchisor considers appropriate, including for, but not limited to, product development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the Internet; in-house agency services and expenses; all costs of administering the Fund, including related legal, insurance, accounting, auditing, and collection fees/costs; brand/image campaigns; media; national, regional, local and other marketing programs; agency and consulting services; research; web site development, maintenance and web-based campaigns; 800 numbers and advertising fulfillment costs; any expenses approved by Franchisor and associated with franchisee advisory groups; and research costs. A brief statement regarding the availability of franchises may be included in advertising and other items produced or disseminated using the Marketing Fund, but Marketing Fund contributions will not be used for the direct solicitation of franchise sales. Franchisor can compensate itself, Licensor and/or any Franchisor Associate for internal costs of administering the fund, including, but not limited to, applicable salary expenses; administrative costs; accounting and record keeping costs; internal production, research and creative expenses; goods and services delivered by Franchisor to the Marketing Fund; and related overhead costs and other internal expenses incurred by Franchisor.

iii) Franchisor has the right to spend in any fiscal year an amount greater or less than the aggregate contributions to the Marketing Fund in that year, and the Marketing Fund may borrow from Franchisor or other lenders to cover Marketing Fund deficits. Franchisor can accumulate funds over time until such time as Franchisor determines in its sole discretion that sufficient funds are available to adequately conduct Fund activity(ies) as contemplated herein. Franchisor can cause the Marketing Fund to invest any surplus. Franchisor can at its discretion defer, waive and/or compromise claims for contributions to, and/or claims against or with respect to, the Marketing Fund and take legal or other action against any franchisee in default of its obligations and/or deny it access to programs, materials and/or other benefits funded by the Marketing Fund. Franchisee acknowledges and agrees that Franchisor has no obligation to ensure that expenditures by the Marketing Fund are or will be proportionate or equivalent to contributions to the Marketing Fund by Coffee Bar franchisees operating in any geographic area, or that any Coffee Bar franchisee will benefit directly, indirectly or in proportion to its contribution to the Marketing Fund. No profit or gain will accrue directly to Franchisor from the Marketing Fund. Any interest earned on Marketing Fund contributions will be remitted to the Marketing Fund. Franchisor Associates, Licensor and Franchisor will not be liable for any act or omission in connection with the Marketing Fund that is consistent with this Agreement. Franchisee acknowledges that any Marketing Fund is not a "trust," and does not create and is not in the nature of a "fiduciary" or similar special arrangement.

iv) Although Franchisor intends any Marketing Fund it may establish to be ongoing, Franchisor has the right to terminate any Marketing Fund. The Marketing Fund shall not be terminated, however, until all Marketing Fund contributions have been expended for purposes consistent with this Section 10 C. or returned to then current franchisees in good standing on a pro rata basis based on total Marketing Fund contributions made in the immediately preceding calendar year by each such franchisee.

D. The Dripp Website(s) and Related Policies. Franchisor can, but is not obligated to, license, create and/or maintain a Dripp website(s) (individually and collectively, the "Dripp Website"). As long as Franchisee is not in default under this Agreement or any other agreement entered into by Franchisee related to the Franchised Business, Franchisee will participate in and provide Franchisor pertinent information for content development of any such Dripp Website, subject to usage, privacy and other system policies and procedures, as provided by Franchisor in the Portal or any Manual or otherwise. Franchisor will have no liability for failures, errors or other occurrences relating to any system, program, or Dripp Website, or to any computer hardware or software, even if recommended, maintained, created and/or specified by Franchisor. Franchisee shall not establish any website, Internet directory listing or any other presence on the Internet relating to the Coffee Bar or the Franchised Business or publish any information or statements using the Marks in any manner, including but not limited to social networks and related media, without the prior written consent of Franchisor. Franchisee shall not operate or be involved with any on line store offering or selling products or services the same as or competitive with the Products and Services available through the Franchised Business. Franchisee acknowledges that the domain names Dripp.com and/or any similar domains, are Franchisor or Licensor's sole property, and Franchisee shall not register or use any domain name or URL that contains, uses or displays the words "Dripp®" or any Marks or other words or symbols related or confusingly similar to any of the foregoing without the express written authorization of Franchisor. Franchisee must seek Franchisor's advance written approval when selecting and using any domain name(s) for the Franchise contemplated under this Agreement. On termination or expiration of this Agreement any previous consent or approval given by Franchisor to use a domain name as provided herein, if any, shall automatically terminate, and Franchisee shall take all actions that Franchisor requires to disassociate Franchisee from the Dripp Website and domain name and transfer such domain name to Franchisor immediately upon termination or expiration of this Agreement. This provision shall survive the termination or expiration of this Agreement.

E. Pricing and Marketing Policies. Franchisee shall have the right to establish Coffee Bar retail prices; provided, that Franchisor reserves the right to establish minimum and maximum prices to the extent permitted under applicable law. Franchisor also may recommend pricing. Franchisor's policy as of the Effective Date of this Agreement is to allow Franchisee to market to customers located anywhere, but Franchisor reserves the right to change this policy and to implement other marketing policies and requirements from time to time. Franchisee agrees to comply with any such mandatory policies and requirements as they may be implemented or modified.

F. Grand Opening Promotion. Franchisee will spend at least Five Thousand Dollars ($5,000) on a grand opening promotional program within thirty (30) days of the public opening of the Franchised Business using only marketing, advertising and public relations programs and materials approved by Franchisor. Franchisor may require that Franchisee produce receipts or other evidence of such expenditure. Such expenditure is in addition to Franchisee's required Marketing Fund contributions, as provided in Section 10. C, above, and to any Marketing Co-op payment requirements under Section 10 G., below. Franchisor will deliver to Franchisee a quantity of Dripp® coffee of Franchisee's choice with a wholesale value of $500 for Franchisee's use in connection with Franchisee's grand opening promotions and giveaways. Based on Franchisor and Franchisor Affiliates' experience with Coffee Bar openings and promotions, Franchisor may recommend additional grand opening activities that increase Franchisee's expenditure beyond the minimum required expenditure depending on such factors as market concentration and level of competition in your area.

G. Marketing Co-ops. Franchisor reserves the right to require Franchisee to join a local or regional marketing group (a "Co-op") if one is prescribed by Franchisor for an area in which Franchisee's Coffee Bar is located. Any Co-op will include more than one Dripp® Coffee Bar. All Dripp Franchisees in the prescribed area will be obligated to participate in the Co-op, with each Dripp Coffee Bar having a single vote, including any Coffee Bars owned by Franchisor or a Franchisor Associate. Any bylaws or charter must be approved in advance by Franchisor and include a provision that a representative or Franchisor or a Franchisor Associate will be a Co-op member. If established, Franchisee must participate and contribute as specified by a majority of the Coffee Bars in the Co-op. Franchisee's Co-op contribution cannot exceed three percent (3%) of Gross Revenues unless a greater amount is approved by more than two thirds of the Coffee Bars in the Co-op, whether franchised or owned by Franchisor or Franchisor Associates. Franchisee's payments to any such Co-op shall not be considered as or deemed to be Marketing Fund contributions or fees and are separate and distinct from Franchisee's marketing fee obligations as provided in Section 10 C., above, or any program participation costs, as described in Section 10 B., above.

11. Fees.

A. Initial Franchise Fee and Initial Training Fee. Upon the execution of this Agreement, Franchisee shall pay Franchisor in a lump sum by electronic funds transfer or as otherwise instructed by Franchisor an Initial Franchise Fee in the amount of Thirty Thousand Dollars ($30,000) and an Initial Training Fee in the amount of Ten Thousand Dollars ($10,000). The Initial Franchise Fee and Initial Training Fee are fully earned and payable when this Agreement is executed and are non-refundable, except as provided in Section 4 C.

B. Royalty Fee. Beginning with the calendar month in which the Coffee Bar opens and throughout the Term of this Agreement, Franchisee shall deliver to Franchisor a Gross Revenues Report, as provided in Section 12 B., below, and pay Franchisor a Royalty Fee without offset, credit or deduction of any nature. Such Royalty Fee shall be payable to and received by Franchisor by the seventh (7^{th}) day after each royalty period and be equal to the greater of, (i) five percent (5%) of Franchisee's Gross Revenues in the immediately preceding royalty period or (ii) Three Thousand Dollars ($3,000). The current royalty period is a calendar month, but the time period covered by a royalty period may be changed by Franchisor (e.g., to a calendar week, etc.). In that event, any amounts which are paid based upon, or calculated in relation to, a royalty period will be adjusted on pro rata basis. Franchisee must promptly notify Franchisor of any closure of the Coffee Bar or the Franchised Business that deviates from the normal course of business. Franchisee's royalty and other financial and reporting obligations to Franchisor will continue during any closure period not authorized by Franchisor.

C. Gross Revenues. For purposes of this Agreement, "Gross Revenues" means all charges, sales and/or revenues that are earned or received by Franchisee in the operation of the Franchised Business, less sales or excise tax collected and paid when due to the appropriate taxing authority and actual, documented customer refunds, adjustments and credits.

D. Payment Methods; No Franchisee Set Off. Franchisee agrees to pay any amount owed to Franchisor, Licensor or any Franchisor Associate in the manner Franchisor instructs, including possibly by credit card, wire transfer or pre-authorized electronic deposit to a bank or other financial institution account. Franchisee shall complete and execute any bank authorization or other form required by Franchisor for the purpose of authorizing Franchisor's selected payment method. Franchisee agrees to maintain an account at a bank or other financial institution that has the capacity to perform electronic debits to Franchisee's account and shall maintain account balances sufficient to meet any electronic payments that Franchisor requires. Amounts payable to, but not received by, Franchisor from Franchisee on the date due are subject to interest and non-sufficient funds fees, as provided in Section 23, below. Franchisor, Licensor and Franchisor Associates can require advance payment by wire transfer, cash on delivery or other specified method of payment on sales of products/services to Franchisee by Franchisor, Licensor or a Franchisor Associate. Franchisee does not have the right to offset or withhold payments of any kind owed or to be owed to Franchisor, Licensor or any Franchisor Associate as a result of any dispute with Franchisor or otherwise, except as authorized by an arbitration award or in a judicial proceeding.

E. Renewal Fee. The Ten Thousand Dollars ($10,000) renewal fee is due and payable by Franchisee as provided in Section 2, above.

F. Marketing Fund Fee. A Marketing Fund Fee of two percent (2%) of Gross Revenues is due and payable by Franchisee as provided in Section 10. C., above.

G. Transfer Fee. A Transfer Fee in an amount equal to Fifty percent (50%) of our then-current Franchise Fee is due and payable by Franchisee as provided in Section 18 D., below.

H. Technology Fee. A Technology Fee in the amount of Four Hundred Dollars ($400) is due and payable by Franchisee. This fee currently includes $300 per month for Operations Portal access and webhosting services plus $100 per month for maintaining digital menu content, but these are subject to change.

12. Records, Systems and Computers.

A. Maintenance of Records. Franchisee shall maintain and preserve for the duration of the Term of this Agreement and any Renewal agreement and as otherwise required by law, complete and accurate books, records and accounts maintained according to standard accounting practices. Franchisee must retain all invoices, purchase orders, payroll records, cash receipts records, sales tax records, business account bank statements, disbursement journals, general ledgers and all other books and records of the finances of the Franchised Business.

B. Reporting. Franchisee shall maintain an accurate record of Gross Revenues and shall deliver to Franchisor in the manner Franchisor specifies a signed and verified statement of monthly Gross Revenues ("Gross Revenues Report") for the royalty period in a form that Franchisor approves or provides in the Portal or any Manual or through other written communication to Franchisees. The Gross Revenue Report for the preceding royalty period must be provided to Franchisor along with applicable Royalty Fees by the close of business on seventh (7th) day after each calendar month as provided in Section 11 B., above. The royalty period as of the Effective Date is a calendar month, but Franchisor reserves the right to adjust reporting periods on written notice to Franchisee. Additionally, Franchisee shall provide to Franchisor at such time and in such form or manner as Franchisor requests:

i) information about or relating to the Franchised Business, including customer/supplier records and data;

ii) within forty five (45) days after the end of each of Franchisee's fiscal years a fiscal year-end balance sheet and income statement for Franchisee's Franchised Business, prepared in accordance with generally accepted accounting principles and certified by Franchisee or Franchisee's accountant, as requested by Franchisor.

iii) such other data, information and supporting records for the Franchised Business as Franchisor reasonably requests from time to time, including copies of sales tax and income tax returns relating to the Franchised Business.

C. Computer System and Software. Franchisee must obtain, use and maintain telephone, computer systems, software, operating systems and databases, Internet technology and specifications, communications devices, payment systems, and other systems/items/equipment meeting Franchisor's specifications and compatibility requirements and/or that Franchisor designates by brand or title, including use and installation of the Operations Portal described in Section 7 of this Agreement and point of sale ("POS") systems (all collectively, a "Computer System"). Franchisee's Computer System shall be linked to the Internet and have email and file sharing capabilities meeting Franchisor's then-current requirements and/or equipment and systems specifications. Franchisee shall have one primary voice telephone landline or equivalent devoted only to Franchisee's Coffee Bar and must make all necessary arrangements to provide free wi-fi to Franchisee's customers. Franchisor reserves the right to have full access to and share all of Franchisee's computer data, Computer System, software and related information via direct access either in person or electronically by telephone, Internet or other electronic access system, as selected by Franchisor, including customer related information/data. The foregoing notwithstanding, Franchisee and Franchisor acknowledge and agree that Franchisor shall have no involvement in or authority over employee scheduling, wage and hour matters or any other employee management activities, or terms and conditions of employment, which are Franchisee's sole responsibility. Franchisee also is solely responsible for ensuring that the collection, input, storage and use of the Franchised Business data complies with any applicable privacy laws and regulations within the jurisdictions applicable to Franchisee's Franchised Business. Franchisee is responsible for any supplier and/or licensor charges for use, maintenance, support and/or updates of and to the required systems, unless otherwise specified by Franchisor. Franchisee shall change, upgrade or add to the Computer System and software or any component thereof from time to time on written notice from Franchisor and/or as required by then applicable software and hardware manufacturers or providers to maintain or operate the system. Franchisee will implement and locate in the Coffee Bar, any such changes and/or additions to the Computer System and software or any component thereof, as required by Franchisor.

D. Inspection. Franchisee shall permit Franchisor and/or Franchisor's agents/representatives at any time during business hours, without causing any undue business interruption and without prior notice, to: i) inspect the condition of Franchisee's Coffee Bar, its Equipment and inventory, customer service, menu item preparation and other operations and to record and/or photograph the same; ii) remove samples for testing and analysis; iii) interview personnel; iv) interview customers; v) review operations processes and sample product quality; and vi) conduct inventories and other activities for the purpose of determining Franchisee's compliance with this Agreement. Franchisee agrees to provide full access and fully cooperate and cause Franchisee's staff to cooperate with such inspections and to correct promptly at Franchisee's expense any deficiencies identified by Franchisor or its agent/representative in the course of the inspection. Franchisee shall be responsible for reimbursing Franchisor's costs and expenses, including any re-evaluation or similar fees, incurred in connection with such an investigation to the extent the investigation is necessitated by Franchisee's repeated or continuing failure to comply with this Agreement, as determined by Franchisor.

E. Audit. Franchisor has the right to require Franchisee to make available to Franchisor for inspection and/or audit at a time and in the manner Franchisor requests, all original books and records that Franchisor designates. Franchisor or its designee shall have the right, at all reasonable times, to examine, copy, inspect and audit the books and records of Franchisee, including electronic records. Such business records may include, but are not limited to, bookkeeping and accounting records, purchase invoices, sales invoices, sales and income tax records and returns, and cash register tapes/data. Franchisee shall cooperate fully with such an audit. Franchisor's audit rights continue in effect for two (2) years after the termination, expiration, or transfer of this Agreement. If an inspection or audit reveals any underpayment or understatement to Franchisor, then Franchisee shall immediately pay the amount of the underpayment or understatement, plus interest from the date the amount was due until paid, at the interest rate stated in Section 23 and shall reimburse Franchisor for costs and expenses incurred in connection with the audit. The provisions of this Section do not and shall not be construed to waive or excuse any breach reflected by an underpayment or understatement and are in addition to all of Franchisor's other rights and remedies.

13. Standards.

A. Quality and Performance. In all dealings with customers, suppliers, the public, government agencies, Franchisor and all other persons and entities, Franchisee shall adhere to high standards of honesty, fair dealing, and ethical conduct for the protection of the goodwill associated with the Marks and the System. Franchisee and Franchisee's Coffee Bar staff shall always provide prompt, professional, courteous and efficient service to customers and shall use best efforts to promote and increase sales of Coffee Bar Products and Services, which may change from time to time. Franchisee shall follow Franchisor's System Standards, including without limitation those relating to ingredients, preparation techniques and instructions, temperatures, and heating or cooking times of menu items to be offered at the Coffee Bar; hours of operation; and uniform usage. Throughout the term of this Agreement, Franchisee shall always maintain a sufficient supply or inventory for the optimal operation of the Coffee Bar and as may be required under the Portal or any Manual.

B. Condition of the Store; Renovation Requirements. Franchisee shall conduct the Franchised Business observing the highest standards of sanitation, cleanliness, customer service and efficiency. Franchisee shall at its own expense keep the assets, condition and appearance of the interior and exterior of the Coffee Bar (inclusive of parking areas) and the Coffee Bar assets clean, in good repair and consistent with Franchisor's quality standards and System in order to maintain the goodwill and positive image associated with the Dripp Marks and System (collectively, "Store Maintenance Activities"). Franchisee shall replace all worn, obsolete or unrepairable assets with those meeting any then current System Standards. Franchisor shall have the right to notify Franchisee that, in Franchisor's judgment, the Coffee Bar's repair, appearance, Equipment or other assets do not meet Franchisor's standards and to state what action Franchisee must take to correct the deficiency(s). Franchisee shall take all steps needed to correct each deficiency within the timeframe(s) then required by Franchisor. In addition to such ongoing obligations, Franchisee shall at its expense and within 6 months of receipt of written notice from Franchisor (or within such longer period as Franchisor may specify in such notice, in its sole discretion), renovate, update, remodel and otherwise conform its Coffee Bar to meet then current Dripp® Coffee Bar design and appearance requirements as implemented by Franchisor (collectively, a "Coffee Bar Update"). Franchisor reserves the exclusive right to determine whether a required modification is all or a portion of a Coffee Bar Update or a part of Franchisee's ongoing obligations to perform Coffee Bar Maintenance Activities and comply with System changes, as described in Section 9, above. Franchisee shall be required to perform a Coffee Bar Update once in each Franchise Term and may also be required to do so as a condition to Franchisor's award of a renewal Dripp® Franchise or to approval of a proposed Transfer.

C. Products, Equipment and Services. Franchisee acknowledges that the reputation and good will of the System is based on high quality product ingredients and customer service. Therefore, <u>Franchisee shall offer, use and/or sell Products and Services, install and use Equipment and purchase only from Approved Suppliers approved or specified by Franchisor, to the extent required by Franchisor.</u> Franchisee shall not without Franchisor's written consent conduct any business or engage in any activity, or offer or sell any goods or services other than approved Products and Services and/or from the Approved Suppliers specified on a retail basis, or use any product, equipment, service or supplier that is not approved by Franchisor in connection with the Franchised Business.

D. Approved Suppliers; No Warranties. From time to time, Franchisor shall provide to Franchisee in the Portal or any Manual or in some other manner a list of suppliers and distributors authorized by Franchisor to supply Equipment, Products and/or Services for use or sale at the Coffee Bar or for purchase by Franchisee. (each, an "Approved Supplier"). Franchisor may designate or approve a single, or multiple suppliers for any specified item and designate a single supplier as an exclusive supplier of a Product or Service, Equipment, Computer System or any other item related to the Coffee Bar. Franchisor is not obligated to identify Approved Suppliers near Franchisee's Location. Franchisor reserves the right to increase or decrease the number and selection of Approved Suppliers in its sole discretion. While Franchisor may identify Approved Suppliers, Products and Services for Franchisee to use and/or sell in the Franchised Business, Franchisor has no liability of any kind for an Approved Supplier's performance or any of its prices, Products, Equipment and/or Services. UNLESS FRANCHISOR, LICENSOR OR ANY FRANCHISOR ASSOCIATE GIVES TO FRANCHISEE A SPECIFIC WRITTEN WARRANTY FOR A PARTICULAR ITEM OR SERVICE, AS TO FRANCHISOR, LICENSOR OR AND FRANCHISOR ASSOCIATES PRODUCTS AND SERVICES ARE OFFERED, PROVIDED AND/OR "APPROVED" WITHOUT ANY WARRANTIES, EXPRESS OR IMPLIED, FROM FRANCHISOR, LICENSOR OR ANY FRANCHISOR ASSOCIATE, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE BEING EXPRESSLY DISCLAIMED.

E. Other Supplies and Suppliers. If Franchisee proposes to offer for sale or use at the Coffee Bar any product or service or to use any supplier or equipment that is not then approved by Franchisor, Franchisee shall first notify Franchisor in writing and request Franchisor's consent to do so. Franchisee shall submit to Franchisor samples and other information that Franchisor requests to permit evaluation of the proposed product, service, equipment or supplier at Franchisee's expense. Franchisee shall reimburse Franchisor for all such costs and expenses upon receipt of invoice. Franchisor shall either approve or disapprove the proposed supplies and/or suppliers within ninety (90) days after Franchisor's receipt of the evaluation request. Franchisor shall have the right to re-evaluate any Products, Services, Equipment or suppliers previously approved, modify specifications and to change and/or revoke such approval when Franchisor deems appropriate, and can require that some or all Products and Services sold and Equipment used in the Coffee Bar conform to specifications and quality standards that Franchisor may establish from time to time for protection and enhancement of the goodwill associated with Marks. Franchisor selects or designates suppliers and brands based on its subjective judgment about various factors, including without limitation, the quality, taste, appearance, pricing, availability, payment terms and beneficial arrangements. Franchisor shall also have the right to inspect at any time any products or supplies sourced by Franchisee and to inspect or audit the applicable supplier operations and require appropriate adjustments for consistency with Franchisor standards. Franchisee shall pay the Alternative Approved Supplier fee, which is currently $5,000 to cover time and associated costs to evaluate Franchisee's request. Notwithstanding any other provision of this Agreement, Franchisor shall not be required to reveal recipes, specifications and/or formulas for Proprietary Products to Franchisee, non-designated suppliers, or any other third parties.

F. Franchisor's Reserved Rights. Franchisor reserves the right to designate a supplier as an **exclusive supplier** of specified Products/Services/Equipment, to concentrate purchases with one or more suppliers and to receive royalties or other payments from supplier's for selecting them as organization suppliers or for allowing them to sell Proprietary Products. Franchisor, Licensor and Franchisor's Associates also reserve the right to derive profits and to receive discounts, commissions, rebates, incentives, promotional allowances and other economic benefits as a result of leases and/or purchases by franchisees of Products, Equipment and Services from Franchisor, from its Associates, from Licensor or from any other supplier. Franchisor may negotiate with suppliers, including its Affiliates, Licensor and/or a Franchisor Associate, for the benefit of the System and/or Dripp® Coffee Bar franchisees. Franchisor, Licensor and/or a Franchisor Associate each may be party to agreements with suppliers that provide for marketing or promotional rebates or allowances, volume discounts or other economic benefits. Any rebates, discounts, allowances, profits, mark ups or other benefits earned under these agreements or otherwise as a result of franchisees' purchases of that supplier's products or otherwise may be kept and used by Franchisor or its Associate or Licensor in its/their sole discretion, as applicable. Franchisor and each of its Associates and Licensor can be an Approved Supplier or exclusive supplier of specific Equipment/Products/Services to be purchased by franchisees. Franchisee acknowledges and agrees that Franchisor and each such Associate and Licensor will earn a profit in connection with their respective sales of Products (including Proprietary Products), Equipment and Services to franchisees and have no obligation to remit any portion of their receipts to Franchisee.

G. Dripp Products. Franchisee shall use, offer and maintain branded items in stock at the Coffee Bars in such quantities as are needed to meet reasonably anticipated consumer demand, including packaging and serving materials (e.g., bags, cups, etc.), as well as certain proprietary ingredients, products and other raw materials for Dripp® menu items which are manufactured in accordance with Franchisor's or Licensor's standards, recipes, specifications and/or formulas (collectively, "Proprietary Products"). Franchisee shall purchase such Proprietary Products exclusively from Franchisor, Licensor or Franchisor's Approved Supplier, as applicable. Notwithstanding any other provision of this Agreement, Franchisor shall not be required to reveal such standards, recipes, specifications and/or formulas for Proprietary Products to Franchisee, non-designated suppliers, or any other third parties. Current Proprietary Products are listed on the Portal. We have the right to adjust the number and type of Proprietary Products from time to time. Any Proprietary Products purchased from Franchisor, Licensor or any Franchisor Associates shall be purchased according to the quantity, quality, order, delivery and payment policies and procedures then in effect and as may be established from time to time. Franchisor, Licensor and Franchisor

Associates reserve the right to change such policies and procedures and other terms in connection with Products/Services sold or manufactured by any of them, and to discontinue the manufacture and/or sale of any such Products/Services in its sole discretion. Neither Franchisor, Licensor nor any Franchisor Associates shall be liable for any delays in shipment, receipt, or delivery in connection with Products and Services, including but not limited to Proprietary Products.

H. ***Supervision***. Franchisee, or its Designated Owner, as applicable, is solely responsible for supervising the Franchised Business. Franchisee authorizes Franchisor to deal with any Designated Owner on all matters relating to this Agreement and the Franchised Business. Franchisee must keep Franchisor informed as to the identity of each Designated Owner and General Manager. Whenever Franchisee's Designated Owner is not present in and running the Coffee Bar during operating hours it must be managed on a daily basis by an operations manager who has successfully completed initial training to Franchisor's satisfaction and remains qualified to manage and be responsible for the day to day operation of the Coffee Bar (a "General Manager"). Franchisee's General Manager may not have an interest or business relationship with any Similar Business as defined in Section 15 B below. Franchisee must have all General Managers and senior employees sign written confidentiality and non-competition agreements. At least 30 days prior to opening the Coffee Bar, Franchisee must provide Franchisor with the following information related to Franchisee's General Manager and update such information within five (5) calendar days of Franchisee's appointment of any new General Manager: name, address, mobile and residence landline, home address, personal email address, educational background and employment history for the past five (5) years, including reasons for employment termination.

Before the Opening and throughout the term of this Agreement, Franchisee must staff the Franchised Business as required to provide the level and quality of service consistent with the Dripp® System. Franchisee will provide employees with all training and supervision necessary to assure that each employee can perform and is performing the work assigned 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® Coffee Bar. Franchisor will not dictate or consult with Franchisee regarding the terms of employment or firing, or be responsible in any manner for Franchisee's staff. Franchisee is solely responsible for all matters related to the personnel who work in Franchisee's Dripp® Coffee Bar and for compliance with all applicable employment laws.

I. ***Legal Compliance.*** Franchisee shall obtain and maintain all required licenses, permits and certificates to permit operation of the Coffee Bar. While Franchisor may from time to time provide information about various laws, regulations and ordinances, and safety or legal guidelines, Franchisee is solely responsible for identifying and complying with all those laws, regulations and ordinances applicable to the Franchised Business, including without limitation and to the extent applicable the Fair Labor Standards Act, the Occupational Safety and Health Act, any state wage and hour or workers compensation act, any state unemployment compensation benefit law or regulation, or any other federal, state or local employment-related or employee benefit law or regulation. Franchisee shall notify Franchisor in writing within three (3) days after learning of any demand, action, suit or proceeding made or brought against Franchisee, the Franchised Business or a Designated Owner, or of the issuance of any order, writ, injunction, award or decree of any court or government agency that may adversely affect the operation or financial condition of the Store, Franchisee, the Marks or the System. Franchisee and its Owners certify, represent, and warrant that none of Franchisee's property or interests is subject to being blocked under, and that Franchisee and its Owners otherwise are not in violation of, any of the Anti-Terrorism Laws and shall complete such forms attesting to the same as Franchisor may require. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war.

J. ***Forms.*** Franchisor may from time to time provide Franchisee with template or sample forms/agreements and other materials and/or require through the Portal or any Manual or other written instruction that forms used by Franchisee in the Franchised Business contain certain terms and/or protections for Franchisor, the Marks or the System. Franchisor does not warrant the legal sufficiency or quality of any such documents that Franchisor may approve or provide, and Franchisee is responsible for having all such items reviewed and modified for compliance with local law by an attorney licensed to practice in the state(s) where the Franchised Business will be located.

K. ***Program Participation.*** Franchisor can condition Franchisee's participation in any program, or Franchisee's receipt of any Dripp® System benefits, including, but not limited to, Product discounts, inclusion in any Dripp Website or access to any Dripp intranet, training opportunities and other resources and promotional programs, on Franchisee remaining in compliance with the terms of this Agreement.

14. Risk Management and Indemnification.

A. Insurance. Franchisee shall ensure that its construction, fixtures and equipment related contractors and its general contractor, if applicable, maintain general liability insurance coverage meeting or exceeding any applicable requirements established by Franchisee's lessor, but which shall in no event be less than Two Million Dollars ($2,000,000) per occurrence. Additionally, Franchisee shall obtain and maintain insurance coverage meeting or exceeding the following requirements:

(i) 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 Coffee Bar;

(ii) fire, theft, and extended coverage, liability, and business interruption insurance for your Coffee Bar covering 100% value replacement costs for fire, theft, and extended coverage; $2,000,000 combined single limit liability insurance, including General Commercial Liability Endorsement CG 20 29 04 13 – Additional Insured – Grantor of Franchise;

(iii) worker's compensation insurance in statutory amounts as required in the state(s) where Franchisee's operations are conducted; and,

(iv) carry business interruption throughout the term of this Agreement with extended coverage for vandalism and malicious mischief, and ensuring one year of Royalty Fee payments by Franchisee to Franchisor each such payment equal to the highest Royalty Fee paid by Franchisee during the 12-calendar month period prior to the loss.

All required policies shall name Franchisor, Licensor and Franchisor Associates as additional insured and entitled to receive at least thirty (30) days' prior written notice of any intention to reduce coverage or policy limits or to cancel or otherwise amend the policy. Each policy shall contain waivers of subrogation in favor of Franchisor and Franchisor's Associates (which shall be operative only so long as available in the state having jurisdiction over an affected claim and provided further that no policy of insurance is invalidated thereby). Franchisor shall have the right from time to time to revise coverage types and policy amounts that Franchisee must obtain and maintain. Franchisor shall have the right at any time to require Franchisee to provide to Franchisor full copies of Franchisee's insurance policies. Franchisee shall provide Franchisor prior to opening the Coffee Bar certificates of insurance evidencing the coverage described in this Section 14 A., and thereafter with each policy renewal and at Franchisor's request; provided, that evidence of contractor(s)'s coverage as specified above must be provided to Franchisor before any construction/build out begins. If Franchisee fails to purchase or maintain required policies and limits or to provide proof of insurance on request, then Franchisor has the right, but not the obligation, to obtain such coverage, and Franchisee must reimburse Franchisor upon demand. All policies of insurance shall be: (a) primary and noncontributing with any other insurance; (b) be written by a company authorized to engage in the business of general liability insurance in the state in which the Authorized Location is situated, with a Best's rating of at least A-7; (c) contain cross-liability endorsements; and (d) contain an endorsement requirement 30 days' written notice to us before the policy may be cancelled or altered. A failure to maintain required insurance is a material breach of this Agreement.

B. Notice of Claims; Franchisee Indemnification. Franchisee shall notify Franchisor in writing of any and all claims or demands against Franchisee, the Franchised Business or Franchisor within three (3) days after Franchisee receives actual notice of the claim or demand. Franchisee will defend with counsel of Franchisor's choosing, indemnify and hold Franchisor, Licensor and each of their respective Affiliates, agents, officers, partners, members, shareholders, directors, employees and representatives (the "Indemnified Parties") harmless from all fines, suits, proceedings, claims, demands, actions, losses, damages, costs, fees (including Attorneys' Fees and related legal costs and expenses), governmental/administrative actions or proceedings and any other liability of any kind or nature, however arising, growing out of or otherwise connected with and/or related to any Franchisee breach of this Agreement, the ownership or operation of Franchisee's Franchised Business, an asserted breach of lease or violation of any law or regulation or any act, error and/or omission by Franchisee and/or any Franchisee Affiliates, agents, officers, partners, members, shareholders, directors, employees or representatives. Franchisor will have the right to control all litigation to which it is a party and to defend and/or settle any claim in such manner as Franchisor considers appropriate, without affecting Franchisor's or the Indemnified Parties' rights under this indemnity. Franchisee acknowledges that this obligation to indemnify and reimburse Indemnified Parties for costs and expenses, as described above, applies to any action or proceeding or legal matter of any kind in which one or more Indemnified Parties is/are named or involved and which also involves this Agreement and/or Franchisee's Franchised Business, including any administrative actions or investigations and appellate, post judgment or bankruptcy proceedings. Franchisee further acknowledges that this obligation to indemnify and reimburse Indemnified Parties for costs and expenses, as described above, expressly applies to claims from persons employed by or providing services to Franchisee involving allegations of a violation the Fair Labor Standards Act, the Occupational Safety and Health Act, any state workers' compensation act, any state unemployment compensation benefit law or regulation, or any other federal, state or local employment or employee benefit law or regulation, and regardless of the basis of the alleged liability, whether joint employer, ostensible agency, vicarious liability or otherwise. All amounts payable by Franchisee under this Section 14 B. are due upon demand. Franchisee is entitled to appoint separate independent counsel to represent Franchisee's interests in such suits, proceedings, or claims, all at Franchisee's expense. Franchisee's obligations under this Section 14 B. survive the assignment, termination or expiration of this Agreement, except that Franchisee shall not be responsible to indemnify any Indemnified Parties for costs, expenses or other liabilities incurred by any such Indemnified Parties solely as a result of such Indemnified Parties' intentional misconduct or material breach of this Agreement.

15. Covenants.

A. No Diversion; Protection of Goodwill. During the term of this Agreement, Franchisee and Franchisee Owners shall not, either directly or indirectly, for itself/themselves, or through, on behalf of or in conjunction with any person or Business Entity divert or attempt to divert any business or customers of the Coffee Bar to any competitor, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System. Franchisee acknowledges and understands that all customer relationships and customer-related information obtained at or by Franchisee in connection with the Franchised Business are Franchisor's intellectual property and a part of Franchisor's Confidential Information.

B. No Engaging in Competing Business During Term. During the term of this Agreement, Franchisee, each Franchisee Affiliate, each Franchisee Owner and each Family Member of each of the foregoing, shall not:

i) have any direct or indirect interest anywhere in any Similar Business, or in any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses; or

ii) provide any financial support or perform any services anywhere as an employee, agent, representative, consultant or in any capacity of any kind for any Similar Business, or for any entity granting franchises or licenses or establishing joint ventures to operate Similar Businesses.

For purposes of this Agreement, i) a "Similar Business" is any business or enterprise that markets or sells coffee, tea, coffee or tea based drinks, and other distinctive Dripp® menu items and such goods comprise more than twenty percent (20%) of sales for such business/enterprise; and ii) "Family Members" include an individual and his/her spouse and/or domestic partner, and their respective mother, father, brother, sister, son, and daughter. These restrictions do not apply to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than three percent (3%) of the outstanding number of shares of that class issued by a Similar Business.

C. Further Trade Secret and System Protection; Post Term Restrictions. For a period of two (2) years after the transfer, termination or expiration of this Agreement and to the extent permitted by law, Franchisee, each Franchisee Affiliate, each Franchisee Owner and each Family Member of each of the foregoing, shall not:

i) have any direct or indirect interest in any Similar Business within a radius of ten (10) miles of the Authorized Location or of any Dripp Coffee Bar, or

ii) provide any financial support or perform any services as an employee, agent, representative, consultant or in any capacity of any kind for any Similar Business within a radius of ten (10) miles of the Authorized Location or of any Dripp Coffee Bar; or

iii) have any direct or indirect interest anywhere in, or provide any financial support to, any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses, or perform any services anywhere as an employee, agent, representative, consultant or in any capacity of any kind for any such entity.

Franchisee accepts that it is Franchisee's obligation under this Agreement to ensure the compliance of each of the persons/entities named in Sections 15 A., B. and C. with the limitations described in those Sections. Franchisor shall use reasonable judgment in evaluating whether or not the conduct of a Family Member warrants the exercise of rights under this provision.

D. Franchisee Acknowledgment. Franchisee and Franchisor share a mutual interest in ensuring compliance with the restrictions on competition described in Sections 15 A., B. and C. Franchisee acknowledges and agrees that such protections can enhance the value of the Dripp® System to Franchisee, have been expressly bargained for and represent a reasonable balancing of Franchisee and Franchisor interests. Franchisee confirms that Franchisee and Franchisee Owner(s) possess valuable skills unrelated to the Franchised Business and have the ability to be self-supporting and employed regardless of the restrictions on competition to which Franchisee and Franchisee Owners have agreed.

E. Covenants are Severable; Trade Secret Protection Essential. Each of the above covenants shall be deemed independent of any other covenant or provision of this Agreement. If any of the restrictions of this Section 15 are determined to be unenforceable to an extent because of excessive duration, geographic area, scope of business or otherwise, they will be reduced to the level that provides the greatest protection to Franchisor and the System, but which is still enforceable. Franchisee and Franchisor agree and intend that Franchisee and Franchisee Owner(s) in all instances shall not engage in any activities or business if the fulfillment of Franchisee's/Owner's duties and responsibilities with respect to any such activities or business (or the duties and responsibilities of another person/entity identified in Sections 15 B. and C.) would inherently call upon Franchisee or such person/entity to disclose and/or use Franchisor's, Licensor's or Franchisor's Associate's Trade Secrets or other proprietary information.

F. Similar Covenants from Franchisee Owner(s). Each Franchisee Owner (if Franchisee is a Business Entity) shall execute covenants in a form satisfactory to Franchisor imposing requirements the same as or equivalent to those provided in this Section 15 to the extent permitted by law. A proposed form for signature by Franchisee's Owner(s) is attached as Schedule D (for California Franchisees) or Schedule E (for non-California Franchisees).

G. Injunctive Relief. Franchisee acknowledges that money damages would not be a sufficient remedy for breach of the obligations in this Section 15. Accordingly, Franchisor shall be entitled to seek and obtain equitable remedies, including, without limitation, immediate restraining orders and injunctive relief for the actual or threatened breach of any obligation in this Section 15. Franchisor's remedies for a breach of Sections 15 B. and C. will include, but not be limited to, the right to receive all profits generated in connection with the operation of any Similar Business.

16. Default and Termination.

A. Termination by Franchisor with No Opportunity to Cure. This Agreement shall, at Franchisor's option, terminate automatically upon Franchisor's delivery of notice of termination to Franchisee, without opportunity to cure, if Franchisee or Franchisee Owner(s), as applicable:

i) fails to have an Authorized Location within one hundred twenty (120) days of the Effective Date of this Agreement, or to develop, stock, equip, open and operate the Coffee Bar by the Opening Period Deadline as provided in Section 3, above;

ii) fails to satisfactorily complete the Initial Training Program (along with Franchisee's General Managers), to the extent required by Franchisor and as provided in Section 4, above;

iii) has made any material misrepresentation or omission in the application for the Franchise;

iv) is convicted of or pleads no contest to a felony or other crime or offense that Franchisor believes is likely to affect adversely the reputation of Franchisor, Franchisee, the System or the Coffee Bar;

v) duplicates or discloses or makes any unauthorized use of any Trade Secret or Confidential Information or Copyrighted Works provided to Franchisee by Franchisor, including the Portal and/or any Manual;

vi) abandons, fails or refuses to actively operate the Franchised Business for five (5) or more consecutive days without Franchisor's advance written consent, or fails to relocate to another approved Coffee Bar location within ten (10) days after vacating the Authorized Location or within such longer period as is permitted by Franchisor in writing, if any;

vii) attempts to make or makes an unauthorized Transfer or assignment under this Agreement;

viii) submits to Franchisor on three (3) or more separate occasions at any time during the term of the Franchise any false or inaccurate reports or other information required by Franchisor, regardless of whether or not corrected;

ix) is the subject of insolvency, receivership or bankruptcy proceedings, admits in writing insolvency or an inability to pay debts as they are due, or makes an assignment for the benefit of creditors;

x) misuses or makes an unauthorized use of any of the Marks or commits any other act that can reasonably be expected to impair materially the goodwill associated with any of the Marks;

xi) fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit required reports or other Franchisor required information when due, to pay Royalty Fees or any other fees or amounts due to Franchisor or Franchisor's Licensor/Associates, or otherwise fails to comply with this Agreement, whether or not the failures to comply are corrected after notice is delivered to Franchisee;

xii) receives a written notice of default under Section 16 B. ii), below, more than twice during the term of this Agreement;

xiii) violates any safety, health or consumer protection law, ordinance or regulation or operates the Coffee Bar in a manner that presents a safety or health hazard to its customers or the general public and does not immediately begin to cure such violation or hazard and correct the same within seventy-two (72) hours of receipt of notice about it;

xiv) fails to comply with all applicable laws, regulations, orders and ordinances relating to the Coffee Bar and/or the Franchised Business; or

xv) have assets, real property or other interests blocked in connection with any legal requirements relating to terrorist conduct or activities, or otherwise violate any such requirements; or

xvi) fails to have and maintain insurance in compliance with Section 14 A., or to deliver certificates of coverage within ten (10) days of any written request by Franchisor.

B. Termination by Franchisor with Opportunity to Cure. This Agreement shall terminate, at Franchisor's sole option, without further notice or action by Franchisor to Franchisee if Franchisee or any Franchisee Owner(s), as applicable:

i) fails or refuses to make payments of a) any amounts due Franchisor, Licensor or any Franchisor Associate or Approved Supplier for Royalty Fees, marketing fees, or purchases from Franchisor, Licensor or any such Associate or Approved Supplier, or b) any other fees or amounts due to Franchisor, Licensor or any such Associate or Approved Supplier, or c) fails or refuses to maintain a bank account with sufficient funds to permit Franchisor to make electronic debits as provided under this Agreement, or d) otherwise prevents Franchisor from electronically debiting Franchisee's bank account, **and** e) does not correct any such failure or refusal within five (5) days after written notice is delivered to Franchisee; or

ii) fails or refuses to use and/or offer for sale Products and Services and/or use Approved Suppliers and Equipment, to the extent required by Franchisor, or offers/sells/uses unauthorized products/services/equipment/suppliers without first obtaining Franchisor's advance written consent, **and** does not correct such default within five (5) days after written notice of the default is delivered to Franchisee; or

iii) fails or refuses to comply with any other provision of this Agreement, any other agreement with Franchisor or any Franchisor Affiliate, or any mandatory requirement prescribed as related to or in or on the Portal and/or any Manual **and** does not correct the failure within sixty (60) days of written notice thereof or within any shorter period for cure as may be prescribed under the applicable agreement.

C. Discontinued Products/Services; Costs of Enforcement. If Franchisor delivers a notice of default to Franchisee, Franchisor, Licensor and Franchisor Associates have the right to stop selling and/or providing any goods (Proprietary Products or otherwise) and/or services, including Franchisee's participation in the Dripp Website or intranet or a marketing promotion, until Franchisee has cured all defaults. Franchisee shall pay to Franchisor all damages, costs and expenses, including all costs of collection and reasonable Attorneys' Fees, incurred by Franchisor in connection with the enforcement of any provision of this Agreement, both during and after the termination or expiration of this Agreement, and this obligation shall survive any such termination or expiration.

D. Mutual Termination. If the master license agreement between Franchisor and Licensor is terminated or expires, our rights, duties and obligations under this Agreement will, at Licensor's sole and absolute discretion, revert to and be accepted by Licensor and/or its designee at its sole election. If Licensor does not elect to accept such a reversion or assignment of Franchisor's rights, duties and obligations under this Agreement, then Franchisor and Franchisee agree that this Agreement shall be deemed to be mutually terminated concurrently with the expiration date of the current term in effect (whether initial or renewal) under this Agreement. In that event and if Franchisee is not in default of this Agreement, Franchisee will not be required to comply with Franchisee's non-competition obligations under Section 15. C, but will otherwise comply with the post termination provisions of Section 17, below. In the event of a mutual termination under this provision, Franchisor shall not prevent Franchisee from retaining control of the principal place of the Franchised Business.

***E. Franchisee Claims*.** Franchisee understands that Franchisee is not permitted to terminate this Agreement for any default committed by Franchisor, except as permitted by applicable state law. If Franchisee claims that such a material default exists, or if Franchisee has any other basis for terminating this Agreement or for making any other claim against Franchisor, Franchisee agrees to give Franchisor written notice thereof, and sixty (60) days to cure such default. Franchisee agrees that Franchisee shall not take any action to terminate this Agreement or otherwise until Franchisor has been given such notice and an opportunity to cure. If Franchisor cannot reasonably cure within such sixty (60) day period, and is diligently continuing efforts to cure, then Franchisor shall have one hundred twenty (120) days to cure; provided that any claim for equitable relief with respect to a dispute under Section 16.2 (H) will not be subject to this Section.

17. Rights and Duties on Expiration or Termination.

A. Franchisee's Obligations. On termination or expiration of this Agreement, Franchisee and Owner(s) shall:

i) immediately cease directly or indirectly representing to the public or holding itself out as a present or former Dripp franchisee;

ii) immediately and permanently cease using, whether through advertising, the Internet, social media or in any other manner or materials, any Confidential Information, the Copyrighted Works, any Trade Secrets, the Marks and any distinctive designs, slogans, branded or Proprietary Products, signs, symbols, logos or devices associated with the Dripp® System, as well as any marks, designs or slogans confusingly similar thereto;

iii) take such action as may be necessary to cancel or to assign to Franchisor or Franchisor's designee, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities that contains the name "Dripp®" or any of the Marks or any derivative thereof;

iv) immediately pay all sums owing to Franchisor, Licensor and any Franchisor Associate or any Franchised Business creditor;

v) pay to Franchisor all damages, costs and expenses, including reasonable Attorneys' Fees, incurred by Franchisor after the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

vi) immediately discontinue any use of the Portal and, on Franchisor's request and at its option, discontinue use of and return to Franchisor or destroy any Manual, instructional program or marketing materials, and any item or materials bearing the Marks;

vii) immediately discontinue domain names, e-mail addresses, Internet key word purchases, social network pages, videos and any other publication on the Internet using the Marks, including Facebook, Twitter, YouTube, Pinterest, Instagram, or other social media, and ensure the removal of any such uses from all such sites/media;

viii) comply with the covenants contained in Section 15 of this Agreement to the fullest extent permitted by applicable law;

ix) assign to Franchisor or its designee on Franchisor's request, all of Franchisee's right, title and interest in and to Franchisee's telephone and facsimile numbers for the Franchised Business, and all of Franchisee's right, title and interest in Internet addresses, electronic mail addresses and domain names and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone and facsimile numbers, Internet addresses, electronic mail addresses, domain names and any regular, classified or other telephone directory listings associated with the Marks. Franchisee shall sign and deliver to Franchisor as a pre-condition to opening Franchisee's Coffee Bar Franchisor's then current form of Telephone Listing Assignment Agreement;

x) immediately remove from the Coffee Bar premises any Dripp interior and exterior displays and signage and any physical and/or structural features associated with Dripp® Coffee Bars and Trade Dress and otherwise de-identify the Coffee Bar so that the Coffee Bar is clearly distinguished from other Dripp Coffee Bars and does not create any public confusion. If immediate removal of exterior signage is not possible because of the necessity of lessor involvement or similar requirements involving leased premises, Franchisee will arrange for immediate coverage of the exterior signage such that it is no longer visible to the public and for the removal of the exterior signage within ten (10) days of the termination or expiration of this Agreement; and

xi) comply with Franchisor's request to purchase Coffee Bar assets as provided herein. Franchisor has the right (but not the duty), for a period of thirty (30) days after termination or expiration of this Agreement, to elect to purchase: (i) any or all of Franchisee's product inventory for cost less twenty percent (20%); and (ii) any other assets of the Franchised Business, including signs, Equipment, supplies, advertising materials, forms, and software at the lower of Franchisee's cost or fair market value. If the parties cannot promptly agree on fair market value, the fair market value will be determined by an independent appraiser selected by an independent third party designated by Franchisor, and the appraiser's determination shall be final and binding. If Franchisor elects to exercise this option to purchase, it can assign its rights to a designee and also has the right to set off all amounts due Franchisor and any Franchisor Associate from Franchisee under this Agreement, or otherwise against the purchase price.

All obligations under this Section and other terms that expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect until they are satisfied or by their nature expire.

B. No Release. If this Agreement terminates, is transferred or expires, Franchisee shall not be released or discharged from Franchisee's obligations, including payment obligations, unless otherwise provided by Franchisor in writing. If this Agreement is terminated as a result of Franchisee's default, Franchisor also shall be entitled to payment from Franchisee of all amounts which would have become due under this Agreement or any other agreement with Franchisor if Franchisee had continued to operate a franchised Dripp Coffee Bar for the full term of this Agreement. Franchisor's remedies for default shall include, but are not limited to, the right to collect the present value of these amounts and to receive the benefit of its bargain with Franchisee, as well as to accelerate the balances of any promissory notes owed and to receive any other unpaid amounts owed to Franchisor, Licensor or any Franchisor Associate.

C. Return of Proprietary Products. Franchisor shall have no obligation to repurchase any Proprietary Products or supplies inventory remaining at the terminated Coffee Bar, unless otherwise required under applicable law. Promptly at Franchisor's request and Franchisee's expense, Franchisee shall return any such Proprietary Products and supplies to a location Franchisor designates. To the extent that Franchisee is licensed to operate any other Dripp Coffee Bar and provided that there is no adverse effect on quality, Franchisor will permit Franchisee to use such inventory at such other Coffee Bar(s) to reduce the expense of compliance.

18. Transfer Restrictions.

A. Assignment by Franchisor. Franchisor has an unrestricted right to transfer, assign or otherwise convey this Agreement, and some or all of Franchisor's rights and/or obligations under it, in its sole and absolute discretion, in whole or in part, without notice to and/or consent of Franchisee. Franchisee acknowledges and agrees that Franchisor may be sold and/or sell any or all of Franchisor's Marks, Trade Secrets, Copyrighted Works or the System and/or any or all other assets, and go public, merge, or acquire other entities, whether or not competitive to Franchisee or Franchisor, without notice to and/or consent of Franchisee.

B. Assignment by Franchisee. Franchisee and Franchisee Owner(s) shall not encumber, assign or otherwise transfer all or any interest in the Coffee Bar, the Franchised Business assets, or the Franchise Agreement, and no Owner shall transfer any interest in Franchisee, without Franchisor's prior written consent (individually and collectively, a "Transfer"). Any purported Transfer without Franchisor's prior written consent shall be null and void and shall be a material breach of this Agreement. The term "Transfer" includes any voluntary or involuntary assignment, sale, gift, pledge or any grant of any security or other interest and the following events: i) any transfer of ownership of membership, capital stock or any partnership or similar interest; ii) any merger, consolidation or issuance of additional securities representing an ownership interest in the Franchised Business or the Franchisee; iii) any sale of Franchisee's voting stock; iv) any transfer in a corporate or partnership dissolution, divorce, insolvency proceeding or otherwise by operation of law; v) any transfer of any interest in any revenues, profits, or assets of the Franchised Business which is not in the ordinary course of business; or vi) any Franchise transfer to a Business Entity and/or a trust or similar entity. A Transfer of ownership, possession or control of a Dripp® Coffee Bar, or of its assets, may only be made with a Transfer of the Franchise, unless Franchisor otherwise agrees in writing and in its sole discretion.

C. Conditions for Consent to Transfer to a Wholly-Owned Entity. If Franchisee is one or more natural persons, Franchisor shall not unreasonably withhold consent to a Transfer by Franchisee to a Business Entity wholly-owned by such Franchisee and shall not require payment of the Transfer Fee described in Section 18 D. v), below, provided that Franchisee meets the following conditions, to the extent required by Franchisor, all of which are accepted by Franchisee as reasonable:

i) The transferee entity/franchisee shall be newly organized with its activities confined exclusively to operating a Dripp Coffee Bar under this Agreement;

ii) The individual(s) approved by Franchisor as the Owner(s) of the Franchised Business shall be and shall remain the Owner(s) of the securities or other applicable ownership units for the transferee entity;

iii) The Owner approved by Franchisor as the Designated Owner shall remain the Designated Owner for the transferee entity;

iv) The transferee entity shall enter into a written assignment (in a form satisfactory to Franchisor) in which the transferee entity assumes all of Franchisee's obligations under this Agreement;

v) All Owners of the transferee entity (and each of their respective spouses or domestic partners, to the extent required by Franchisor) shall enter into a written agreement, in a form satisfactory to Franchisor, jointly and severally guaranteeing full payment and performance of the transferee entity's obligations under this Agreement;

vi) Each certificate representing an ownership interest in the transferee entity and/or the Franchisee shall have conspicuously endorsed on it, and/or the operating agreement shall include, as applicable, a statement that ownership interests are held subject to the restrictions on Transfer provided in this Agreement and copies of such documents, as well as applicable operating agreements, articles of incorporation/organization and bylaws, shall be delivered to Franchisor on request;

vii) No new shares of stock or membership interests or other indicia of ownership in the transferee entity shall be issued to any person or entity without obtaining Franchisor's prior written consent; and

viii) Franchisee and all Owners shall execute a General Release prior to any Transfer in a form prescribed by Franchisor.

D. Conditions on all Other Transfers. Except for Transfers made pursuant to Section 18 C., above, Franchisor shall have the right to impose any or all of the following conditions on any proposed Transfer:

i) the transferee(s) shall have a credit rating and financial/business qualifications reasonably acceptable to Franchisor and otherwise meet Franchisor's then current qualifying criteria for the grant of a Franchise; and Franchisee shall provide Franchisor with information as Franchisor may require to make such determination;

ii) the transferee(s) or the individual who shall be the Designated Owner of the Franchised Business shall have successfully completed the Initial Training Program for new franchisees and paid the then current initial training fee or shall have otherwise demonstrated to Franchisor's satisfaction sufficient ability to operate the Coffee Bar being transferred;

iii) the transferee(s), including Owners of the transferee(s), shall jointly and severally execute any or all of the following, at Franchisor's sole discretion and as Franchisor shall direct: (a) Franchisor's franchise agreement and other standard ancillary agreements with Franchisor on the current standard forms being used by Franchisor, except that an additional Initial Franchise Fee shall not be charged; and/or (b) an assignment from Franchisee in a form satisfactory to Franchisor, under which the transferee shall assume all of Franchisee's obligations under this Agreement; and (c) such personal guarantees and ancillary documents as Franchisor then customarily requires;

iv) the term of the transferee's franchise shall be for the unexpired term of this Agreement or, at Franchisor's option, for the full term of any franchise agreement signed in connection with the Transfer, as provided in Section 18 D. iii), above;

v) Franchisor must receive payment of the Transfer Fee in the amount of Fifty percent (50%) of the then-current Franchise Fee on or before the completion of the Transfer;

vi) Franchisee shall not take or maintain a security interest after a Transfer in the Franchise or the Franchise Agreement or any Franchised Business assets without Franchisor's prior written consent, which Franchisor has an unrestricted right to condition or withhold. If permitted, any security interest will be subordinated to the Franchisor's rights to payment under the applicable franchise agreement and subject to the conditions to Transfer under the transferee's franchise agreement;

vii) the transferee(s) and Franchisee and each of their respective Owners must sign any consent to Transfer form then customarily requested by Franchisor, which can include a General Release;

viii) the transferee and each transferee Owner shall not be in breach of the franchise agreement upon completion of the Transfer due to interests in Similar Businesses or otherwise;

ix) all amounts due Franchisor, Licensor or any Franchisor Associate and any Franchised Business supplier must be paid in full;

x) each certificate representing an ownership interest in any transferee entity shall have conspicuously endorsed on it, and/or the operating agreement shall include, as applicable, a statement that ownership interests are held subject to the restrictions on Transfer provided in this Agreement and copies of such documents, as well as applicable operating agreements, articles of incorporation/organization and bylaws, shall be delivered to Franchisor on request;

xi) no shares of stock or membership interests or other indicia of ownership in the transferee entity shall be transferred or issued to any person or entity without obtaining Franchisor's prior written consent;

xii) the Franchisee Owner approved by Franchisor as the Designated Owner shall remain the Designated Owner, unless Franchisor approves a substitute at Franchisee's request and in Franchisor's sole discretion; and

xiii) Franchisee's Coffee Bar facility and its operations must have been brought into full compliance with the Portal and any Manuals and specifications and System Standards then-applicable for new Dripp® Coffee Bars.

E. No Release. Franchisor's approval of any Transfer shall in no way be deemed a release by Franchisor of Franchisee's, any Franchisee Owner's or any guarantor's obligations under this Agreement, or of any guarantee, any promissory note or any other agreement related to the Franchise. Franchisor's consent to a Transfer shall not be or be interpreted as a consent to any future Transfer.

19. Death or Incapacity.

If the Franchisee, or if the Franchisee Owner having a controlling interest in a Business Entity Franchisee, dies or is permanently disabled, then his or her interest in this Agreement, the Franchise and/or the Franchisee shall be transferred to a third party, subject to compliance with the provisions of Section 18. A "Permanent Disability" occurs if Franchisee (or the applicable Owner) is not able to personally, actively participate in the management of the Coffee Bar Franchised Business for sixty (60) consecutive days. A Transfer under this Section shall be completed within one hundred eighty (180) consecutive days from the date of death or permanent disability. If no Transfer occurs within the prescribed one hundred eighty (180) day period, the Franchise will automatically terminate at the end of such period, unless Franchisor grants an extension in its sole discretion or in compliance with local law. If Franchisor, at its sole option and in its sole discretion, operates the Coffee Bar during any period of time due to death or

Permanent Disability as described above, Franchisee, or its successor, will be responsible for payment of fees related to such management services, which fees are currently $250 per day plus any travel, lodging, meals or incidental expenses incurred, subject to change.

20. Right of First Refusal.

A. Franchisor's Right. Except for a transfer to a Business Entity wholly owned by Franchisee or among then current owners, Franchisor shall have a right of first refusal to accept the terms of any proposed Transfer of any interest in this Agreement or in Franchisee or the Franchised Business. To enable Franchisor to exercise its right of first refusal, Franchisee shall deliver to Franchisor a written notice stating all the terms of any proposed Transfer and shall provide any additional information Franchisor requests about the proposed transaction, including the purchase and sale agreement and related documents and terms and shall comply with such notice requirements as are provided under applicable law.

B. ***Additional Rights.*** If Franchisor exercises its right of first refusal, then in addition i) Franchisor shall have the right to substitute cash for any form of payment proposed in the offer; ii) Franchisor's credit-worthiness shall not be deemed to be less than that of any proposed purchaser; iii) Franchisor shall have at least sixty (60) days after notifying Franchisee of its election to exercise its right of first refusal to prepare for closing; and iv) Franchisor shall be entitled to receive written representations and warranties from Franchisee that Franchisee owns clear title to all assets being sold, transferred or assigned; that all tangible assets being sold, transferred or assigned are in good working condition; that there are no breaches of any contracts affecting the Coffee Bar; that there are no liabilities of Franchisee that have not been disclosed to Franchisor in writing; that Franchisee and each Owner and Franchisee Affiliate will comply with indemnification and non-competition obligations substantially similar to those required in Sections 14 B. and 15 A., B. and C. of this Agreement; that all sales, transfer and/or similar taxes are to be paid by the transferor; and that all applicable licenses and permits will be transferred to Franchisor at closing, to the extent permitted under applicable law. At Franchisor's request, Franchisee shall take all action necessary to cause the lease for the Coffee Bar and any other agreements designated by Franchisor, to be assigned to Franchisor.

C. ***Consent.*** Within thirty (30) days after Franchisor receives the notice described in 20 A., above, and all requested information, Franchisor shall, in writing, consent or withhold consent to the proposed Transfer, or in accordance with this Section 20, accept for itself or its nominee the Transfer on the terms specified in the notice. Franchisor's failure to notify Franchisee of its decision shall be deemed a withholding of consent. If Franchisor elects not to exercise its right of first refusal and consents to the proposed Transfer, then Franchisee shall be authorized to complete the proposed transaction with the proposed transferee on the terms in the original notice to Franchisor and subject to satisfaction of the conditions contained in Sections 18 B., C. and D. Any material change to any such Transfer terms shall constitute a new proposal, which shall again require compliance with the procedures provided in this Section 20.

21. Nature of Relationship; Independent Contractors.

The parties desire, acknowledge and agree that they are and shall be independent contractors. Nothing in this Agreement shall be construed to create an employer-employee, co-employer relationship, partnership, joint venture, agency or any fiduciary or special relationship. Franchisee shall have no power to, and shall not purport to, obligate Franchisor for any expense, liability or other obligation. Franchisee shall be responsible for all acts and omissions of Franchisee's employees, General Managers, independent contractors, and representatives, regardless of whether or not Franchisee had actual knowledge of such act or omission. Franchisee is and shall remain at all times completely independent and in business for itself, and shall have no right or interest in any of Franchisor's property or business. Franchisee is not, and shall not hold itself out as, an agent, representative, employee, officer, director, partner, owner or Associate of Franchisor. Franchisee is free to conduct its business in compliance with System Standards as it deems best in providing the Coffee Bar Products and Services in accordance with this Agreement, independently of the supervision, management and control of Franchisor. Franchisee is solely responsible for hiring, firing, discipline and supervision of Coffee Bar employees, the terms and conditions of their employment and all other matters related to their employment. Franchisor has no management of, control over or involvement in any such employment matters. Franchisee must comply with Franchisor's requirements for identifying Franchisee's Franchised Business and its operations as independently owned and operated and will include notices of independent ownership on forms, business cards, stationery, advertising, signs, media postings and other materials and publications as Franchisor requires. Franchisee will hold itself out as an independent business in all dealings and communications with the public.

22. Non-Waiver.

No delay in enforcing a party's rights after any breach of any term of this Agreement shall be construed as a waiver of any such breach. No waiver will be effective unless in writing and signed by an authorized representative of the signing party. A waiver of any breach of any provision of this Agreement shall not be deemed to be a waiver of any other breach of such provision or any other provision. A party's acceptance of any payment from the other shall not be construed to be a waiver of any breach of this Agreement, unless such waiver is made in writing and signed by the waiving party.

23. Interest and Costs of Collection.

All amounts due from Franchisee to Franchisor, Licensor or any Franchisor Associate shall bear interest after the due date at the higher of the rate of one and one-half percent (1.5%) per month or the highest applicable legal rate for open account business credit allowed under applicable law. In addition, Franchisee shall owe a non-sufficient funds fee in the amount of $100 for each payment due that is returned or unavailable for auto-draft when due and reimburse Franchisor for any bank charges incurred due to any inability by Franchisor to process any payment owed by Franchisee, through whatever authorized means or method, when due. This Section is not an agreement to permit or accept payments after they are due or a commitment by Franchisor to extend credit. In addition, Franchisee shall pay Franchisor on demand all reasonable costs of collection that Franchisor incurs in connection with any late reports or late payments made by Franchisee, including legal costs and Attorneys' Fees.

24. No Accord or Satisfaction; Application of Funds.

Franchisor may accept any check or payment in any amount without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. Franchisor shall have the sole discretion to apply any payments made by, or on behalf of, Franchisee to any of Franchisee's past due indebtedness owing to Franchisor, Licensor or any Franchisor Associates. Franchisor has the right to set off any amounts it owes to Franchisee against any amounts Franchisee owes to Franchisor, Licensor or to a Franchisor Associate or an Approved Supplier. No restrictive endorsement on any check or in any letter or other communications accompanying any payment shall bind Franchisor, Licensor or any Franchisor Associates.

25. Tax Payments.

As an independent business, Franchisee is solely responsible for Franchisee's and the Franchised Business's periodic filings and payments in connection with all state, federal and/or local taxes, fees and withholdings of every kind, including without limitation, sales taxes, business and/or personal self-employment taxes and income taxes; payroll and payroll taxes for Franchisee's employees; and all social security and other amounts required to be paid or withheld, as well as for worker's compensation insurance as required by law. Neither Franchisor nor Licensor are responsible for any item or expense associated with Franchisee's payroll or for any other compensation or benefits related to Franchisee's employees or independent contractors or Franchisee's Dripp® Coffee Bar. Franchisee is solely responsible for the payment of all sales taxes and other taxes, debts, and obligations of the Franchised Business and will promptly pay and discharge the same as they become due. If any amount to be paid or reimbursed under this Agreement to Franchisor, Licensor or any Franchisor Associates, is subject to any gross receipts taxes, value added taxes, sales taxes, use taxes, personal property taxes and similar taxes imposed on, or required to be collected or paid by Franchisor, Licensor or any Franchisor Associates, then Franchisee must pay or reimburse an additional amount to Franchisor, Licensor or to such Franchisor Associate, as the case may be, so that the amount actually received by Franchisor Licensor or such Franchisor's Associates after such deduction, payment or withholding will equal the full amount payable or reimbursable under this Agreement. If the laws applicable to Franchisee's Coffee Bar require Franchisee to withhold tax on any payment which Franchisee is obliged to make to the Franchisor, Licensor or any of Franchisors Associates, Franchisee shall timely remit to the appropriate taxing authorities all withholding and/or other taxes and provide Franchisor with proof of payment thereof within five (5) days of such payment. Franchisee also shall do all such other things and take such other steps as may be reasonably required to enable the Franchisor to obtain any tax credit which may be available to it.

26. Notices.

Notices required or permitted under this Agreement shall be sent to the applicable parties at the addresses identified on Schedule A unless a different address has been designated by written notice to the other party. Notices shall be in writing and shall be personally delivered, delivered by commercial delivery service, delivered by certified or registered U.S. mail, return receipt requested, or sent by facsimile or electronic mail transmission, shall be addressed as provided on Schedule A.; and shall be deemed received at the earlier of i) the time of actual receipt; or ii) immediately on transmission by facsimile or email transmission; or iii) one (1) business day after being placed in the hands of a commercial delivery service for overnight delivery; or iv) three (3) business days after placement in the United States Mail by registered or certified mail, return receipt requested, postage prepaid.

27. Entire Agreement.

This Agreement, each Schedule, any addendum and all ancillary agreements signed concurrently with this Agreement contain the parties' entire agreement on the subject matter hereof, and supersede any and all prior and concurrent negotiations, understandings, representations, disclosures and agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by Franchisor in any Disclosure Document that was furnished to Franchisee by Franchisor. This Agreement shall not be binding on either party unless executed in writing by both parties. This Agreement shall not be modified, except by a written amendment signed by both parties; provided, that Franchisor reserves the right to make changes to the Portal and any Manual as provided in this Agreement without Franchisee's consent.

28. Severability and Construction.

A. Law Controls; Severable Terms. In any conflict between this Agreement and any applicable law, the law shall prevail, but the provision of this Agreement so affected shall be curtailed and limited only to the extent necessary for such provision to be lawful. This Agreement will be deemed automatically modified to comply with governing law, if such law requires a greater time period for notice of termination of or refusal to renew this Agreement or otherwise. If any provision of this Agreement is held to be indefinite, overbroad, invalid or otherwise unenforceable, the remainder of this Agreement shall continue in full force and effect.

B. Third Party Beneficiaries. Except for indemnification rights held by third party indemnitees or as otherwise expressly provided in this Agreement, nothing in this Agreement is intended, nor shall be construed, to confer on any person or legal entity other than Franchisor or Franchisee and their respective successors and assigns any rights or remedies under or by reason of this Agreement.

C. Headings and Counterparts. Captions and headings are intended solely for the convenience of the parties and shall not be deemed to affect the meaning or construction of any provision of this Agreement. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be signed with full legal force and effect using electronic signatures and records.

D. Franchisor Exercise of "Sole Discretion" and Other Choices; Express Agreement; Requests for Consent or Approval. When this Agreement includes the phrases "Franchisor's sole and absolute discretion" and/or "sole discretion" and whenever Franchisor exercises a right, prescribes an action or thing, or otherwise makes a choice or uses discretion, Franchisee and Franchisor agree that Franchisor has the express, unrestricted right to make decisions and/or take (or refrain from taking) actions, as Franchisor deems appropriate. Franchisor shall use its judgment in exercising such discretion based on its assessment of the interests Franchisor considers appropriate and will not be required to consider Franchisee's individual interests or the interests of any other particular franchisee(s). Franchisor has this right even if a particular decision/action may have negative consequences for Franchisee, a particular franchisee or group of franchisees. Any Franchisee request for approval or consent must be submitted to Franchisor in writing, and any grant by Franchisor of any such approval or consent must be in writing to be effective.

E. Construction. In each instance in which any of them appear in this Agreement, the terms, "include," "includes," and "including" shall each be construed to be followed by the words, "without limitation."

29. Law and Venue.

A. California Law. Except to the extent of the applicability of the Federal Arbitration Act and related federal preemption requirements, this Agreement and all other matters concerning Franchisor and Franchisee and/or their respective rights and obligations will be governed by, and construed and enforced in accordance with, the laws of the state of California, without giving effect to any conflict of laws; PROVIDED, i) the provisions of the California Franchise Relations Act and the California Franchise Investment Law and any other California statute, regulation or law regarding franchise offers and sales, business opportunities, and/or franchise relationships shall not apply unless jurisdictional, definitional and other requirements thereof are met independently of this Section; and ii) the provisions of Sections 15 A., B. and C. shall be construed and enforced in accordance with the laws of the state where the claimed breach of such Section(s) occurs.

B. ***Venue for Disputes.*** Subject to Section 30, below, and except to the extent prohibited by law or as otherwise provided in any state addenda applicable to Franchisee's state of residence or of Franchisee's Franchised Business location, the parties agree that the venue for any litigation arising under or related to this Agreement or the relationship of the parties will be an appropriate state or federal court with jurisdiction in San Bernardino County, California. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision.

30. Dispute Resolution.

A. ***Process.*** Except as precluded by law, any dispute, controversy, action or proceeding of any type, including any claim for equitable relief and/or for which Franchisee is acting as a "private attorney general," suing pursuant to a statutory claim or otherwise (individually and collectively, a "Claim"), between Franchisor, its Licensor and/or other Franchisor Associates, on the one hand, and Franchisee and/or its Affiliates, Owners, and/or any of their respective guarantors, directors, officers, members, shareholders, partners, managers, agents, and/or employees, on the other hand, shall be resolved as provided in this Section 30. Except for a Claim specified in Section 30 D. ii), below, Franchisor and Franchisee agree to first discuss any dispute in a face-to-face meeting between Franchisee and Franchisor held at a neutral location reasonably near the Authorized Location within thirty (30) days after written notice requesting the face-to-face meeting is provided to the other party. Face-to-face meetings may be conducted by electronic video conference if an in-person meeting is unduly burdensome. If such face-to-face meeting does not successfully resolve the dispute, then next to mediate any Claim before resorting to arbitration or litigation. Such mediation shall be conducted for a maximum of six (6) hours (unless the parties mutually agree otherwise) before a retired judge with Judicial Arbitration and Mediation Services, Inc. ("JAMS"), who shall be jointly selected by the applicable parties. Mediation fees, if any, shall be divided equally between or among the parties involved. If such parties are unable to resolve such Claim(s) through mediation and except as provided in Section 30 D., below, such Claim(s) shall be resolved by binding arbitration as provided in this Section 30. Arbitration shall be conducted before and in accordance with the then-prevailing Commercial Rules of the American Arbitration Association ("AAA") or its successor and by one arbitrator, who must be a lawyer substantially experienced in franchising. In the event of a conflict between the terms of this Agreement and the then prevailing Commercial Rules of the AAA, the terms of this Agreement shall govern. Any award must be in writing and judgment upon any award rendered may be entered in any court having jurisdiction thereof. Upon request by either party, the arbitrator shall provide a reasoned opinion with findings of fact and conclusions of law and the party so requesting shall pay the arbitrator's fees and costs connected therewith. The parties shall hold arbitration proceedings, awards, and related discussions confidential, except for such disclosure as may be required by law. Claims which would constitute a compulsory counter-claim, if brought in court under the state law provided in Section 29 A., must be filed in an arbitration proceeding brought under this Agreement or be barred. The substantive law applied in such arbitration shall be as provided in Section 29 A. The arbitration and the parties' agreement therefor shall be deemed to be self-executing, and if either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. The arbitral decision shall be binding and conclusive on the parties.

B. ***Arbitrator's Authority.*** The arbitrator shall decide any questions relating in any way to the parties' agreement to arbitrate, including arbitrability, applicability, subject matter, timeliness, scope, remedies, and any alleged fraud in the inducement, or purportedly void or voidable provisions of the Agreement. The arbitrator can issue summary orders disposing of all or part of a Claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, and other relief by any court having jurisdiction. The subpoena powers of the arbitrator with respect to witnesses to appear at the arbitration proceeding shall not be subject to any geographical limitation. No award in arbitration will have any effect of preclusion or collateral estoppel in any other adjudication or arbitration. Arbitrators in any proceeding under this Section 30 will apply all applicable law, and a failure to apply the applicable law in accordance with Section 29 will be deemed an act in excess of authority and reviewable by the courts, and the parties expressly agree that any arbitration award can be reviewed and overturned by a court for legal error.

C. ***Location.*** Any arbitration or mediation will be conducted exclusively at a neutral location in San Bernardino County, California. Franchisee and Franchisor agree that the provisions of this Section will control, notwithstanding any language included in Franchisor's franchise disclosure documents due to state requirements suggesting that the provisions of any Section might be unenforceable due to a failure to have a meeting of the minds or otherwise. Neither Franchisee nor Franchisor has any expectation that the provisions of this (or any other) Section will be unenforceable or that they will not be enforced. Franchisee understands and agrees that one effect of this paragraph may be that arbitration and other related costs may be greater, and it may be more difficult for Franchisee to proceed, than if those proceedings took place in a location near Franchisee's residence or business. If this provision is unenforceable for any reason, arbitration will be conducted at a neutral location reasonably near Franchisee's Authorized Location.

D. ***Claims Brought in Court Proceedings or Arbitration.*** Notwithstanding any other provisions of this Agreement or otherwise, i) either party shall be entitled to seek preliminary or interim injunctive or provisional relief by a court or by arbitration (including, but not limited to, a temporary restraining order and preliminary injunction and injunctive relief concerning rights to real property and possible eviction, all without bond) without showing or proving any actual damage, until such time as a final and binding determination is made by the arbitrator, and ii) any party to this Agreement is entitled to pursue an action for collection of debt(s) owed in a court proceeding when the right to payment has not been in dispute prior to the filing of such an action. The foregoing remedies shall be in addition to, and not in lieu of, all other remedies or rights which the parties might otherwise have by virtue of any breach of this Agreement by the other party.

E. ***Intention to Arbitrate.*** Franchisee and Franchisor expressly agree that, notwithstanding any contrary provisions of state or other law, and/or any statements in any disclosure document required by a state or other government as a condition to franchise registration or for some other purpose:

i) all issues relating to arbitration and/or the enforcement of arbitration-related provisions will be decided by the arbitrator and governed only by the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and the federal common law of arbitration;

ii) all provisions of this Agreement shall be fully enforced, including but not limited to those provisions relating to arbitration, venue, and choice of law; and

iii) Franchisee and Franchisor intend to rely upon federal preemption under the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and, as a result, the provisions of this Agreement will be enforced only according to their terms.

F. ***Survival and Enforcement.*** The terms of this Section 30 shall survive termination, expiration or cancellation of this Agreement. If any portion of this Section 30 is deemed to be unenforceable for any reason, it shall be modified or restricted, or severed, so as to comply with applicable law and shall be otherwise enforced according to its terms.

G. ***Costs.*** Each party shall bear its own costs and expenses incurred in connection with any Claim, including, but not limited to, Attorneys' Fees.

H. ***Terms Applicable to All Proceedings; Damages Limitation; Waiver of Class Action.*** UNWAIVABLE RIGHTS TO PUNITIVE, EXEMPLARY, MULTIPLE OR SIMILAR DAMAGES FRANCHISEE OR FRANCHISOR MAY HAVE UNDER ANY STATUTE OR REGULATION SHALL BE FULLY EFFECTIVE. OTHERWISE AND TO THE EXTENT PERMITTED BY LAW, ANY RECOVERY ON ANY CLAIM UNDER THIS AGREEMENT SHALL BE LIMITED TO ACTUAL DAMAGES SUSTAINED BY THE INJURED PARTY, WITH ALL PARTIES WAIVING CLAIMS FOR PUNITIVE, EXEMPLARY, MULTIPLE OR SIMILAR DAMAGES. ANY ARBITRATION OR OTHER PROCEEDING BETWEEN FRANCHISOR OR ANY FRANCHISOR ASSOCIATE AND FRANCHISEE AND ANY FRANCHISEE AFFILIATE OR OWNER SHALL BE BROUGHT AS AN INDIVIDUAL CLAIM AND SHALL NOT BE ARBITRATED OR LITIGATED ON A CLASS-WIDE OR CLASS ACTION BASIS TO THE FULLEST EXTENT PERMITTED BY LAW.

31. Force Majeure.

Except for the payment of monies owed, neither party shall be liable or responsible for any delays or failures to perform as provided in this Agreement due to strikes, lockouts, casualties, acts of God, war, acts of terrorism, government regulation or control or other causes beyond the reasonable control of such parties. Any time period for the performance of an obligation shall be extended by the amount of the delay. This clause shall not apply or not result in an extension of the term of this Agreement.

32. "Franchisee" Defined, Guarantee and Entity Requirements.

A. ***Franchisee.*** As used in this Agreement, the term "Franchisee" shall include the individual(s) or entity defined as "Franchisee" in the introductory paragraph of this Agreement and all persons who succeed to the interest of the original Franchisee by transfer or operation of law, and all Owners, as context requires.

B. ***Individual Undertakings.*** By their signatures below, all partners, shareholders, officers, directors, members, managers and governors of a Business Entity Franchisee personally and individually acknowledge and accept the duties and obligations imposed on Franchisee by the terms of this Agreement and any related agreements.

C. Business Entity Franchisee. If Franchisee is at any time a Business Entity, Franchisee agrees that:

i) Franchisee shall at all times be lawfully organized and formed and in good standing under the laws of Franchisee's state of incorporation or formation and have the authority to undertake and perform Franchisee's obligations under this Agreement and all related agreements;

ii) Franchisee's organizational and governing documents will acknowledge the restrictions on transfer contained in this Agreement and ownership documents and certificates will include a comparable legend;

iii) Franchisee will be formed for the sole purpose of operating the Franchised Business and will not conduct any other business;

iv) any permitted changes in the ownership described on Schedule A shall be included in an amended Schedule A to be executed by the parties; and

v) if Franchisee is a Business Entity, Franchisor can require that some or all of Franchisee's Owners (and each of their respective spouses or domestic partners, to the extent required by Franchisor) execute Franchisor's then current form of Guarantee and Assumption of Obligations, a current copy of which is attached as Schedule B to this Agreement, but which is subject to change by Franchisor; and

vi) all of Franchisee's Owners must be individuals, not other business entities or trusts and the Franchise Agreement may not be signed by a trust***.***

33. Franchisor Practices May Vary.

Franchisee understands, acknowledges and agrees that Franchisor may have offered Franchises in the past, may currently be offering Franchises and/or may offer Franchises in the future on or with economic and/or other terms, conditions and provisions which may significantly differ from those stated in this Agreement and any related documents. Franchisee further acknowledges that there may be instances in which Franchisor has varied, or will vary, the terms on which Franchisor offers Franchises, the fees Franchisor receives and specific arrangements with a particular franchisee to suit the circumstances of a particular transaction, the particular franchisee's situation or otherwise, in each case in its sole discretion and without liability, to the extent permitted by law.

34. Cumulative Remedies.

Unless otherwise expressly provided under this Agreement, the rights and remedies granted to either Franchisee or Franchisor under this Agreement are cumulative and shall not prohibit either of them from exercising any other right or remedy provided under this Agreement or permitted at law or in equity.

35. Discretionary Enforcement.

Franchisor has the right to prescribe, modify and/or eliminate policies that Franchisee must follow and which may involve marketing restrictions or restrictions on products and/or services that Franchisee can use or provide in Franchisee's Franchised Business, among other matters. Franchisor has the right to permit individual deviations from such policies and subject to such conditions as Franchisor elects, and to choose to not enforce (or to selectively enforce) any provision of this Agreement or any other agreement or standard or policy, whether with respect to Franchisee and/or any other franchisee or other person, in a lawful manner without any liability.

36. Franchisee Acknowledgments.

A. True and Accurate Information. Franchisee represents that all information in Franchisee's applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

B. No Fiduciary Relationship; No Related Person/Company Responsibility. Franchisee understands that Franchisee and Franchisor are not entering into a fiduciary relationship and that Franchisor does not furnish or endorse, or authorize its agents or others to furnish any oral or written information concerning actual or potential sales, income, expenses, profits, cash flow, or other financial information, or information from which such data might be ascertained ("Financial Performance Representations"), about franchised or non-franchised businesses outside of Franchisor's FDD at Item 19. Franchisee understands that Licensor owns and operates retail coffee bars doing business under the Marks and which sell/use Products and Services like the ones that Franchisee will sell/use in the Coffee Bar. Franchisee acknowledges that Franchisor is solely responsible for performance of its obligations under this Agreement and that Licensor and any Franchisor Associates have no liability to Franchisee for Franchisor's performance under this Agreement or otherwise.

C. Franchisee Review of Proprietary Product Prices. Franchisee acknowledges that Franchisee has received and considered before signing this Agreement costs and pricing information for Proprietary Products, as defined in Section 13 G., above, sold by Franchisor, Licensor or another Franchisor Associate as of the Effective Date of this Agreement, including, but not limited to, branded packaging and serving materials (e.g., bags, bowls, cups, etc.), as well as certain proprietary products, mixes, and other raw materials for Dripp® menu items. Franchisee further acknowledges that Franchisor, Licensor and Franchisor Associates have the right to be an exclusive supplier of any Products and Services, and that Products and Services, prices and pricing practices all are subject to change.

37. Definitions.

The following definitions apply to terms used this Agreement:

"Authorized Location" – As defined in Section 3 A. and identified on Schedule A.

"Affiliate" – Any Business Entity which controls, is controlled by or is under common control with another Business Entity.

"Agreement" – This Franchise Agreement.

"Approved Suppliers" – As defined in Section 13 D.

"Attorneys' Fees" – Includes, without limitation, legal fees, whether incurred in preparation of the filing of any written demand or claim, action, hearing, arbitration, or other proceeding to enforce the obligations of this Agreement, or during any such proceeding, plus all costs incurred in connection therewith.

"Business Entity" – Includes a corporation, partnership, joint venture, limited liability company, limited partnership, or other form of business recognized in any jurisdiction. If Franchisee is a Business Entity, then Franchisor has the right to require each of Franchisee's Owners to guarantee Franchisee's performance. Franchisor's current form of Owners' Guarantee and Assumption of Obligations is attached as Schedule B of this Franchise Agreement.

"Claim" – As defined in Section 30 A.

"Computer System" – As defined in Section 12 C.

"Confidential Information" – As defined in Sections 8 A. and B.

"Copyrighted Works" – As defined in Section 6.

"Designated Owner" – A person who holds at least a 50% equity interest in the Franchised Business, is the primary contact and is responsible for Coffee Bar supervision and is identified on Schedule A, as applicable.

"Effective Date" – The date this Franchise Agreement is made, as provided on the first page and in the first paragraph of this Agreement. This date must not be prior to Franchisor's execution of this Agreement.

"Equipment" – Includes all appliances, ovens, sinks, hardware, counters, furniture, small wares, sound systems and other assets authorized by Franchisor from time to time for use or sale at or from Franchisee's Dripp® Coffee Bar and/or in association with the Marks and in each case only as approved by Franchisor and subject to change or elimination by Franchisor.

"Expiration Date" – The date this Franchise Agreement ends, as noted on first page of this Franchise Agreement.

"Family Member" – As defined in Section 15 B.

"Financial Performance Representations" – As defined in Section 36 E.

"Franchise" – The license to operate a Dripp Coffee Bar business according to System Standards, providing only Products and Services approved by Franchisor and using the System and Marks in compliance with the terms of this Agreement.

"Franchised Business" – As defined in Section 1 A.

“Franchisee” – As defined in the introductory paragraph of this Franchise Agreement and in Section 32 A.

“Franchisor” – Dripp Franchising Inc.

“Franchisor Associates” – Dripp, Inc., a California corporation, Espresso Republic, LLC, a California limited liability company and each of their respective current and future shareholders, members, partners, managers, trustees, directors, officers, employees, agents, attorneys, and representatives, as well as Dripp Franchising Inc.’s current and future shareholders, members, partners, managers, trustees, directors, officers, employees, agents, attorneys, and representatives.

“General Release” – A general release, in the then-current form prescribed by Franchisor at the time such release is to be delivered, of any and all claims, liabilities and/or obligations, of any nature whatsoever, including those existing as of, and/or arising before, the date of any such release, however arising, known or unknown, whether against Franchisor, Licensor and/or any Franchisor Associates or any of their respective shareholders, members, managers, officers, directors, partners, employees, agents and representatives, and whether by Franchisee, any Franchisee Owner (if Franchisee is or becomes a Business Entity) and/or any Affiliate of any of the foregoing. A copy of Franchisor’s form of general releasing language (which is subject to change) is attached as Schedule J to this Agreement and is approved by Franchisee.

“Gross Revenues” – As defined in Section 11 C.

“Indemnified Parties” – As defined in Section 14 B.

“Initial Franchise Fee” – As defined in Section 11 A.

“Initial Term” – As defined in Section 2 A.

“Initial Training Program” – As defined in Section 4 A.

“Licensor” – As defined in the Recitals of this Franchise Agreement.

“Manual” – If published and as described in the Recitals of this Franchise Agreement and discussed in Section 7.

“Marketing Fund” or “Fund” – As defined in Section 10 C.

“Marks” – The trademarks, service marks and other commercial symbols now and/or in the future owned by (or licensed to) Franchisor to identify the Services and Products offered in Dripp® Coffee Bars, including “Dripp & Design,” Dripp® and other logos and identifiers designated by Franchisor from time to time.

“Opening Period Deadline” – As defined in Section 3 D.

“Owner” – Any holder, direct or indirect, of a legal or beneficial interest in a Business Entity Franchisee or Franchisor, as the context requires, including, but not limited to, any such shareholder, member, manager or partner.

“Permanent Disability” – As defined in Section 19.

“Products” – Goods authorized by Franchisor from time to time for use or sale at or from Franchisee’s Dripp Coffee Bar and/or in association with the Marks and in each case only as approved by Franchisor and subject to change or elimination by Franchisor, including without limitation signage, ingredients, menu items, inventory, equipment and assets for the Franchised Business.

“Proprietary Products” – As defined in Section 13 G.

“Renewal” – As defined in Section 2 A.

“Renewal Fee” – As defined in Section 2 B.

“Royalty Fee” – As defined in Section 11 B.

“Services” – Services authorized by Franchisor from time to time for use or sale at or from Franchisee’s Dripp Coffee Bar and/or in association with the applicable Marks and in each case only as approved by Franchisor and subject to change or elimination by Franchisor.

"Similar Business" – As defined in Section 15 B.

"Dripp Coffee Bar", "Coffee Bar" or "Store" – The Dripp® business Franchisee is franchised to operate when Franchisee signs this Agreement, as defined in the opening paragraphs of this Agreement.

"Coffee Bar Maintenance Activities" – As defined in Section 13 B.

"General Manager" – As defined in Section 4 A.

"Coffee Bar Update" – As defined in Section 13 B.

"System" – As defined in the opening recital of this Agreement and inclusive of the Marks, Copyrighted Works and Trade Secrets, all of which Franchisor may continue to develop and change over time and with which Franchisee must comply.

"System Standards" – Standards, specifications, and any mandatory policies and rules prescribed by Franchisor in its sole and absolute discretion from time to time, in the Portal or any Manual or other written publication, applicable to operations, training, inventory, Equipment, Coffee Bar layout and design, Approved Suppliers and approved Products and Services, marketing and other aspects of Dripp® Coffee Bar businesses. For avoidance of doubt, neither the System Standards nor the Portal or any Manual shall mandate personnel policies or procedures for Franchisee to establish in Franchisee's Franchised Business, including those relating to hiring, firing, discipline, wages, scheduling and other terms and conditions of employment for Franchisee's employees and contractors. Franchisee is solely responsible for establishing such policies and procedures, for managing and supervising Franchisee's staff and for compliance with wage and hours laws, workers compensation laws and other laws and regulations relating to Franchisee's employees and their employment.

"Term" – As defined in Section 2 A.
"Trade Dress" – The distinctive Dripp® Coffee Bar design and image (which includes, but is not limited to, specific elements of paint color, wall coverings, ceiling and floor treatments, décor, signage, equipment, furnishings and fixtures) which you are licensed to use under the Franchise Agreement and which is subject to change by Franchisor at any time and in its sole discretion.

"Trade Secrets" – Information that is proprietary to Franchisor and/or its Licensor/Associate(s), including a formula, procedure, pattern, compilation, program, receipt, formula, customer lists and related data, device, discovery, invention, method, technique or process, that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use and/or is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

"Transfer" – As defined in Section 18 B.

"Transfer Fee" – As defined in Section 18 D. v).

"Website" or "Dripp Website" – As defined in Section 10 D.

IN WITNESS WHEREOF, the parties, intending to be legally bound, have executed this Agreement on the day and year first above written.

THIS AGREEMENT WILL NOT BECOME EFFECTIVE UNLESS AND UNTIL SIGNED BY FRANCHISOR.

FRANCHISOR:

____
Dripp Franchising Inc.
a California corporation

By:___________________________
Rabih Sater, President

Sign here if "Franchisee" is a natural person

FRANCHISEE (Individual[s])

______________________________	______________________________
Signature	Signature
______________________________	______________________________
Printed Name	Printed Name

Sign here if "Franchisee" is a type of business entity

FRANCHISEE (Corp., LLC or Partnership)

____
Legal Name of Franchisee Entity

a_________________________ _________________________
Jurisdiction of Formation Corporation, LLC or Partnership

By:__________________________________
Print Name

____
Signature

____
Title

SCHEDULE A TO THE FRANCHISE AGREEMENT

AUTHORIZED LOCATION, FRANCHISEE OWNERS AND DESIGNATED OWNER

Franchisee: ____

Franchisee Owners (Holders of Legal or Beneficial Interest):

Name:____

Position/Title:__________________________________

Home Address:_________________________________

____

____

Telephone No.:_________

E-mail address:_________

Percentage of ownership: ________%

Name:____

Position/Title:__________________________________

Home Address:_________________________________

____

____

Telephone No.:________

E-mail address:________

Percentage of ownership_________%

Name:________________

Position/Title:__________

Home Address:_________________________________

____

____

Telephone No.:_________________________________

E-mail address:_________________________________

Percentage of ownership:_________%

Name:_______________

Position/Title:_________

Home Address:_________________________________

____

____

Telephone No.:_________________________________

E-mail address:_________________________________

Percentage of ownership_________%

Designated Owner

The Designated Owner is____. A change in the Designated Owner requires Franchisor's advance written consent.

Any notice or information delivered to the Designated Owner by Franchisor shall be deemed delivered or provided to all Owners of the Franchised Business and of Franchisee, if Franchisee is a Business Entity. Franchisee and Owners agree that Franchisor may rely on information, direction and representations made by such Designated Owner and that such information/direction/representations are authorized by and made on behalf of Franchisee and each Franchise Owner.

<u>Addresses for Notices</u>

The Addresses for Notices are as follows:

Franchisor: ______________________________
____
____
E-Mail:________________________

Franchisee: ______________________________
____
____
E-Mail:________________________

<u>AUTHORIZED LOCATION:</u>

____
(Insert Street Address, City, State)

(*Signatures on Next Page; to be signed when Authorized Location is identified above.*)

IN WITNESS WHEREOF, each of the undersigned has executed this Schedule A on the day and year noted below.

FRANCHISOR:

____
Dripp Franchising Inc.
a California corporation

By:____________________________
Rabih Sater, President

Date: ________________

Sign here if "Franchisee" is a natural person

FRANCHISEE (Individual[s])

________________________________ Signature	________________________________ Signature
________________________________ Printed Name	________________________________ Printed Name
Date: _____________	Date: _____________

Sign here if "Franchisee" is a type of business entity

FRANCHISEE (Corp., LLC or Partnership)

____
Legal Name of Franchisee Entity

a___________________________ ____________________________
Jurisdiction of Formation Corporation, LLC or Partnership

By: __________________________________
Print Name

____
Signature

____
Title

Date: _____________

SCHEDULE B TO THE FRANCHISE AGREEMENT
GUARANTEE AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTEE AND ASSUMPTION OF OBLIGATIONS (the "Guarantee") is given this______day of __________________, 20_, (the "Effective Date") by ____ (individually and collectively, the "Guarantor").

In consideration of, and as an inducement to, the execution of the Franchise Agreement or the consent to transfer of even date with this Guarantee by Dripp Franchising Inc. (the "Franchisor"), each of the undersigned Guarantors hereby personally and unconditionally (1) guarantees to Franchisor and its successors and assigns, for the term of the Franchise Agreement and thereafter as provided in the Franchise Agreement, that: (Franchisee Name) __________________ __________________ (the "Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement; and (2) shall personally be bound by, and personally liable for the breach of each and every provision in the Franchise Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities including, without limitation, the provisions of Section 15. Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (1) its direct and immediate liability under this Guarantee shall be joint and several; (2) it shall render any payment or performance required under the Franchise Agreement on demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned on pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guarantee, which shall be continuing and irrevocable during the term of the Franchise Agreement (and any extensions), for so long as any performance is or might be owed under the Franchise Agreement by Franchisee/Franchisee's owners, and for so long as Franchisor has any cause of action against Franchisee or Franchisee's owner(s).

Guarantors acknowledge having read and understood the Franchise Agreement and the undersigned agree that this Guarantee and all other matters concerning Franchisor and Guarantors and/or their respective rights and obligations will be governed by, and construed and enforced in accordance with the dispute resolution provisions of Sections 29 and 30 of the Franchise Agreement, as though Guarantors were "Franchisee" for purposes of such Sections. Sections 29 and 30 are attached to this Guarantee and incorporated by reference.

IN WITNESS WHEREOF, each of the undersigned has here unto affixed his or her signature on the day and year noted above.

(*Signatures on Next Page)*

GUARANTOR(S)

PERCENTAGE OF OWNERSHIP OF ENTITY FRANCHISEE

______________________________ ___________%

Signature

____

Print Name

______________________________ ___________%

Signature

____

Print Name

______________________________ ___________%

Signature

____

Print Name

ENTITY FRANCHISEE (Corp., LLC or Partnership)

____

Legal Name of Entity

a___________________________ ____________________________

Jurisdiction of Formation Corporation, LLC or Partnership

By: ______________________________

Print Name

____

Signature

____

Title

Sections 29 and 30 of the Franchise Agreement
(Attachment to Guarantee)

"29. Law and Venue

A. California Law. Except to the extent of the applicability of the Federal Arbitration Act and related federal preemption requirements, this Agreement and all other matters concerning Franchisor and Franchisee and/or their respective rights and obligations will be governed by, and construed and enforced in accordance with, the laws of the state of California, without giving effect to any conflict of laws; PROVIDED, i) the provisions of the California Franchise Relations Act and the California Franchise Investment Law and any other California statute, regulation or law regarding franchise offers and sales, business opportunities, and/or franchise relationships shall not apply unless jurisdictional, definitional and other requirements thereof are met independently of this Section; and ii) the provisions of Sections 15 A., B. and C. shall be construed and enforced in accordance with the laws of the state where the claimed breach of such Section(s) occurs.

B. Venue for Disputes. Subject to Section 30, below, and except to the extent prohibited by law or as otherwise provided in any state addenda applicable to Franchisee's state of residence or of Franchisee's Franchised Business location, the parties agree that the venue for any litigation arising under or related to this Agreement or the relationship of the parties will be an appropriate state or federal court with jurisdiction in San Bernardino County, California. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision.

30. Dispute Resolution

A. Process. Except as precluded by law, any dispute, controversy, action or proceeding of any type, including any claim for equitable relief and/or for which Franchisee is acting as a "private attorney general," suing pursuant to a statutory claim or otherwise (individually and collectively, a "Claim") between Franchisor, its Licensor and/or other Franchisor Associates, on the one hand, and Franchisee and/or its Affiliates, Owners and/or any of their respective guarantors, directors, officers, members, shareholders, partners, managers, agents, and/or employees, on the other hand, shall be resolved as provided in this Section 30. Except for a Claim specified in Section 30 D. ii), below, Franchisor and Franchisee agree to first discuss any dispute in a face-to-face meeting between Franchisee and Franchisor held at a neutral location reasonably near the Authorized Location within thirty (30) days after written notice requesting the face-to-face meeting is provided to the other party. Face-to-face meetings may be conducted by electronic video conference if an in-person meeting is unduly burdensome. If such face-to-face meeting does not successfully resolve the dispute, then next to mediate any Claim before resorting to arbitration or litigation. Such mediation shall be conducted for a maximum of six (6) hours (unless the parties mutually agree otherwise) before a retired judge with Judicial Arbitration and Mediation Services, Inc. ("JAMS"), who shall be jointly selected by the applicable parties. Mediation fees, if any, shall be divided equally between or among the parties involved. If such parties are unable to resolve such Claim(s) through mediation and except as provided in Section 30 D., below, such Claim(s) shall be resolved by binding arbitration as provided in this Section 30. Arbitration shall be conducted before and in accordance with the then-prevailing Commercial Rules of the American Arbitration Association ("AAA") or its successor and by one arbitrator, who must be a lawyer substantially experienced in franchising. In the event of a conflict between the terms of this Agreement and the then prevailing Commercial Rules of the AAA, the terms of this Agreement shall govern. Any award must be in writing and judgment upon any award rendered may be entered in any court having jurisdiction thereof. Upon request by either party, the arbitrator shall provide a reasoned opinion with findings of fact and conclusions of law and the party so requesting shall pay the arbitrator's fees and costs connected therewith. The parties shall hold arbitration proceedings, awards, and related discussions confidential, except for such disclosure as may be required by law. Claims which would constitute a compulsory counter-claim, if brought in court under the state law provided in Section 29 A., must be filed in an arbitration proceeding brought under this Agreement or be barred. The substantive law applied in such arbitration shall be as provided in Section 29 A. The arbitration and the parties' agreement therefor shall be deemed to be self-executing, and if either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. The arbitral decision shall be binding and conclusive on the parties.

B. ***Arbitrator's Authority***. The arbitrator shall decide any questions relating in any way to the parties' agreement to arbitrate, including arbitrability, applicability, subject matter, timeliness, scope, remedies, and any alleged fraud in the inducement, or purportedly void or voidable provisions of the Agreement. The arbitrator can issue summary orders disposing of all or part of a Claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, and other relief by any court having jurisdiction. The subpoena powers of the arbitrator with respect to witnesses to appear at the arbitration proceeding shall not be subject to any geographical limitation. No award in arbitration will have any effect of preclusion or collateral estoppel in any other adjudication or arbitration. Arbitrators in any proceeding under this Section 30 will apply all applicable law, and a failure to apply the applicable law in accordance with Section 29 will be deemed an act in excess of authority and reviewable by the courts, and the parties expressly agree that any arbitration award can be reviewed and overturned by a court for legal error.

C. ***Location.*** Any arbitration or mediation will be conducted exclusively at a neutral location in San Bernardino County, California. Franchisee and Franchisor agree that the provisions of this Section will control, notwithstanding any language included in Franchisor's franchise disclosure documents due to state requirements suggesting that the provisions of any Section might be unenforceable due to a failure to have a meeting of the minds or otherwise. Neither Franchisee nor Franchisor has any expectation that the provisions of this (or any other) Section will be unenforceable or that they will not be enforced. Franchisee understands and agrees that one effect of this paragraph may be that arbitration and other related costs may be greater, and it may be more difficult for Franchisee to proceed, than if those proceedings took place in a location near Franchisee's residence or business. If this provision is unenforceable for any reason, arbitration will be conducted at a neutral location reasonably near Franchisee's franchised location.

D. ***Claims Brought in Court Proceedings or Arbitration.*** Notwithstanding any other provisions of this Agreement or otherwise, i) either party shall be entitled to seek preliminary or interim injunctive or provisional relief by a court or by arbitration (including, but not limited to, a temporary restraining order and preliminary injunction and injunctive relief concerning rights to real property and possible eviction, all without bond) without showing or proving any actual damage, until such time as a final and binding determination is made by the arbitrator, and ii) any party to this Agreement is entitled to pursue an action for collection of moneys owed in a court proceeding when the right to payment has not been in dispute prior to the filing of such an action. The foregoing remedies shall be in addition to, and not in lieu of, all other remedies or rights which the parties might otherwise have by virtue of any breach of this Agreement by the other party.

E. ***Intention to Arbitrate.*** Franchisee and Franchisor expressly agree that, notwithstanding any contrary provisions of state or other law, and/or any statements in any disclosure document required by a state or other government as a condition to franchise registration or for some other purpose:

i) all issues relating to arbitration and/or the enforcement of arbitration-related provisions will be decided by the arbitrator and governed only by the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and the federal common law of arbitration;

ii) all provisions of this Agreement shall be fully enforced, including but not limited to those provisions relating to arbitration, venue, and choice of law; and

iii) Franchisee and Franchisor intend to rely upon federal preemption under the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and, as a result, the provisions of this Agreement will be enforced only according to their terms.

F. ***Survival and Enforcement.*** The terms of this Section 30 shall survive termination, expiration or cancellation of this Agreement. If any portion of this Section 30 is deemed to be unenforceable for any reason, it shall be modified or restricted, or severed, so as to comply with applicable law and shall be otherwise enforced according to its terms.

G. ***Costs.*** Each party shall bear its own costs and expenses incurred in connection with any Claim, including, but not limited to, Attorneys' Fees.

H. ***Terms Applicable to All Proceedings; Damages Limitation; Waiver of Class Action.*** UNWAIVABLE RIGHTS TO PUNITIVE, EXEMPLARY, MULTIPLE OR SIMILAR DAMAGES FRANCHISEE OR FRANCHISOR MAY HAVE UNDER ANY STATUTE OR REGULATION SHALL BE FULLY EFFECTIVE. OTHERWISE AND TO THE EXTENT PERMITTED BY LAW, ANY RECOVERY ON ANY CLAIM UNDER THIS AGREEMENT SHALL BE LIMITED TO ACTUAL DAMAGES SUSTAINED BY THE INJURED PARTY, WITH ALL PARTIES WAIVING CLAIMS FOR PUNITIVE, EXEMPLARY, MULTIPLE OR SIMILAR DAMAGES. ANY ARBITRATION OR OTHER PROCEEDING BETWEEN FRANCHISOR OR ANY FRANCHISOR ASSOCIATE AND FRANCHISEE AND ANY FRANCHISEE AFFILIATE OR OWNER SHALL BE BROUGHT AS AN INDIVIDUAL CLAIM AND SHALL NOT BE ARBITRATED OR LITIGATED ON A CLASS-WIDE OR CLASS ACTION BASIS TO THE FULLEST EXTENT PERMITTED BY LAW.

CALIFORNIA FRANCHISEES/FRANCHISE OWNERS SUBSTITUTE THE FOLLOWING LANGUAGE FOR SECTION 30.B:

B. Arbitrator's Authority. The arbitrator shall decide any questions relating in any way to the parties' agreement to arbitrate, including arbitrability, applicability, which, if any, party(ies) are prevailing for purposes of Section 30 G., subject matter, timeliness, scope, remedies, and any alleged fraud in the inducement, or purportedly void or voidable provisions of the Agreement. The arbitrator can issue summary orders disposing of all or part of a Claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, and other relief by any court having jurisdiction. The subpoena powers of the arbitrator with respect to witnesses to appear at the arbitration proceeding shall not be subject to any geographical limitation. No award in arbitration will have any effect of preclusion or collateral estoppel in any other adjudication or arbitration. Arbitrators in any proceeding under this Section 30 will apply all applicable law, and a failure to apply the applicable law in accordance with Section 29 will be deemed an act in excess of authority and reviewable by the courts, and the parties expressly agree that any arbitration award can be reviewed and overturned by a court for legal error. If required by applicable law for any arbitration provision to be enforceable (for example, to preserve constitutionally or statutorily provided rights), the arbitrator can, as soon as possible, appropriately allocate between Franchisee and Franchisor the fees of the arbitrator(s) and/or his/her related organization, or require an advance of a portion of such fees subject to possible reimbursement, or otherwise address such issues so as to allow the arbitration to proceed and can adjust such allocations appropriately during the arbitration process for such purpose. Either party can in its discretion advance the other party's portion of the initial case filing fees paid to the American Arbitration Association, or successor organization, for an arbitration matter pursuant to this Agreement.

SCHEDULE C TO THE FRANCHISE AGREEMENT
ADA AND RELATED CERTIFICATIONS

(To be signed and delivered to Franchisor as a Dripp® Coffee Bar pre-opening requirement)

Dripp Franchising Inc. ("Franchisor") and___________________________________("Franchisee") are parties to the Franchise Agreement dated___________________(the "Agreement"), for the operation of a Dripp Coffee Bar business at____(the "Authorized Location").

In accordance with Section 3 D. of the Agreement, Franchisee certifies to Franchisor that the Dripp Coffee Bar operated by Franchisee at the Authorized Location above, and its adjacent areas comply with all applicable federal, state and local laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act as Amended and all local zoning regulations and building codes. Franchisee acknowledges that it is an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing or operation of the Coffee Bar. Franchisee acknowledges that Franchisor has relied on the information contained in this certification. Furthermore, Franchisee agrees to defend, indemnify and hold harmless Franchisor and Franchisor Affiliates, and each of their respective predecessors, successors and assigns, and the shareholders, officers, directors, members, managers, partners, agents, employees, attorneys, heirs, executors and representatives of each of the foregoing, whether past, current or future) in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by such indemnified party(ies) as a result of any matters associated with Franchisee's compliance (or failure to comply) with the Americans with Disabilities Act as Amended, all local zoning regulations and building codes and otherwise, as well as the costs, including Attorneys' Fees, related to the same.

Sign here if "Franchisee" is a natural person

FRANCHISEE (Individual[s])

______________________________	______________________________
Signature	Signature
______________________________	______________________________
Printed Name	Printed Name
Date:_____________	Date: _____________

Sign here if "Franchisee" is a type of business entity

FRANCHISEE (Corp., LLC or Partnership)

____
Legal Name of Franchisee Entity

a_ ________________________
Jurisdiction of Formation Corporation, LLC or Partnership

By: ________________________________ Date: _____________
Print Name

____
Signature

____
Title

SCHEDULE D TO FRANCHISE AGREEMENT
CALIFORNIA ADDENDUM FOR CALIFORNIA FRANCHISES
AND
OWNER NON-COMPETE, NON-DISCLOSURE AND
CONFIDENTIALITY AGREEMENT FOR OWNERS OF CALIFORNIA FRANCHISES

CALIFORNIA ADDENDUM

This is the California Addendum to the Dripp® Franchise Agreement (the "Agreement") with an effective date of ____________________________ by and between Dripp Franchising Inc. ("Franchisor"), a California corporation, and ______________________________, a___________________________("Franchisee"), a California franchisee. **The terms of this Addendum shall survive the termination or expiration of the Agreement.**

1. Section 2 D of the Agreement is deleted and the following language is substituted:

D. ***Market Withdrawal****. If Franchisor publishes an announcement that it has determined that continued franchising in the state or in the standard metropolitan statistical area (as established by the United States Office of Management and Budget) within the state in which Franchisee's Coffee Bar is located is not appropriate for reasons that relate to Franchisor's economic or other interests and that it is completely withdrawing from all franchise activity in such state/area (provided that Franchisor can continue to service existing Franchisees under outstanding agreements), then Franchisor will be considered to have made a general market area withdrawal, will have no liability to Franchisee therefore and will not be required to offer Franchisee any renewal Franchise or similar rights (a "Market Withdrawal"). In that event and if Franchisee is not in default of this Agreement, Franchisee will not be required to comply with its non-competition obligations under Section 15 C. Franchisor shall not prevent Franchisee from retaining control of the principal place of the Franchised Business in the event of a Market Withdrawal. Franchisee agrees that if any statute or court decision requires "good cause" (or any similar standard) for non-renewal, Franchisor's compliance with the provisions of this clause will be deemed to be good cause.*

2. Section 15 C. of the Agreement is deleted and the following language is substituted:

C. Further Trade Secret and System Protection; Post Term Restrictions. *For a period of two (2) years after the transfer, termination or expiration of this Agreement, Franchisee, each Franchisee Associate, each Franchisee Owner and each Family Member of each of the foregoing, shall not:*

i) have any direct or indirect interest in any Similar Business within a radius of ten (10) miles of the Authorized Location or of any Dripp Coffee Bar, if the fulfillment of Franchisee's duties and responsibilities with respect to such Similar Business (or the duties and responsibilities of another person/entity identified above in this Section 15 C.) would inherently call upon Franchisee (or such other person/entity) to disclose and/or use Confidential Information or Trade Secrets; or

ii) provide any financial support or perform any services as an employee, agent, representative, consultant or in any capacity of any kind for any Similar Business within a radius of ten (10) miles of the Authorized Location or of any Dripp Coffee Bar, if the fulfillment of Franchisee's duties and responsibilities with respect to such Similar Business (or the duties and responsibilities of another person/entity identified above in this Section 15 C.) would inherently call upon Franchisee (or such other person/entity) to disclose and/or use Confidential Information or Trade Secrets; or

iii) have any direct or indirect interest anywhere in, or provide any financial support to, any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses, or perform any services anywhere as an employee, agent, representative, consultant or in any capacity of any kind for any such entity, if the fulfillment of Franchisee's duties and responsibilities with respect to such entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses (or the duties and responsibilities of another person/entity identified above in this Section 15 C.) would inherently call upon Franchisee (or such other person/entity) to disclose and/or use Confidential Information or Trade Secrets.

Franchisee accepts that it is Franchisee's obligation under this Agreement to ensure the compliance of each of the persons/entities named in Sections 15 A., B. and C. with the limitations described in those Sections. Franchisor shall use reasonable judgment in evaluating whether or not the conduct of a Family Member warrants the exercise of rights under this provision.

3. To the extent that Sections 16 ("Default and Termination"), 17 ("Rights and duties on Expiration or Termination") and 18 ("Transfer Restrictions") and any other terms of the Agreement are inconsistent with the California Franchise Relations Act (CA. Bus. & Prof. Code §20020, et. seq.), the terms of the statute will control and the applicable Section shall be modified only to the extent required to comply with such law. The

parties agree that in no event shall a reasonable opportunity to cure to the extent required under such statute be greater than seventy five (75) days.

4. The first paragraph of Section 16.A. is hereby deleted and the following language is substituted:

A. *Termination by Franchisor with No Opportunity to Cure. This Agreement shall, at Franchisor's option, terminate automatically upon Franchisor's delivery of notice of termination to Franchisee, without opportunity to cure, if Franchisee or Franchisee Owner(s), as applicable, commits any of the breaches of this Agreement identified below in this Section 16 A., each of which is deemed by the parties to be a failure by Franchisee to substantially comply with the Franchise Agreement requirements. Franchisee or a Franchisee Owner:*

i. abandons or fails to operate the Franchised Business for more than five (5) consecutive calendar days during which Franchisee is required to operate, or for any shorter period after which it is not unreasonable for Franchisor to conclude that Franchisee does not intend to continue operating;

ii. experiences a seizure or foreclosure of the Franchised Business or Franchisee's Coffee Bar premises by a government official or by a creditor or lessor and a final judgment against Franchisee is unsatisfied for 30 days, or a levy of execution is made upon any property used in the Franchised Business and not discharged within five (5) days;

iii. makes any material misrepresentation or omission in the application for the Franchise;

iv. is (or the Franchise Business is) the subject of an order for relief in bankruptcy, judicially determined to be insolvent or admits Franchisee is unable to pay debts as they become due; or makes an assignment for the benefit of creditors;

v. is convicted of, or plead no contest to, a felony, or any other criminal misconduct relevant to the operation of Franchisee's Franchised Business;

vi. engages in any conduct which reflects materially and unfavorably upon Franchisee's Franchised Business, the Dripp franchise System or the goodwill associated with the Marks;

vii. fails to comply with any law or regulation applicable to the operation of the Franchised Business for a period of 10 days after notification of non-compliance, including without limitation, health, safety, building, and labor laws and regulations;

viii. after curing a failure to comply with this Agreement, as provided in Section 16 B., below, engages in the same non-compliance, whether or not corrected after notice;

ix. operates the Franchised Business such that Franchisor reasonably determines that the continued operation of the Franchised Business can result in imminent danger to public health and/or safety; or

x. repeatedly fails to comply with one or more requirements of this Agreement, the Portal or any Manual, whether or not corrected after notice.

5. Section 16. B. of the Agreement is deleted and the following language is substituted:

B. Termination by Franchisor with Opportunity to Cure. *This Agreement shall terminate, at Franchisor's sole option, without further action by Franchisor or notice to Franchisee, if Franchisee or any Franchisee Owner(s), as applicable:*

i) fails to pay any amount due Franchisor, Licensor or any Franchisor Affiliate for Royalty Fees, marketing fees, or purchases from Franchisor, Licensor or any such Affiliate, or any other amount owed, and does not correct any such failure within five (5) days after written notice is delivered to Franchisee. The parties agree that if Franchisee or any Franchisee Owner(s) commits a breach under this Section 16 B. i), each such breach shall be deemed to be a failure by Franchisee to substantially comply with the Franchise Agreement requirements; or

ii) fails or refuses to comply with any provision of this Agreement not otherwise addressed under Sections 16 A. and 16 B. i), above, or with any provision of any other agreement with Franchisor or any Franchisor Affiliate, or with any mandatory requirement prescribed in the Portal or any Manual, and does not correct the failure within sixty (60) days of written notice thereof or within any shorter period for cure as may be permitted by statute. The parties agree that such a breach by Franchisee or any Franchisee Owner(s) of a material provision of this Agreement, or of any other agreement with Franchisor or any Franchisor Affiliate, or of any mandatory requirement prescribed in the Portal or any Manual shall be deemed to be a failure to substantially comply with the Franchise Agreement requirements.

6. The following language is added as Section 16 E.:

E. Market Withdrawal*. If Franchisor publishes an announcement that it has determined that continued franchising in the state or in the standard metropolitan statistical area (as established by the United States Office of Management and Budget) within the state in which Franchisee's Coffee Bar is located is not appropriate for reasons that relate to Franchisor's economic or other interests and that it is completely withdrawing from all franchise activity in such state/area (provided that Franchisor can continue to service existing Franchisees under outstanding agreements), then Franchisor will be considered to have made a general market area withdrawal (a "Market*

Withdrawal"). A Market Withdrawal shall be considered a lawful basis for termination of the Franchise Agreement and Franchisor shall have no liability to Franchisee therefore. In the event of a Market Withdrawal Franchisee will not be required to comply with its non-competition obligations under Section 15 C. Franchisor shall not prevent Franchisee from retaining control of the principal place of the Franchised Business in the event of a Market Withdrawal.

7. Section 17. C. of the Agreement is deleted and the following language is substituted:

Franchisor shall have the right upon termination or non-renewal of the Franchise to purchase from Franchisee at the value of price paid by Franchisee, minus depreciation, Franchisee's inventory, supplies, equipment, fixtures and furnishings (the "Items") purchased or paid for under the terms of this Agreement or an agreement ancillary hereto by Franchisee to Franchisor or to its approved suppliers that are possessed or used by Franchisee in the franchised business at the time of termination or non-renewal. For the purposes of this provision and compliance under and construction of the California Franchise Relations Act (CFRA), the parties agree that such depreciation shall be calculated based on whichever of the two (2) methods prescribed results in a lower valuation of the Items: i) the Modified Accelerated Cost Recovery System (MACRS) method applied in accordance with the applicable standard U.S. Internal Revenue Service (IRS) schedules effective for the calendar year immediately preceding the calendar year in which the Franchise Agreement terminated or expired and was not renewed; or ii) the last filed depreciation schedules included by Franchisee in the IRS income tax return for the franchised business filed for the calendar year immediately preceding the calendar year in which the Franchise Agreement terminated or expired and was not renewed. Franchisee shall provide Franchisor a true and complete copy of such income tax return and related schedules within five (5) business days of Franchisor's request. Franchisee shall further provide Franchisor clear title to and possession of any such Items. Franchisor can offset against the amounts owed to Franchisee any amounts owed by Franchisee to Franchisor.

In the event a court or arbitrator finds that Franchisor has terminated or failed to renew this Agreement in violation of the CFRA, the parties agree that the fair market value of the franchised business and franchise assets (the "FMV") for purposes of compliance with the CFRA shall be established in accordance with the following procedure: Franchisor and Franchisee shall mutually select an independent Certified Business Appraiser within thirty (30) days of such court/arbitrator finding. If unable to identify a mutually agreeable Certified Business Appraiser, Franchisor and Franchisee each shall select a person within forty five (45) days of such court/arbitrator finding who is an independent Certified Business Appraiser (the "Designees") and such Designees promptly shall mutually agree to-a third independent Certified Business Appraiser whose determination of the FMV shall be final and binding on the parties. This provision shall survive the termination or expiration of the Franchise Agreement.

8. The following language is added as subsections (xiv) and (xv) of Section 18 D of the Agreement:

xiv) Franchisee shall deliver to Franchisor by business courier or receipted U.S. mail, written notice of Franchisee's intent to Transfer, which notice shall include the proposed transferee(s)' name and address and shall be accompanied by a copy of all agreements and related documents pertaining to the proposed Transfer; and

xv) Franchisee shall deliver to Franchisor the transferee's completed application, which shall include all forms, financial disclosures, related documentation and such other information as then may be required to complete Franchisor's evaluation of prospective new franchisees, and shall respond to any request from Franchisor for additional information within fifteen (15) days of receipt of such request.

9. Section 20. C. of the Agreement is deleted and the following language is substituted:

C. Consent. *Within sixty (60) days after Franchisor receives the notice described in 20 A., above, and all requested information, Franchisor shall notify Franchisee in writing by business courier or U.S. receipted mail of Franchisor's consent or withholding of consent to the proposed Transfer, or in accordance with this Section 20, acceptance for itself or its nominee of the Transfer on the terms specified in Franchisee's notice. If Franchisor elects not to exercise its right of first refusal and consents to the proposed Transfer, then Franchisee shall be authorized to complete the proposed transaction with the proposed transferee on the terms contained in the original notice to Franchisor and subject to satisfaction of the conditions contained in Sections 18 B., C. and D. Any material change to any such Transfer terms shall constitute a new proposal, which shall again require compliance with the procedures provided in this Section 20 or as required under applicable state* law.

10. Section 30. B. of the Agreement is deleted and the following language is substituted:

B. Arbitrator's Authority*. The arbitrator shall decide any questions relating in any way to the parties' agreement to arbitrate, including arbitrability, applicability, subject matter, timeliness, scope, remedies, and any alleged fraud in the inducement, or purportedly void or voidable provisions of the Agreement. The arbitrator can* *issue summary orders disposing of all or part of a Claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, and other relief by any court having jurisdiction. The subpoena powers of the arbitrator with respect to witnesses to appear at the arbitration proceeding shall not be subject to any geographical limitation. No award in arbitration will have any effect of preclusion or collateral estoppel in any other adjudication or arbitration. Arbitrators in any proceeding under this Section 30 will apply all applicable law, and a failure to apply the applicable law in accordance with Section 29 will be deemed an act in excess of authority and reviewable by the courts, and the parties expressly agree that any arbitration award can be reviewed and overturned by a court for legal error. If required by applicable law for any arbitration provision to be enforceable (for example, to preserve constitutionally or statutorily provided rights), the arbitrator can, as soon as possible, appropriately allocate between Franchisee and Franchisor the fees of the arbitrator(s) and/or his/her related organization, or require an advance of a portion of such fees subject to possible reimbursement, or otherwise address such issues so as to allow the arbitration to proceed and can adjust such allocations appropriately during the arbitration process for such purpose. Either party can in its discretion advance the other party's portion of the initial case filing fees paid to the American Arbitration Association, or successor organization, for an arbitration matter pursuant to this Agreement."*

To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of the Franchise Agreement or schedules or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms as of the date first above written.

FRANCHISOR:
Dripp Franchising Inc.
a California corporation

By:___________________________
Rabih Sater, President

Sign here if "Franchisee" is a natural person

FRANCHISEE (Individual[s])

______________________________	______________________________
Signature	Signature
______________________________	______________________________
Printed Name	Printed Name

Sign here if "Franchisee" is a type of business entity

FRANCHISEE (Corp., LLC or Partnership)

____
Legal Name of Franchisee Entity

a___________________________ ___________________________
Jurisdiction of Formation Corporation, LLC or Partnership

By: ___________________________________
Print Name

____
Signature

____
Title

OWNER NON-COMPETE, NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT

(For California Franchise Owners)

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement for the operation of a Dripp® Coffee Bar ("Coffee Bar"), and any revisions, modifications and amendments thereto, (hereinafter collectively the "Franchise Agreement") dated____________________, 20__ by and between Dripp Franchising Inc. (hereinafter "Franchisor") and ____ (hereinafter "Franchisee"), the undersigned ("Owner") agrees as follows:

1. Non-Solicitation and In Term Non-Competition Covenants. Owner acknowledges that as a result of Owner's equity position in Franchisee, Owner may receive valuable Confidential Information, as that term is defined below, and other proprietary information of Franchisor's or its Associates. Owner covenants that, during the term of the Franchise Agreement and subject to the post-termination provisions contained therein and any applicable addendum to the Agreement, and except as otherwise approved in writing by Franchisor, Owner will not, either directly or indirectly, for himself/herself or through, on behalf of or in conjunction with any Family Members or other person, persons, partners or entity:

i) have any direct or indirect interest anywhere in any Similar Business (as defined below) or in any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses; or

ii) provide any financial support or perform any services anywhere as an employee, agent, representative, consultant or in any capacity of any kind for any Similar Business, or for any entity granting franchises or licenses or establishing joint ventures to operate Similar Businesses.

For purposes of this Agreement, i) a "Similar Business" is any business or enterprise that markets or sell coffees, teas, coffee or tea based drinks and other distinctive Dripp® menu items and such goods comprise more than twenty percent (20%) of sales for such business/enterprise; and ii) "Family Members" are deemed to include an individual and his/her spouse and/or domestic partner, and their respective mother, father, brother, sister, son, and daughter.

2. Post Term Covenants. Owner covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period commencing upon the expiration or termination of the Franchise Agreement, regardless of the cause for termination, and continuing for two (2) years thereafter, Owner will neither directly nor indirectly, for itself or through, on behalf of or in conjunction with any person, persons, partnership or corporation:

i) have any direct or indirect interest in any Similar Business within a radius of ten (10) miles of Franchisee's Dripp Coffee Bar location or the location of any Dripp Coffee Bar if the fulfillment of Owner's duties and responsibilities with respect to such Similar Business would inherently call upon Owner to disclose and/or use Franchisor's or Franchisor's Associate's or Licensor's Trade Secrets (as defined in the Franchise Agreement) or other proprietary information;

ii) provide any financial support or perform any services as an employee, agent, representative, consultant or in any capacity of any kind for any Similar Business within a radius of ten (10) miles of Franchisee's Dripp Coffee Bar location or the location of any Dripp® Coffee Bar, if the fulfillment of Owner's duties and responsibilities with respect to such Similar Business would inherently call upon Owner to disclose and/or use Franchisor's or Franchisor's Associate's or Licensor's Trade Secrets or other proprietary information; or

iii) have any direct or indirect interest anywhere in, or provide any financial support to, any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses, or perform any services anywhere as an employee, agent, representative, consultant or in any capacity of any kind for any such entity, if the fulfillment of Owner's duties and responsibilities with respect to such entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses would inherently call upon Owner to disclose and/or use Franchisor's or Franchisor's Associate's or Licensor's Trade Secrets or other proprietary information.

3. Non-Use and Non-disclosure Covenants. Owner agrees to protect as confidential, and not to disclose to any person or entity any Confidential Information, either directly or indirectly, except as may be required for the fulfillment of Owner's and/or Franchisee's obligations under the Franchise Agreement. For purposes of this Agreement, Confidential Information includes in any form current and future:

i) any manuals, the Portal, techniques, processes, instructional materials and curricula, any proprietary recipes, policies, procedures, systems, data, and know how regarding the establishment, operation and franchising of Dripp Coffee Bars;

ii) Proprietary layouts and designs, specifications for any Dripp® customized products and services, and supplier lists and related agreements, pricing and terms; and

iii) trade secrets and other non-public information regarding the System or Dripp Coffee Bars, including potential location plans, System statistics, profits, financial data, marketing plans, business strategies, Coffee Bar performance information, customer lists and related data for all Dripp Coffee Bars, and other operating data/information.

Owner further agrees:

i) Not to utilize any Confidential Information other than for the benefit of the Franchisee and during the term of, and in accordance with the provisions of, the Franchise Agreement;

ii) To take all precautions necessary to ensure that the Confidential Information shall not be disclosed to third parties; and

iii) Acknowledges that all Confidential Information is and shall remain the property of Franchisor or Franchisor's licensor, as applicable, and nothing herein or any course of conduct between Franchisor, Franchisee and Owner shall be deemed to grant Owner any rights in or to all or any portion of the Confidential Information.

4. No Undue Hardship. Owner acknowledges and agrees that the covenants set forth above are fair and reasonable and will not impose any undue hardship on Owner since Owner has other considerable skills, experience and education which afford him/her the opportunity to derive income from other endeavors.

5. Inapplicability of Restrictions. The restrictions described in paragraphs 1 and 2 do not apply to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than three percent (3%) of the outstanding number of shares of that class issued by a Similar Business.

6. Independence of Covenants. Each of the above covenants shall be deemed independent of any other covenant or provision of this Agreement. If any of the restrictions in this Agreement are determined to be unenforceable to an extent because of excessive duration, geographic area, scope of business or otherwise, they will be reduced to the level that provides the greatest protection to Franchisor and the System, but which is still enforceable. If a court of competent jurisdiction deems any provision of this Agreement unreasonable, the court may declare a reasonable modification, and this Agreement shall be valid and enforceable as so modified.

7. Modification of Covenants. Owner understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any of the above covenants without Owner's consent, effective immediately upon receipt by Owner of written notice thereof, and Owner shall comply with any covenant as so modified.

8. Enforcement of Covenants. Owner expressly agrees that the existence of any claims Owner may have against Franchisor shall not act as a defense to the enforcement by Franchisor of the covenants contained in this Agreement. Owner agrees to pay all costs and expenses (including reasonable Attorneys' Fees) incurred by Franchisor in connection with the enforcement of the covenants set forth in this Agreement.

9. Specific Performance. Owner acknowledges that any breach of Owner's obligations herein may cause Franchisor great and irreparable injury that cannot be adequately compensated by the payment of damages in an action at law. Accordingly and notwithstanding any contrary or inconsistent term of the Franchise Agreement, Franchisor and any Franchisor licensor, as applicable, shall be entitled to the remedies of injunction, specific performance and other equitable relief to redress any breach, or to prevent any threatened breach (and Franchisor and any licensor shall not be required to post any bond or prove special damages) and Owner shall pay any and all costs and expenses (including reasonable Attorneys' Fees and expenses) incurred by Franchisor or any such licensor in enforcing its rights hereunder. Nothing contained in this Agreement shall, however, be construed as a waiver by Franchisor of any other right, including, without limitation, Franchisor's right to damages.

10. Binding. This Agreement shall be binding on and inure to the benefit of the parties and their successors and permitted assigns. Franchisor may assign its rights and obligations under this Agreement to anyone without the consent of Owner. Owner shall not assign any of Owner's rights or obligations under this Agreement.

11. Laws. This Agreement and the parties' respective rights and obligations hereunder will be governed by, and construed and enforced in accordance with, the laws of the state where a claimed breach occurs, PROVIDED, that the provisions of any statute, regulation or law regarding franchises shall not apply unless jurisdictional, definitional and other requirements thereof are met independently of this Section.

12. Survival. Owner's obligations shall survive termination of the Franchise Agreement. Any failure on the part of Franchisor to insist upon the performance of this Agreement in whole or in part shall not constitute a waiver of any right under this Agreement. No waiver of any provision of this Agreement shall be effective unless in writing and executed by the party waiving the right. The parties agree that the covenants included in this Agreement, taken as a whole, are reasonable in duration and scope and necessary to protect Franchisor and the System, and it is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. If in any judicial proceeding a court shall refuse to enforce any of the separate covenants included in this Agreement, then such unenforceable covenant shall be deemed modified so as to be enforceable (or if not subject to modification, then eliminated) to the extent necessary to permit the remaining covenants to be enforced.

13. Defined Terms. Capitalized terms used in this Agreement, unless otherwise defined herein, shall have the meanings ascribed to such terms in the Franchise Agreement. Owner acknowledges having received, reviewed and understood the terms of the Franchise Agreement and having had ample opportunity to consult with independent counsel of Owner's choosing prior to the execution of this Agreement.

IN WITNESS WHEREOF, the undersigned have set their hands as of this _______ day of _________________, 20____.

FRANCHISOR:
Dripp Franchising Inc.,
a California corporation

By:___________________________
Rabih Sater, President

Date: ________________

OWNER: (duplicate for signature by each Owner)

____
Signature

____
Printed Name

SCHEDULE E TO THE FRANCHISE AGREEMENT

OWNER NON-COMPETE, NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT

(NOT FOR CALIFORNIA FRANCHISE OWNERS)

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement for the operation of a Dripp® Coffee Bar ("Coffee Bar"), and any revisions, modifications and amendments thereto, (hereinafter collectively the "Franchise Agreement") dated________________________________, 20__, by and between Dripp Franchising Inc. (hereinafter "Franchisor") and ____ (hereinafter "Franchisee"), the undersigned ("Owner") agrees as follows:

1. Non-Solicitation and In Term Non-Competition Covenants. Owner acknowledges that as a result of Owner's equity position in Franchisee, Owner may receive valuable Confidential Information, as that term is defined below, and other proprietary information of Franchisor's or its affiliates. Owner covenants that, during the term of the Franchise Agreement and subject to the post-termination provisions contained therein and any applicable addendum to the Agreement, and except as otherwise approved in writing by Franchisor, Owner will not, either directly or indirectly, for himself/herself or through, on behalf of or in conjunction with any Family Members or other person, persons, partners or entity:

i) have any direct or indirect interest anywhere in any Similar Business, or in any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses; or

ii) provide any financial support or perform any services anywhere as an employee, agent, representative, consultant or in any capacity of any kind for any Similar Business, or for any entity granting franchises or licenses or establishing joint ventures to operate Similar Businesses.

For purposes of this Agreement, i) a "Similar Business" is any business or enterprise that markets or sells coffees, teas, coffee or tea based drinks and other distinctive Dripp® menu items and such items comprise more than twenty percent (20%) of sales for such business/enterprise in the preceding fiscal year or since inception, whichever is later; and ii) "Family Members" are deemed to include an individual and his/her spouse and/or domestic partner, and their respective mother, father, brother, sister, son, and daughter.

2. Post Term Covenants. Owner covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period commencing upon the expiration or termination of the Franchise Agreement, regardless of the cause for termination, and continuing for two (2) years thereafter, Owner will neither directly nor indirectly, for itself or through, on behalf of or in conjunction with any person, persons, partnership or corporation:

i) have any direct or indirect interest in any Similar Business within a radius of ten (10) miles of Franchisee's Dripp Coffee Bar location or the location of any Dripp® Coffee Bar, or

ii) provide any financial support or perform any services as an employee, agent, representative, consultant or in any capacity of any kind for any Similar Business within a radius of ten (10) miles of Franchisee's Dripp Coffee Bar location or the location of any Dripp Coffee Bar; or

iii) have any direct or indirect interest anywhere in, or provide any financial support to, any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses, or perform any services anywhere as an employee, agent, representative, consultant or in any capacity of any kind for any such entity.

3. Non-Use and Non-disclosure Covenants. Owner agrees to protect as confidential, and not to disclose to any person or entity any Confidential Information, either directly or indirectly, except as may be required for the fulfillment of Owner's and/or Franchisee's obligations under the Franchise Agreement. For purposes of this Agreement, Confidential Information includes in any form current and future:

i) any manuals, the Portal, techniques, processes, instructional materials and curricula, any proprietary recipes, policies, procedures, systems, data, and know how regarding the establishment, operation and franchising of Dripp Coffee Bars;

ii) Proprietary layouts and designs, specifications for any Dripp customized products and services, and supplier lists and related agreements, pricing and terms; and

iii) trade secrets and other non-public information regarding the System or Dripp Coffee Bars, including potential location plans, System statistics, profits, financial data, marketing plans, business strategies, Coffee Bar performance information, customer lists and related data for all Dripp Coffee Bars, and other operating data/information.

Owner further agrees:

i. not to utilize any Confidential Information other than for the benefit of the Franchisee and during the term of, and in accordance with the provisions of, the Franchise Agreement;

ii. to take all precautions necessary to ensure that the Confidential Information shall not be disclosed to third parties; and

iii. agrees and acknowledges that all Confidential Information is and shall remain the property of Franchisor or Franchisor's licensor, as applicable, and nothing herein or any course of conduct between Franchisor, Franchisee and Owner shall be deemed to grant Owner any rights in or to all or any portion of the Confidential Information.

4. No Undue Hardship. Owner acknowledges and agrees that the covenants set forth above are fair and reasonable and will not impose any undue hardship on Owner since Owner has other considerable skills, experience and education which afford him/her the opportunity to derive income from other endeavors.

5. Inapplicability of Restrictions. The restrictions described in paragraphs 1 and 2 do not apply to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than three percent (3%) of the outstanding number of shares of that class issued by a Similar Business.

6. Independence of Covenants. Each of the above covenants shall be deemed independent of any other covenant or provision of this Agreement. If any of the restrictions in this Agreement are determined to be unenforceable to an extent because of excessive duration, geographic area, scope of business or otherwise, they will be reduced to the level that provides the greatest protection to Franchisor and the System, but which is still enforceable. If a court of competent jurisdiction deems any provision of this Agreement unreasonable, the court may declare a reasonable modification, and this Agreement shall be valid and enforceable as so modified.

7. Modification of Covenants. Owner understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any of the above covenants without Owner's consent, effective immediately upon receipt by Owner of written notice thereof, and Owner shall comply with any covenant as so modified.

8. Enforcement of Covenants. Owner expressly agrees that the existence of any claims Owner may have against Franchisor shall not act as a defense to the enforcement by Franchisor of the covenants contained in this Agreement. Owner agrees to pay all costs and expenses (including reasonable Attorneys' Fees) incurred by Franchisor in connection with the enforcement of the covenants set forth in this Agreement.

9. Specific Performance. Owner acknowledges that any breach of Owner's obligations herein may cause Franchisor great and irreparable injury that cannot be adequately compensated by the payment of damages in an action at law. Accordingly and notwithstanding any contrary or inconsistent term of the Franchise Agreement, Franchisor and any Franchisor licensor, as applicable, shall be entitled to the remedies of injunction, specific performance and other equitable relief to redress any breach, or to prevent any threatened breach (and Franchisor and any licensor shall not be required to post any bond or prove special damages) and Owner shall pay any and all costs and expenses (including reasonable Attorneys' Fees and expenses) incurred by Franchisor or any such licensor in enforcing its rights hereunder. Nothing contained in this Agreement shall, however, be construed as a waiver by Franchisor of any other right, including, without limitation, Franchisor's right to damages.

10. Binding. This Agreement shall be binding on and inure to the benefit of the parties and their successors and permitted assigns. Franchisor may assign its rights and obligations under this Agreement to anyone without the consent of Owner. Owner shall not assign any of Owner's rights or obligations under this Agreement.

11. Laws. This Agreement and the parties' respective rights and obligations hereunder will be governed by, and construed and enforced in accordance with, the laws of the state where a claimed breach occurs, PROVIDED, that the provisions of any statute, regulation or law regarding franchises shall not apply unless jurisdictional, definitional and other requirements thereof are met independently of this Section.

12. Survival. Owner's obligations shall survive termination of the Franchise Agreement. Any failure on the part of Franchisor to insist upon the performance of this Agreement in whole or in part shall not constitute a waiver of any right under this Agreement. No waiver of any provision of this Agreement shall be effective unless in writing and executed by the party waiving the right. The parties agree that the covenants included in this Agreement, taken as a whole, are reasonable in duration and scope and necessary to protect Franchisor and the System, and it is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent

permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. If in any judicial proceeding a court shall refuse to enforce any of the separate covenants included in this Agreement, then such unenforceable covenant shall be deemed modified so as to be enforceable (or if not subject to modification, then eliminated) to the extent necessary to permit the remaining covenants to be enforced.

13. Defined Terms. Capitalized terms used in this Agreement, unless otherwise defined herein, shall have the meanings ascribed to such terms in the Franchise Agreement. Owner acknowledges having received, reviewed and understood the terms of the Franchise Agreement and having had ample opportunity to consult with independent counsel of Owner's choosing prior to the execution of this Agreement.

IN WITNESS WHEREOF, the undersigned have set their hands as of this _______ day of _________________, 20___.

FRANCHISOR:
Dripp Franchising Inc.
a California corporation

By:___________________________
Rabih Sater, President

Date: ________________

OWNER: (duplicate for signature by each Owner)

____
Signature

____
Printed Name

SCHEDULE F TO FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT OF LEASE

THIS COLLATERAL ASSIGNMENT OF LEASE (this "Assignment") is entered into as of ____ 20_________, between _____________________________ ("Franchisee") and Dripp Franchising Inc., a California corporation ("Franchisor").

Subject to the provisions hereof, Franchisee, to secure its obligations to the Franchisor under the franchise agreement between Franchisor and Franchisee, dated_____________________, 20 (the "Franchise Agreement"), hereby assigns, transfers and sets over unto Franchisor [and/or such person(s)/entity(ies) as Franchisor may from time-to-time designate] all of Franchisee's right, title and interest, whether as tenant or otherwise, in, to and under that certain lease (the "Lease"), a copy of which is attached to this Assignment, dated______________________, 20___, between Franchisee and____("Landlord"), respecting that property commonly known as____(the "Premises"). The Franchisor shall have no liabilities or obligations of any kind arising from, or in connection with, this Assignment, the Lease or otherwise (including, but not limited to, any obligation to pay rent and/or other amounts) until and unless the Franchisor, in its sole and absolute discretion, takes possession of the Premises pursuant to the terms hereof and expressly assumes in writing the rights and obligations of Franchisee under the Lease. The Franchisor is responsible only for those obligations accruing under the Lease after the date of such assumption.

Franchisee agrees to indemnify and hold harmless Franchisor from and against all claims and demands of any type, kind or nature made by Landlord or any third party that arise out of or are in any manner connected with Franchisee's use and occupancy of the Premises.

Franchisee represents and warrants to Franchisor that Franchisee has full power and authority to assign the Lease and its interest in the Lease.

Franchisor will not take possession of the Premises until and unless Franchisee defaults (and/or until there is a termination, cancellation, rescission or expiration of Franchisee's rights) under the Lease, any sublease, the Franchise Agreement or another agreement between Franchisee and Franchisor (or any Franchisor Associate). In such event, Franchisor (or its designee) shall have the right, and is hereby empowered, but has no obligation, to take possession of the Premises, and expel Franchisee. In such event, Franchisee shall have no further right, title or interest in or under the Lease or to the Premises, all such rights passing to Franchisor or its designee, in each case without the Landlord's further consent. Franchisee agrees to do all acts necessary or appropriate to accomplish such assignment on Franchisor's request. Franchisee will reimburse Franchisor for the costs and expenses incurred in connection with any such retaking, including, without limitation, the payment of any back rent and other payments due under the Lease (whether such payments are made by a separate agreement with the Landlord or otherwise), attorney's fees and expenses of litigation incurred in enforcing this Assignment, costs incurred in re-letting the Premises and costs incurred for putting the Premises in good working order and repair.

Franchisee agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Franchisor. Throughout the term of the Franchise Agreement, Franchisee agrees that it shall elect and exercise on a timely basis all options to extend the term, or renew or assume in bankruptcy, the Lease, unless Franchisor consents in writing to an alternative Authorized Location. Upon failure of Franchisee to so elect to extend or renew or assume the Lease, Franchisee hereby appoints Franchisor as its true and lawful attorney-in-fact to exercise such options in the name, place and stead of Franchisee for the sole purpose of effecting any extension, renewal or assumption, in each case for the account of Franchisee and without any liability or obligation of Franchisor.

Failure of Franchisor to exercise any remedy hereunder shall not be construed or deemed to be a waiver of any of its rights hereunder. The rights and remedies of Franchisor under this Assignment are cumulative and are not in lieu of, but are in addition to, any other rights and remedies which Franchisor shall have under or by virtue of the Franchise Agreement or otherwise. The terms, covenants, and conditions contained herein shall bind Franchisee and its successors and assigns, and inure to the benefit of Franchisor and its successors and assigns. In the event of any dispute between the parties regarding this Assignment, or any matter related in any way to it, the dispute resolution provisions of the Franchise Agreement between Franchisor and Franchisee shall apply. The arbitrator in any such proceeding shall have the full power and authority to grant an appropriate award to give full effect to this Assignment, expelling Franchisee from the Premises and awarding possession to Franchisor, as well as granting such other relief as may be proper and fair at law and by equity. If there is more than one Franchisee, their obligations hereunder will be joint and several.

This Assignment, any memorandum hereof or any financial statement related hereto may be recorded by, and at the expense of, Franchisor. Franchisee hereby appoints Franchisor as its attorney in fact to execute any and all documents and to take any and all such actions, as are necessary or appropriate to record such instrument referenced above.

Nothing contained in this Assignment shall diminish any obligations or covenants of Franchisee owed under its Franchise Agreement with Franchisor, including, without limitation, any post-termination covenant not to compete. Terms not otherwise defined in this Exhibit have the same meanings as stated in the Franchise Agreement. Franchisee and Franchisor shall be bound to this Collateral Assignment of Lease regardless of whether or not the attached Landlord Approval is provided by Landlord.

FRANCHISOR:
Dripp Franchising Inc.
a California corporation

By:__________________________
Rabih Sater, President

Sign here if "Franchisee" is a natural person

FRANCHISEE (Individual[s])

______________________________	______________________________
Signature	Signature
______________________________	______________________________
Printed Name	Printed Name

Sign here if "Franchisee" is a type of business entity

FRANCHISEE (Corp., LLC or Partnership)

____
Legal Name of Franchisee Entity

a_ ________________________
Jurisdiction of Formation Corporation, LLC or Partnership

By: ________________________________
Print Name

____
Signature

____
Title

LANDLORD APPROVAL:

The undersigned Landlord under the Lease hereby:

1. Agrees to notify Franchisor in writing of any proposed Lease amendment and of any default and any failure of Franchisee to cure any default under the Lease, as provided in the Lease Addendum of even date;
2. Agrees that Franchisor shall have the right, but not be obligated, to cure any default by Franchisee;
3. Consents to the foregoing Collateral Assignment of Lease and agrees that if Franchisor takes possession of the Premises and confirms to Landlord the assumption of the Lease by Franchisor as tenant, Landlord shall recognize Franchisor, or its Associate or designee, as tenant under the Lease;
4. Agrees that Franchisor may further assign the Lease or sublet the Premises to a designee and/or a person or entity who is a franchise owner reasonably acceptable to Landlord. Franchisor will have no further liability under the Lease upon such an assignment. This Approval of Landlord shall apply to any subsequent franchise owner acceptable to Landlord, as provided herein;
5. Agrees to provide a copy of this Collateral Assignment of Lease to any actual and/or prospective purchaser of the Premises.

LANDLORD

____

By: ______________________________

Its: ______________________________

Address:

____

____

____

Telephone No. ______________________

Email address: ______________________

PREMISES LEASE ATTACHED
TO COLLATERAL ASSIGNMENT OF LEASE

SCHEDULE G TO FRANCHISE AGREEMENT

ELECTRONIC FUNDS TRANSFER AGREEMENT

This Agreement is made on this ___day of ________, 20__, by and between DRIPP FRANCHISING INC., a California corporation (the "Franchisor"), and_____________ ____(the "Franchisee").

Whereas, Franchisor and Franchisee are parties to an DRIPP® COFFEE BAR Franchise Agreement executed on even date herewith (the "Franchise Agreement") and desire to enter into this Schedule to the Franchise Agreement;

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

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

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

C. By executing this Schedule, Franchisee authorizes Franchisor to withdraw funds at such days and times as Franchisor shall determine via EFT from Franchisee's bank account for all fees and other charges in connection with the Franchise Agreement and this Addendum, as described in Section A above. Franchisee authorizes monthly ACH debits via EFT based on an amount equal to: (1) 5% of Franchisee's Gross Revenue for the preceding month or $3,000, whichever is greater during each Royalty Period as described in the Franchise Agreement for Royalty Fees; (2) 2% of Franchisee's Gross Revenue for the Royalty Period for the Marketing Fund Fees and (3) $400 per month for the Technology Fee.

D. If Franchisor does not receive or is unable to access by 5:00 PM (Pacific Time) on the 7th of each month a report that includes Franchisee's Gross Revenue figures for the prior Royalty Period, then Franchisor is authorized to have withdrawn by electronic transfer an amount from Franchisee's bank account equal to the then-current minimum Royalty Fee subject to reconciliation as set forth in E below, and the Marketing Fund Fee equal to the amount withdrawn the previous month plus ten percent (10%) as an estimate of the Royalty Period's Marketing Fund Fee, subject to reconciliation as set forth in E below.

E. If a Gross Revenue report in the form required by Franchisor is subsequently received and reflects (1) that the actual amount of the Royalty Fee and/or the Marketing Fund Fee due was more than the amount of the EFT by Franchisor, then Franchisor shall credit the excess amount to the payment of Franchisee's future Royalty Fees or other amounts owing to Franchisor or (2) that the actual amount of the Royalty Fee and/or the Marketing Fund Fee due was less than the amount of the EFT by Franchisor, then Franchisor shall be entitled to withdraw additional funds via EFT from Franchisee's bank account for the difference.

F. Franchisee is responsible for paying all service charges and other fees imposed or otherwise resulting from action by Franchisee's bank in connection with EFT by Franchisor, including, without limitation, any and all service charges and other fees arising in connection with any EFT by Franchisor not being honored or processed by Franchisee's bank for any reason, plus interest at a rate of the higher of One and One Half Percent (1.5%) per month or the maximum allowable rate for open account business credit plus a One Hundred Dollar ($100) Non-Sufficient Fund charge by Franchisor. Upon written notice by Franchisor to Franchisee, Franchisee may be required to pay any amount(s) due under the Franchise Agreement and/or this Addendum directly to Franchisor by check or other non-electronic means in lieu of EFT at Franchisor's discretion. It shall be a non-curable event of default under Section 15 of the Franchise Agreement if Franchisee closes any bank account without completing all of the following forthwith after such closing: (1) immediately notifying Franchisor thereof in writing, (2) immediately establishing another bank account, and (3) executing and delivering to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account by EFT as this Addendum permits.

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

[Remainder of page left intentionally blank.]

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

“FRANCHISOR”

DRIPP FRANCHISING INC.

By: ___________________________

Title: ___________________________

Date: ___________________________

By: ___________________________

Title: ___________________________

Date: ___________________________

“FRANCHISEE”

If Franchisee is an individual:

Individually:

____

Print Name: _______________________

Date: _______________________

Individually:

____

Print Name: _______________________

Date: _______________________

If Franchisee is a corporation or other entity:

____

[Name of Franchisee]

By: ___________________________

Print Name: _______________________

Title: ___________________________

Date: ___________________________

By: ___________________________

Print Name: _______________________

Title: ___________________________

Date: ___________________________

SCHEDULE H TO FRANCHISE AGREEMENT

AUTOMATIC DEBIT AUTHORIZATION

AGREEMENT FOR PRE-AUTHORIZED PAYMENTS

VIA ACH DEBIT ORGANIZATIONS

FRANCHISOR: DRIPP FRANCHISING INC.

The undersigned hereby authorizes DRIPP FRANCHISING INC. (the "Franchisor"), to initiate debit entries to the undersigned's checking account indicated below and the depository named below (the "Depository"), to debit the same to such account.

Depository Name: ____

Branch: ____

City State and Zip Code: ____

Transit/ABA #: ____

Bank Account Name: ____

Bank Account #: ____

Tax ID # Used For Bank Account: ____

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

Name of Franchisee:____Store #:______________________

Signature: ______________________________	Signature: ______________________________
Print Name:______________________________	Print Name: ______________________________
Title:______________________________	Title:______________________________
Date:______________________________	Date:______________________________

NOTICE TO FRANCHISEE:

1. **ATTACH ONE VOIDED CHECK HERE.**

2. **BE SURE ALL BLANK SPACES ABOVE ARE COMPLETED.**

3. **RETURN 2 ORIGINAL COPIES OF BOTH AGREEMENTS IMMEDIATELY.**

Please Note: There is an Indemnification Agreement to follow.

INDEMNIFICATION AGREEMENT

To The Depository Designated:

In consideration of your compliance with the request and authorization printed on the Authorization Form hereof, the Payee/Franchisee agrees with respect to any such action:

(1) To indemnify you and hold you harmless from any loss you may suffer as a consequence of your actions resulting from or in connection with the execution and issuance of any check, draft or order, whether or not genuine, purporting to be executed by the Payee/Franchisee and received by you in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify you for any loss arising in the event that any such check, draft or order shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at our own cost and expense any action which might be brought by any depositor or any other person because of your action taken to the foregoing request, or in any manner arising by reason of your participation.

Name of Payee/Franchisee:____

Signature: ___________________________ Signature: ___________________________

Print Name:_________________________ Print Name:_________________________

Title:______________________________ Title:______________________________

Date:______________________________ Date:______________________________

SCHEDULE I TO FRANCHISE AGREEMENT

TELEPHONE LISTING AGREEMENT

This Telephone Listing Agreement (the "Agreement") is made on this ___day of ______________, 20____, by and between DRIPP FRANCHISING INC., a California corporation company (the "Franchisor"), and __________________ ____(the "Franchisee").

Recitals

WHEREAS, Franchisor is the franchisor of DRIPP® COFFEE BAR franchise system throughout the United States of America and is the master licensee of the service marks, trademarks, and trade names related to the operation of the franchised business (collectively the "Marks"); and

WHEREAS, Franchisor and Franchisee are parties to an DRIPP® COFFEE BAR Franchise Agreement executed on even date herewith (the "Franchise Agreement") under which Franchisee is granted a franchise (the "Franchise") involving certain rights to use the Marks in Franchisee's business telephone listings to promote its DRIPP® COFFEE BAR.

NOW, THEREFORE, in consideration of the Recitals above and the terms below, Franchisor and Franchisee agree:

1. Franchisee is authorized to continue using the Marks until the Franchise Agreement is terminated or expires.

2. Franchisee is authorized and required to obtain telephone service for the DRIPP COFFEE BAR. That service is not to be used in conjunction with any other business.

3. Franchisee is authorized to obtain various telephone directory information listings and advertising (both hard copy and electronic), under the trade name "DRIPP®" or any other Marks that Franchisor may authorize Franchisee to use in conjunction with Franchisee's DRIPP COFFEE BAR. No additional listings may be used with any telephone number(s) assigned to the DRIPP COFFEE BAR, without Franchisor's prior written consent.

4. Franchisee must pay all charges for telephone service, directory listings and advertisements.

5. On termination or expiration of the Franchise Agreement, Franchisee acknowledges that its right to the use any of the Marks made available by Franchisor to Franchisee for use under the Franchise Agreement will immediately end, and that all telephone numbers appearing in connection with or under the Marks will immediately become the property of Franchisor, and Franchisee irrevocably releases to Franchisor all rights to and use of all telephone numbers associated with the Marks then listed. Franchisee irrevocably authorizes the telephone company/carrier, on notification by Franchisor of termination or expiration of the Franchise, to transfer or assign all of those telephone numbers to Franchisor or to disconnect those telephone numbers and assign them to Franchisor or to transfer calls coming to those disconnected numbers to any telephone numbers issued by the telephone company to Franchisor, without need for any further document(s) from Franchisee.

6. Franchisee irrevocably releases the telephone company/carrier, Franchisor and their respective successors, assigns, directors, officers, employees and agents, from liability of any kind that may result

directly from Franchisor's exercise of its rights under this Agreement or from the telephone company/carrier's cooperation with Franchisor in effecting the terms of this Agreement.

7. The undersigned agree to the terms of this Agreement.

"FRANCHISOR"

DRIPP FRANCHISING INC.

By: ____________________________
Rabih Sater, President

Date:____________________________

"FRANCHISEE"

If Franchisee is an individual:

Individually:

____

Print Name: ______________________

Date: ____________________________

Individually:

____

Print Name: ______________________

Date: ______________________

If Franchisee is a corporation or other entity:

____

[Name of Franchisee]

By: ____________________________

Print Name: ______________________

Title: ____________________________

Date: ____________________________

By: ____________________________

Print Name: ______________________

Title: ____________________________

Date: ____________________________

SCHEDULE J TO FRANCHISE AGREEMENT

CURRENT FORM OF GENERAL RELEASING LANGUAGE

(SUBJECT TO CHANGE BY FRANCHISOR)

(FORM: NOT TO BE SIGNED WITH THE FRANCHISE AGREEMENT)

Release - General Provisions. The Franchisee(s), together with any Owner of the Franchisee (if the Franchisee(s) are or become a Business Entity), on their own behalf and on behalf of each of their respective Affiliates, shareholders, members, managers, partners, officers, directors, employees, agents, representatives, successors and assigns (collectively, the “Franchisee Parties”), hereby release and forever discharge each and all of the Franchisor-Related Persons/Entities (as defined below) of and from any and all causes of action, in law or in equity, suits, debts, liens, defaults under contracts, leases, agreements or promises, liabilities, claims, demands, damages, losses, costs or expenses, of any nature whatsoever, howsoever arising, known or unknown, fixed or contingent, past or present, that the Franchisee Parties (or any of them) now has or may hereafter have against any or all of the Franchisor-Related Persons/Entities by reason of any matter, cause or thing whatsoever from the beginning of time to the date hereof (the "Claims"), it being the mutual intention of the parties that this release be unqualifiedly general in scope and effect and that any Claims against any of the Franchisor-Related Persons/Entities are hereby forever canceled and forgiven; provided that this Release shall not apply to any Claims arising from representations in any Franchise Disclosure Document received by Franchisee Parties, or any of them, in connection with the acquisition of a Dripp® Franchise, or any Claims for violations of federal and/or state franchise registration and disclosure laws or state franchise relationship laws, to the extent such a release is precluded by applicable law (individually and collectively, “Excluded Matters”).

THE FRANCHISEE PARTIES ACKNOWLEDGE THAT THEY ARE FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, AND THAT IF KNOWN BY HIM/HER MUST HAVE MATERIALLY AFFECTED HIS/HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

THE FRANCHISEE PARTIES, BEING AWARE OF THIS CODE SECTION, HEREBY EXPRESSLY WAIVE ALL OF THEIR RIGHTS THEREUNDER AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT OF ANY APPLICABLE JURISDICTION, INCLUDING, WITHOUT LIMITATION, CALIFORNIA AND/OR JURISDICTIONS OF FRANCHISEE PARTIES’ RESIDENCE AND THE LOCATION OF FRANCHISED UNIT; EXCEPTING ONLY THOSE CLAIMS SOLELY RELATED TO EXCLUDED MATTERS.

The Franchisee Parties expressly assume the risk of any mistake of fact or fact of which they may be unaware or that the true facts may be other than any facts now known or believed to exist by Franchisee Parties, and it is the Franchisee Parties intention to forever settle, adjust and compromise any and all present and/or future disputes with respect to all matters from the beginning of time to the date of this document finally and forever and without regard to who may or may not have been correct in their understanding of the facts, law or otherwise. All releases given by the Franchisee Parties are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Franchisee Parties represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as the Franchisee Parties, in the Franchisee Parties' independent judgment, believe necessary or appropriate. The Franchisee Parties have not relied on any statement, promise, representation or otherwise, whether of fact, law or otherwise, or lack of disclosure of any fact, law or otherwise, by the Franchisor-Related Persons/Entities or anyone else, not expressly set forth herein, in executing this document and/or the related releases.

Franchisee(s) Initials: _N/A_

Franchisee Owner(s) Initials:____N/A_

No Assignment or Transfer of Interest. The Franchisee Parties represent and warrant that there has been, and there will be, no assignment or other transfer of any interest in any Claims that the Franchisee Parties may have against any or all of the Franchisor-Related Persons/Entities, all Claims having been fully and finally extinguished, and the Franchisee Parties agree to forever indemnify and hold the Franchisor-Related Persons/Entities harmless from any liability, claims, demands, damages, losses, costs, expenses or Attorneys' Fees incurred by any of the Franchisor-Related Persons/Entities as a result of any person asserting any interest in any of the Claims and/or any voluntary, involuntary or other assignment or transfer, or any rights or claims under any assignment, transfer or otherwise. It is the intention of the parties that this indemnity does not require payment by any of the Franchisor-Related Persons/Entities as a condition precedent to recovery against the Franchisee Parties under this indemnity.

Attorneys' Fees. If the Franchisee Parties, or anyone acting for, or on behalf of, the Franchisee Parties or claiming to have received, by assignment or otherwise, any interest in any of the Claims, commence, join in, or in any manner seek relief through any suit (or otherwise) arising out of, based upon or relating to any of the Claims released hereunder or in any manner asserts against all or any of the Franchisor-Related Persons/Entities any of the Claims released hereunder, the Franchisee Parties agree to pay all Attorneys' Fees and other costs incurred by any of the Franchisor-Related Persons/Entities in defending or otherwise responding to said suit or assertion directly to the Franchisor-Related Persons/Entities incurring such costs.

"Franchisor-Related Persons/Entities." Dripp Franchising Inc., Dripp, Inc., Espresso Republic, LLC, and their respective affiliates, and each of their respective predecessors, successors and assigns, and the shareholders, officers, directors, members, managers, partners, agents, employees, attorneys, heirs, executors and representatives of each of the foregoing, whether past, current or future.

Date of Releases, Joint and Several Liability. The releases granted hereunder will be deemed effective as of the date hereof. The liabilities and obligations of each of the Franchisee Parties (and any other person/entity providing releases to the Franchisor-Related Persons/Entities) will be joint and several.

SCHEDULE K TO FRANCHISE AGREEMENT

Spousal/Domestic Partner Consent

I,_________________________ [spouse's/domestic partner's name], am the spouse/domestic partner of _________________________ [name of spouse/domestic partner signing franchise agreement], who is a party to and/or guarantor of that certain franchise agreement dated _____(the "Franchise Agreement"), by and between DRIPP FRANCHISING INC., a California corporation (the "Company" or the "Franchisor"), on the one hand, and_______________________________ and _______________ (individually and collectively, the "Franchisee") *[or____________________, a_________________ corporation or limited liability company ("the Franchisee")*], on the other hand.

I represent, warrant, acknowledge, and agree that I am not a Franchisee under the above referenced Franchise Agreement and do not, and will not, have any legal, beneficial or other interest in the Franchise Agreement and/or the Franchised Business.

I hereby represent, warrant and acknowledge that, while I am not a prospective Franchisee, I have reviewed a copy of the Franchisor's Franchise Disclosure Document, and read and understood the Franchise Agreement, including:

1. the provisions of Section 30 of the Franchise Agreement requiring dispute avoidance and resolution (e.g., arbitration of disputes, limitations on types of damages, venue, applicable law, etc.); and

2. provisions of Sections 8, 15 and 17 of the Franchise Agreement pertaining to my spouse's/domestic partner's non-disclosure and non-compete obligations, both during and after the Franchise Agreement, and his/her commitment to my compliance with those provisions; and

3. the other terms of the Franchise Agreement.

I hereby consent to the execution of the Franchise Agreement and all related documents by my spouse/domestic partner and agree that I will not make any claim at any time in a manner contrary to the requirements of the Franchise Agreement or the representations/statements contained in this document.

Any claims by me against or relating in any way to the Franchisor, its parent or affiliates, and/or any of their respective directors, officers, members, partners, agents, employees, attorneys and representatives, will be governed by the dispute avoidance and resolution provisions of the Franchise Agreement.

____
Signature

____
[Spouse's/Domestic Partner's Name]

____

[Date]

EXHIBIT F TO THE
FRANCHISE DISCLOSURE DOCUMENT

STATEMENT OF PROSPECTIVE FRANCHISEE

STATEMENT OF PROSPECTIVE FRANCHISEE

[Note: Dates and Answers Must Be Completed in the Prospective Franchisee's Own Handwriting.]

Prospective Franchisee (also called "me," "our," "us," "we" and/or "I" in this document) and Dripp Franchising Inc. (also called the "Franchisor", "you" or "your") each have an interest in making sure that no misunderstandings exist between them. I/we understand that the Franchisor is relying on the statements I/we make in this document and assure the Franchisor as follows:

A. The following dates and information are true and correct:

1.	_____________, 20___ **Initials** _____________	The date of my/our first face-to-face meeting with any person to discuss the possible purchase of a Dripp Coffee Bar.
2.	_____________, 20___ **Initials** _____________	The date on which I/we received a Franchise Disclosure Document about a Dripp Coffee Bar.
3.	_____________, 20___ **Initials** _____________	The date when I/we received a fully completed copy (other than signatures) of the franchise agreement and all other documents I/we later signed.
4.	_____________, 20___ **Initials** _____________	The earliest date on which I/we signed the franchise agreement or any other binding document (not including any Acknowledgment of Receipt).
5.	_____________, 20___ **Initials** _____________	The earliest date on which I/we delivered cash, check or other consideration to the Franchisor, or any other person or company.

B. The individuals signing for the "Prospective Franchisee" include all of the executive officers, partners, shareholders, investors and/or principals of the Prospective Franchisee and each of such individuals has received the Franchise Disclosure Document and all exhibits attached thereto.

Prospective Franchisee's Initials: ________________________________

If there are any matters inconsistent with the statements in this document, or if anyone has suggested that I sign this document without all statements being true, correct and complete, I/we will (a) inform the Franchisor's attorney (562-596-0116) or an officer of the Franchisor before signing and (b) make a written statement regarding the matter next to my signature as follows so that the Franchisor can address and resolve any such issue(s) at this time and before either party goes forward.

____

____

Prospective Franchisee's Initials: ________________________________

I/we understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

Date: ____________________________

Sign here if "Franchisee" is a natural person

PROSPECTIVE FRANCHISEE (Individual)

____
Signature

____
Printed Name

____
Signature

____
Printed Name

Sign here if "Franchisee" is a type of business entity

PROSPECTIVE FRANCHISEE (Corp., LLC or Partnership)

____
Legal Name of Entity

a________________________ _______________________________________
Jurisdiction of Formation Corporation, LLC or Partnership

By:___________________________________
Print Name

____
Signature

Title: ___________________________________

BUSINESS ENTITY OWNERS

________________________________ Signature	________________________________ Signature
________________________________ Printed Name	________________________________ Printed Name

All of the above is true, correct and complete to the best of my knowledge:

Reviewed by: Dripp Franchising Inc.

By:____________________________________

Rabih Sater, President

EXHIBIT G TO THE
FRANCHISE DISCLOSURE DOCUMENT

STATE ADDENDUM

ADDENDUM TO THE DRIPP FRANCHISING INC.
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF CALIFORNIA

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning transfer, termination or non-renewal of a franchise. If the franchise agreement contains provisions that are inconsistent with the law, the law will control.
2. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).
3. The franchise agreement contains covenants not to compete which extend beyond the termination of the franchise. These provisions may not be enforceable under California law.
4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a Disclosure Document before asking you to agree to a material modification of an existing franchise.
5. Neither the franchisor, any person or franchise broker in Item 2 of the 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 such association or exchange.
6. You must sign a general release if you renew or transfer your franchise agreement. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
7. 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.
8. The franchise agreement requires binding arbitration. The arbitration will occur in San Bernardino County, California with each party bearing its own costs. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California. Business and Professions Code Section 20040.5 relating to forum selection clauses restricting venue outside the state of California or arbitration may be preempted by the Federal Arbitration Act. Section 20040.5 may still apply to any provision relating to judicial proceedings. A binding arbitration provision may not be enforceable under generally applicable contract defenses, such as fraud, duress, or unconscionability.
9. OUR WEBSITE, WWW.DRIPP.COM, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.
10. The financial performance representation figures referenced in Item 19 of this Disclosure Document do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees listed in the disclosure document may be one source of this information.
11. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act. As long as this represents the law of the State of California, we will not interpret the Franchise Agreement as permitting or requiring maximum price limits.
12. **The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the Commissioner**.

EXHIBIT H TO THE
FRANCHISE DISCLOSURE DOCUMENT

STATE EFFECTIVE DATES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Dates stated below:

STATE	EFFECTIVE DATE
California	Renewal Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller assisted marketing plans.

EXHIBIT I TO THE
FRANCHISE DISCLOSURE DOCUMENT

RECEIPT PAGES

ITEM 23
<u>RECEIPTS</u>
(*OUR COPY*)

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, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, except as to the following states:

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

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever comes 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your state agency.

Date of Issuance: March 31, 2022.

The Franchisor is Dripp Franchising Inc., located at 4300 Edison Avenue, Chino, California 91710. Its telephone number is (909) 465-4101.

The name, principal address and telephone number of each franchise seller offering the franchise:

Name: Rabih Sater	Name: Nick Fahed
Address: 4300 Edison Avenue	Address: 4300 Edison Avenue
Address: Chino, California 91710	Address: Chino, California 91710
Phone: (909) 772-5410	Phone: (909) 465-4101

Dripp Franchising Inc. authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a Franchise Disclosure Document with an issuance date of March 31, 2022, that included the following exhibits:

Exhibit A	State Administrators and Agents for Service of Process
Exhibit B	Dripp Operations Portal Table of Contents
Exhibit C	Dripp Operations Portal End-User Agreement
Exhibit D	Financial Statements
Exhibit E	Franchise Agreement
Exhibit F	Statement of Prospective Franchisee

Exhibit G	State Addendum
Exhibit H	State Effective Dates
Exhibit I	Receipts

Date: _______________ Signature: ___________________ Printed Name:______________

Date: _______________ Signature: ___________________ Printed Name:______________

Please sign this copy of the receipt, date your signature, *and return it to*:

Franchise Sales, Dripp Franchising Inc., 4300 Edison Avenue, Chino, California 91710.

ITEM 23
RECEIPTS
(YOUR COPY)

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, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, except as to the following states:

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Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever comes 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your state agency.

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Exhibit F	Statement of Prospective Franchisee

Exhibit G	State Addendum
Exhibit H	State Effective Dates
Exhibit I	Receipts

Date: _______________ Signature: ___________________ Printed Name:______________

Date: _______________ Signature: ___________________ Printed Name:______________