FRANCHISE DISCLOSURE DOCUMENT

DRNK COFFEE + TEA FRANCHISING, LLC
A California Limited Liability Company
350 S Grand Ave , Suite 3070
Los Angeles, CA 90071
Tel (323) 825-5373
Email franchising@drnkqwench com
www drnkcoffee com
www qwenchjuice com

The franchisee will operate a DRNK coffee + tea (DRNK) franchise, a QWENCH juice bar franchise or a co-branded franchise DRNK coffee + tea offers a diverse menu of espressos, hot and cold coffees, teas and freshly made sandwiches and other food items, beverages, and merchandise compatible with our concept QWENCH juice bar features freshly prepared juices and smoothies, fruit bowls, and other related items

The total investment necessary to begin operation of a DRNK coffee + tea franchise ranges from $328,200 to $573,200 The total investment necessary to begin operation of a QWENCH juice bar franchise is $301,200 to $556,300 The total investment necessary to begin operation of a co-branded franchise is $462,600 to $728,900 These total investments include a franchisee fee of $40,000 that must be paid to us or an affiliate

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 convenient for you To discuss the availability of disclosures in different formats, contact Mitch Baker, 350 S Grand Ave Suite 3070, Los Angeles, CA 90071 and (323) 825-5373 or franchising@drnkqwench com

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

Date of Issuance April 20, 2017

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT

Call the state franchise administrator listed in Exhibit A for information about the franchisor, or about franchising in Franchisee's state If you learn that anything in this disclosure document is untrue, contact the Federal Trade Commission and the state administrators listed on Exhibit A

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW

Please consider the following RISK FACTORS before Franchisee buy this franchise

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

2 THE FRANCHISE AGREEMENT STATES THAT THE LAWS OF THE STATE OF CALIFORNIA LAW GOVERN THE AGREEMENT, AND THAT LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW YOU MAY WANT TO COMPARE THESE LAWS

3 IF YOU PURCHASE A CO-BRANDED FRANCHISE, YOU WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM $462,600 TO $728,900 THIS AMOUNT EXCEEDS THE FRANCHISOR'S OWNER'S EQUITY AS OF DECEMBER 31, 2016, WHICH IS $601,858

4 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

We use the services of one or more franchise brokers or referral sources to assist us in selling our franchise A franchise broker or referral source is our agent and represents us, not you We pay this person a fee for selling our franchise or referring you to us You should be sure to do your own investigation of this franchise

The following chart lists states that require this disclosure document be registered or filed with the state or be exempt from registration California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Texas, Virginia, Washington, and Wisconsin

This disclosure document is registered on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates

State	**Effective Date**
California	April 19, 2016
Hawaii	
Illinois	December 14, 2016
Indiana	
Maryland	Pending
Michigan	
Minnesota	
New York	February 10, 2017
North Dakota	
Rhode Island	
South Dakota	
Texas	December 8, 2015
Virginia	Pending
Washington	
Wisconsin	

In all other states, the effective date of this disclosure document is the issuance date of April 20, 2017

FRANCHISE DISCLOSURE DOCUMENT TABLE OF CONTENTS

EXHIBITS

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

To simplify the language, this disclosure document uses "we," "us" or "our" to mean DRNK coffee + tea Franchising, LLC, the franchisor "You" or "your" means the individual, corporation, or other entity that buys a DRNK coffee + tea, QWENCH juice bar, or co-branded franchise

Franchisor, Parent and Affiliates

We are a California limited liability company, organized June 17, 2015 Our principal business address is 350 S Grand Ave , Suite 3070, Los Angeles, CA 90071 and our telephone number is (323) 825-5373 We conduct business under the names DRNK coffee + tea and QWENCH juice bar We do not conduct business under any other name

Our affiliate is DRNK coffee + tea, LLC, with a principal business address of 350 S Grand Ave , Suite 3070, Los Angeles, CA 90071 DRNK coffee + tea provides coffee, other food and beverage items, and certain consulting services to our franchisees

We do not have a parent company

Agent for Service of Process

Our agent for service of process in California is Frank Taboada who can be reached at his principal business address of 4212 E Los Angeles Ave , Suite 3158, Simi Valley, CA 93063 Our agents for service of process in all other states are listed on Exhibit B

Prior Experience

We were formed for the purpose of franchising the business you will be operating The first DRNK coffee + tea was opened in October 2013 in Los Angeles, California and the first QWENCH juice bar was opened in April 2015 in Los Angeles, California We do not operate a business of the type being franchised but our affiliate DRNK coffee + tea has since October 2013

We were formed as a new limited liability company in 2015 and have no other business activity The business system is created from the business experience of the persons listed in Item 2

Neither we nor our affiliate have offered franchises in other lines of business and do not intend to do so

The Businesses We Offer

We offer three franchise models DRNK coffee + tea, QWENCH juice bar and co-branded concepts Each is a traditional quick-service beverage concept If you purchase a DRNK franchise, you will be operating a business offering a diverse menu of espressos, hot and cold coffees, teas and freshly made sandwiches and other food items, beverages, and merchandise compatible with our concept If you purchase a QWENCH franchise, you will be operating a business offering freshly prepared juices and smoothies, fruit bowls, and other related items If you purchase a co-branded DRNK/QWENCH franchise, you will be operating a business that combines the DRNK and QWENCH concepts and offerings

DRNK, QWENCH, and co-branded DRNK/QWENCH stores are typically located in malls or attached to strip malls since these stores rely on a high volume of customers The general market for the products and services that you will offer is typically adults who are active with a healthy lifestyle aged 25-75 This is a well-developed market that operates year-round, and typically operates in the retail products and services sector We operate in a highly competitive market, with the primary direct competition being other quick service beverage shops

Applicable Regulations

You must comply with federal, state, and local health and environmental safety regulations You must also comply with all the laws, codes, ordinances, and regulation that normally apply to retail businesses You must also allow the inspection of facilities to ensure compliance with proper practices and adequacy of the location California local county health departments inspect restaurants and other retail food facilities to ensure compliance with safe food handling practices and adequacy of kitchen facilities You should investigate the application of these laws further

ITEM 2 BUSINESS EXPERIENCE

Chief Executive Officer Thomas Nariman

Mr Nariman has served as CEO of DRNK coffee + tea Franchising, LLC since its formation in June 2013 From June 2010 until May 2013 he served as CEO of JRBH Group in Los Angeles, California

Chief Financial Officer Sherry Moaven

Ms Moaven has served as CFO of DRNK coffee + tea Franchising, LLC since its formation in June 2013 From June 2010 until May 2013 she served as CFO of JRBH Group in Los Angeles, California

Chief Marketing Officer Mitchell Baker

Mr Baker has served as CMO of DRNK coffee + tea Franchising, LLC since August 2013 From March 2010 until July 2013 he was self-employed as a marketing consultant in Los Angeles, California

Vice President of Operations Boris Horvat

Mr Horvat has served as the Vice President of Operations of DRNK coffee + tea Franchising, LLC since January 2014 From January 1998 until July 2013 he served as Director of National Operations for Robek's Corporation in Los Angeles, California From July 2013 until December 2013 he was self-employed as a consultant in Los Angeles, CA

Director of Strategic Development Amir Atighehchi

Mr Atighehchi has served as Director of Strategic Growth of DRNK coffee + tea Franchising, LLC since July 2013 Prior to June 2013 he was a student enrolled in the USC Marshall School of Business in Los Angeles, California

ITEM 3 LITIGATION

No litigation is required to be disclosed in this disclosure document

ITEM 4 BANKRUPTCY

No bankruptcy is required to be disclosed in this disclosure document

ITEM 5 INITIAL FEES

The initial franchise fee is $40,000 The franchise fee is due upon signing the franchise agreement

The initial franchise fee includes the cost of training for up to two individuals (including the person who will be your on-premises manager) You will be responsible for travel and related costs which we estimate to range between $400 and $8,000

In addition to the franchise fee, you will be required to pay up to $10,000 for your Grand Opening and Initial Marketing Program You will also be required to pay $900 to $1,200 for required coffee and other inventory from our affiliate

None of these fees and amounts are refundable under any circumstances

ITEM 6 OTHER FEES

OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	6% of Gross Revenue (note 4)	Payable monthly on the 5th of each month based on the previous month's Gross Revenues	You must pay your royalty fee directly to us from Gross Revenue generated through your business See definition of "Gross Revenue"
Local Advertising	1% of Gross Revenue	Upon demand	Every month, Franchisee shall spend 1% of its monthly Gross Revenue on advertising, promotions and public relations within the immediate locality surrounding the franchised business
Marketing Fund Contribution	3% of Gross Revenue	Payable monthly on the 5th of each month based on the previous month's Gross Revenues	Every month Franchisee shall contribute 3% of its monthly Gross Revenue to the marketing fund

Type of Fee	Amount	Due Date	Remarks
Audit Expenses (note 5)	All costs and expenses associated with audit, approximately $1,500 to $5,000	Upon demand	Audit costs payable to us only if the audit shows you have not spent 1% of your monthly Gross Revenue on local advertising or if you under-reported amounts you owe us by 3% or more
Late Fees (note 6)	1 5% per month or the highest rate allowed by the state where you are located (whichever is lower)	Upon demand	Applies to all overdue fees you owe us Also applies to any understatement in amounts due revealed by an audit
Approval of Products or Suppliers (note 7)	$500 to $1 000	Time of evaluation	Applies to the costs we expend in our evaluation of new suppliers you wish to purchase from or products you wish to purchase
Insurance Policies	Actual cost plus administrative fee up to $500 annually	Annually	Payable to us as a reimbursement only if you fail to maintain required insurance coverage and we elect, in our discretion, to obtain coverage for you
Transfer Fee	$10,000	At the time of transfer	Payable to us at time of transfer Does not apply to an assignment under Section 18 3 of the Franchise Agreement
Relocation Assistance	Not applicable	Time of assistance	If you need our assistance to relocate, and we agree, you must reimburse our costs to assist you

Type of Fee	Amount	Due Date	Remarks
Substitute or New Manager Training/ Additional Training (note 8)	Currently, $600 per day, plus your expenses in attending	Time of training	We provide an initial training program before you begin operations and ongoing training programs during the term of the franchise If you have to repeat our training programs, we may charge you a fee
Additional Operations Assistance	Currently $600 per day plus our expenses	Time of assistance	We provide assistance at and near the beginning of your operations and during the term of the franchise If you request additional assistance beyond what we already provide, you may be charged a fee, plus our expenses if we need to travel to accommodate your request
Cost of Enforcement	All costs including reasonable attorneys fees	Upon demand	You must reimburse us for all costs incurred in enforcing your obligations to us if we prevail
Management Fee	Currently, $600 per day, plus our expenses	Each month that it applies	You pay us at the stated rate if you breach the Franchise Agreement or following the death or incapacity of an owner of the franchise and if we decide to temporarily manage your franchised business
Franchise renewal fee	$10,000	Prior to renewal of franchise	You pay us a fee if you choose to renew your franchise for a term of an additional 10 years

Item 6 Notes

Note 1 We may require that all fees payable to us be paid through an electronic depository transfer account

Note 2 All of the fees noted above are uniform No other fees or payments are to be paid to us or our affiliate, nor do we impose or collect any other fees or payments for any other third party

Note3 All fees are non-refundable

Note 4 "Gross revenue" means all revenue from the franchised business

Note 5 We assume costs for audits vary depending on factors, including prevailing auditor's rates in your area, the business activity being audited and how well you keep your books and records You pay our actual costs only You should be able to investigate these costs by contacting auditors in your area

Note 6 Late fees begin to accrue from the date payment was due, but not received, or date of underpayment

Note 7 Costs for approval of new products or suppliers vary depending on the availability of product samples for testing, shipping costs or travel costs to review the product, the type of product under review, whether the product or supplier has been rated and other similar factors You pay our actual costs only

Note 8 We provide initial training programs to an individual you select to be the designated manager of the franchise Your designated manager's attendance is required We do not charge fees for these programs, but if you replace your designated manager and your manager changes are excessive or due to poor hiring practices, we may charge you a fee

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

(DRNK coffee + tea franchise model)

Type of expenditure	Amount Low	Amount High	Method of payment	When due	To whom payment is to be made
Initial franchise fee (note 1)	$40,000		Lump Sum	Signing of franchise agreement	Franchisor
Training Expenses (note 2)	$400	$8,000	Lump sum	As Incurred	Airlines, Hotels, Restaurants
Real Property (note 3)	$6,000	$22,000	Lump sum	As incurred	Landlord
Property Improvements (note 4)	$161,600	$232,300	Lump sum	As Incurred	Approved Contractor
Computer Equipment and Software (note 5)	$11,000	$22,000	Lump sum	As Incurred	Lump sum

Type of expenditure	Amount High	Amount High	Method of payment	When due	To whom payment is to be made
Office Expenses (note 6)	$1,000	$2,000	Lump sum	Before opening	Lump sum
Signage (note 7)	$10,000	$26,000	Lump sum	Before opening	Approved Supplier
Furniture and Equipment (note 8)	$64,000	$148,000	Lump sum	Before opening	Approved Supplier
Utilities (note 9)	$1,000	$2,400	As arranged	Before opening	Utility Provider
Uniforms (note 10)	$500	$1,000	Lump sum	Before opening	Approved Supplier
Inventory (note 11)	$7,000	$10,000	Lump sum	Before opening	Approved Supplier
Market Introduction (note 12)	$3,000	$10,000	Lump sum	Before opening	Approved Supplier
Insurance (note 13)	$1,000	$3,000	As arranged	Before opening	Insurance broker
Licenses and Permits (note 14)	$200	$2,500	As arranged	Before opening	Government agencies
Legal and Accounting (note 15)	$1,000	$3,000	As arranged	As incurred	Accountants, Lawyers
Dues & Subscriptions (note 16)	$500	$1,000	Lump sum	Before opening	Associations
Additional Funds (note 17)	$20,000	$40,000	As needed	As needed	Third parties
Total (note 18)	$328,200	$573,200			

Notes are common to all 3 tables and are set forth after the last table in this Item 7

YOUR ESTIMATED INITIAL INVESTMENT
(QWENCH juice bar franchise model)

Type of expenditure	Amount Low	High	Method of payment	When due	To whom payment is to be made
Initial franchise fee (note 1)	$40,000		Lump Sum	Signing of franchise agreement	Franchisor
Training Expenses (note 2)	$400	$8,000	Lump sum	As Incurred	Airlines, Hotels, Restaurants
Real Property (note 3)	$6,000	$20,000	Lump sum	As incurred	Landlord
Property Improvements (note 4)	$171,000	$245,800	Lump sum	As Incurred	Approved Contractor
Computer Equipment and Software (note 5)	$11,000	$22,000	Lump sum	As Incurred	Lump sum
Office Expenses (note 6)	$1,000	$2,000	Lump sum	Before opening	Lump sum
Signage (note 7)	$10,000	$26,000	Lump sum	Before opening	Approved Supplier
Furniture and Equipment (note 8)	$29,600	$120,600	Lump sum	Before opening	Approved Supplier
Utilities (note 9)	$1,000	$2,400	As arranged	Before opening	Utility Provider
Uniforms (note 10)	$500	$1,000	Lump sum	Before opening	Approved Supplier
Inventory (note 11)	$5,000	$9,000	Lump sum	Before opening	Approved Supplier
Market Introduction (note 12)	$3,000	$10,000	Lump sum	Before opening	Approved Supplier

Type of expenditure	Amount High	Amount High	Method of payment	When due	To whom payment is to be made
Insurance (note 13)	$1,000	$3,000	As arranged	Before opening	Insurance broker
Licenses and Permits (note 14)	$200	$2,500	As arranged	Before opening	Government agencies
Legal and Accounting (note 15)	$1,000	$3,000	As arranged	As incurred	Accountants, Lawyers
Dues & Subscriptions (note 16)	$500	$1,000	Lump sum	Before opening	Associations
Additional Funds (note 17)	$20,000	$40,000	As needed	As needed	Third parties
Total (note 18)	$301,200	$556,300			

Notes are common to all 3 tables and are set forth after the last table in this Item 7

YOUR ESTIMATED INITIAL INVESTMENT

(Co-branded franchise model)

Type of expenditure	Amount Low	Amount High	Method of payment	When due	To whom payment is to be made
Initial franchise fee (note 1)	$40,000		Lump Sum	Signing of franchise agreement	Franchisor
Training Expenses (note 2)	$400	$8,000	Lump sum	As Incurred	Airlines, Hotels, Restaurants
Real Property (note 3)	$6,000	$24,000	Lump sum	As incurred	Landlord
Property Improvements (note 4)	$240,000	$325,000	Lump sum	As Incurred	Approved Contractor

Type of expenditure	Amount High	Amount High	Method of payment	When due	To whom payment is to be made
Computer Equipment and Software (note 5)	$11,000	$22,000	Lump sum	As Incurred	Lump sum
Office Expenses (note 6)	$1,000	$2,000	Lump sum	Before opening	Lump sum
Signage (note 7)	$20,000	$34,000	Lump sum	Before opening	Approved Supplier
Furniture and Equipment (note 8)	$107,000	$195,000	Lump sum	Before opening	Approved Supplier
Utilities (note 9)	$1,000	$2,400	As arranged	Before opening	Utility Provider
Uniforms (note 10)	$500	$1,000	Lump sum	Before opening	Approved Supplier
Inventory (note 11)	$10,000	$16,000	Lump sum	Before opening	Approved Supplier
Market Introduction (note 12)	$3,000	$10,000	Lump sum	Before opening	Approved Supplier
Insurance (note 13)	$1,000	$3,000	As arranged	Before opening	Insurance broker
Licenses and Permits (note 14)	$200	$2,500	As arranged	Before opening	Government agencies
Legal and Accounting (note 15)	$1,000	$3,000	As arranged	As incurred	Accountants, Lawyers
Dues & Subscriptions (note 16)	$500	$1,000	Lump sum	Before opening	Associations
Additional Funds (note 17)	$20,000	$40,000	As needed	As needed	Third parties
Total (note 18)	$462,600	$728,900			

Notes are common to all 3 tables in this Item 7 and are set forth below

Note 1 Initial Franchise Fee We do not finance any fees The franchise fee and its refund policy are described in greater detail in Item 5

Note 2 Training The cost of initial training is included in the franchise fee, but you are responsible for transportation and expenses for meals and lodging while attending training The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose These expenses are typically non-refundable Before making airline ticket, hotel, rental car or other reservations, you should inquire about the refund policy in the event you need to cancel any reservation

Note 3 Real Property If you do not own adequate space, you must lease retail space for your store Typical locations for a DRNK coffee + tea, QWENCH juice bar or combined model range from 900 to 1,700 square feet and should be located in a high foot-traffic area such as a downtown business area, an upscale strip-center or a college campus Rent will vary significantly depending on such factors as square footage, market climate, type of facility, location (relating to the location of the shopping center within a community and to the location of the leased premises within the shopping center), condition of the leased premises, the age and popularity of the shopping center where the leased premises is located, etc If the cost of leasehold improvements is amortized into your lease, your monthly lease rates could significantly increase The figures in the chart reflect an estimate of the first month's rent and last month's rent as a security deposit In addition to rent, there are often a variety of additional charges that you are obligated to pay including a proportionate share of real estate taxes, security, maintenance and other expenses of the shopping center, building or structure in which your store is located Estimated rental costs for three (3) months are included with the category "Additional Funds"

Note 4 Property Improvements The cost of property improvements will vary significantly depending upon many factors, including, without limitation, square footage, geographic area, market climate, labor market (e g , prevailing wage rates, union labor restrictions, etc), type and condition of the facility, location, condition of the leased premises and price difference between various suppliers and contractors These estimates assume you are establishing a traditional Store in a typical neighborhood shopping center or free standing building In some circumstances, it may be possible to convert an existing free standing building, a pre-existing facility, a multi-level office or commercial facility, regional mall, food court, etc with our consent as long as it conforms to all of our standards and specifications The costs of leasehold improvements are your sole responsibility and will vary depending upon your negotiations with the landlord or third parties prior to occupancy, or they may be financed through the landlord or third parties You may be able to negotiate for "tenant improvement" allowances that can help to reduce your net construction costs This is an important factor for you to consider in choosing a location Additional important cost factors are the condition in which a landlord delivers a space, the extent to which it has existing improvements, such as restroom facilities, electrical, HVAC, storefront, doors, concrete slab, and other elements, and the nature of the building/site, among other factors, all of which will significantly impact the costs you should expect to incur The estimated cost range provided reflects net costs, and assumes a tenant improvement allowance for a store of approximately 900 to 1,700 square feet These assumptions do not apply in all instances because of all of the above-noted variables If you receive little or no tenant improvement allowance and the landlord delivers the site with few, if any, improvements and/or the building has site specific issues affecting development costs, you could expect to incur additional costs of $20,000 to $50,000, or higher You should consult with a qualified, licensed contractor for cost estimates specific to your site before signing the lease, since we cannot predict or warrant what future costs may be You are responsible for obtaining all necessary permits and licenses required for the location, construction, renovation or operation of your Store

Note 5 Computer Equipment & Software This is for computers, monitors, battery backups and other IT work This also accounts for the POS system for your store The amounts you pay for a computer and software are typically non-refundable, or if refundable, may be subject to a "re-stocking" fee You should inquire about the return and refund policy of the suppliers at or before the time of purchasing

Note 6 Office Expenses You must purchase general office supplies including stationery, business cards and typical office equipment Factors that may affect your cost of office equipment and supplies include local market conditions, competition among suppliers and other factors We do not know if the amounts you pay for office equipment and supplies are refundable Factors determining whether office equipment and supplies are refundable typically include the condition of the items at time of return, level of use and length of time of possession You should inquire about the return and refund policy of the supplier at or before the time of purchase

Note 7 Signage Before you sign a lease, you must obtain a brand specific drawing that meets all our specifications and is specific to your location ("Approved Sign Criteria") from our Designated Supplier of signage services The range of costs represents the outright purchase of all signage on the franchised locations It is subject to all local ordinances Signage may vary when Co-Branded locations are opened These costs are typically not refundable You must obtain a final approved sign plan ("Approved Sign Plan") from us and/or our designee and have the sign drawing and sign plan incorporated into your lease You must use our Designated Supplier for construction and installation of your signage You must remove and replace at your cost any previous sign at the new store location that does not meet the Approved Sign Criteria and Approved Sign Plan

Note 8 Furniture & Equipment Although some of these items may be leased, the range shown represents the actual purchase price Equipment installation charges are included in the range of expenses for furniture, fixtures, and equipment ("FF&E") Costs can be reduced by active franchisee involvement in build out and construction of FF&E, which will be encouraged and taught during training Your initial investment in equipment may be higher when opening a Co-Branded location due to the additional equipment needed for both the DRNK and QWENCH models

Note 9 Utilities A utility deposit will typically be required only if the franchisee is a new customer of the utility company

Note 10 Uniforms This expense covers shirts, hats and/or other branded apparel for employees

Note 11 Inventory Although it is possible that initial inventory may be purchased on open account, the range shown represents the full cost of purchase Co-branded stores may have higher inventory costs due to the combination of juicing inventory along with coffee and tea inventory purchases

Note 12 Market Introduction The Initial Marketing Program will be managed and operated by you You will pay the entire amount to a third-party vendor and we will provide input of your initial marketing efforts based on your development of a Grand Opening plan (of which we will provide a guide with recommendations) The size of the initial marketing program will depend on how much advertising you choose to do (with the minimum at $3,000) and could be higher depending on whether you open your QWENCH, DRNK, or co-branded store There are typically no refunds on the Marketing Program expenditures

Note 13 Insurance You must purchase the following types and amounts of insurance (1) "all risk" property insurance, (2) workers' compensation insurance and employer liability coverage with a minimum limit of $100,000 or higher if your state law requires, (3) comprehensive general liability insurance with a minimum liability coverage of $1,000,000 per occurrence, or higher if your state law requires A twenty percent (20%) down payment of the annual premium for general liability insurance and workers' compensation insurance costs is included in the low-end estimate, and the full annual premium is included in the high estimate Factors that may affect your cost of insurance include the size and location of the franchised business, equipment, inventory, number of employees and other factors The amounts you pay for insurance are typically non-refundable You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase

Note 14 Licenses & Permits State and local government agencies typically charge fees for occupancy permits, operating licenses and permits to make improvements to your office and storage area These fees are typically non-refundable You should inquire about the cancellation and refund policy of the agencies at or before the time of payment We do not know if the amounts you spend are refundable

Note 15 Legal & Accounting You will need to employ an attorney, an accountant and other consultants to assist you in establishing your franchised business These fees may vary from location to location depending on the prevailing rates of local attorneys, accountants and consultants and your existing relationships These fees are typically non-refundable You should inquire about the refund policy of the attorney, accountant or consultant at or before the time of hiring

Note 16 Dues & Subscriptions You will be required to pay certain dues and subscription fees as part of the franchised business This range may vary depending on whether you open a DRNK, QWENCH or co-branded store These fees are paid to organizations that will supplement and support your franchised business The fees are typically non-refundable

Note 17 Additional Funds We recommend that you have a minimum amount of money available to cover operating expenses for the first three (3) months that the franchised business is open The lower end represents estimated expenses to maintain minimal operations without any sales for three (3) months The high end is a more conservative working capital estimate We cannot guarantee that our recommendation will be sufficient Additional working capital may be required if sales are low or operating costs are high These expenses are typically non-refundable

Note 18 Total All of the above figures are estimates of certain pre-opening and initial operating expenses It is not all-inclusive, and we cannot guarantee you will not have additional expenses in starting your DRNK, QWENCH or co-branded store The total figure listed in the above chart does not include compensation for your time or labor Your costs will vary depending upon such factors as how closely you follow the franchise system, your management and marketing skills, experience and general business ability, and local and general economic conditions Additionally, and as noted in Item 11, Stores typically open between 9 and 12 months, but, depending on circumstances, this period can extend to 18 months after the franchise agreement is signed We do not and cannot predict to what extent costs at the time that you incur them will vary from the information contained in this chart, but they may vary significantly Total costs to begin operations and other financial requirements may be more or less than the figures specified above Many of these factors are primarily under your control in your independent operation of the business, and may include necessary licenses, permits or certifications You are solely responsible for identifying and complying with all applicable laws, regulations and ordinances, including all licenses and permits that may be required for your DRNK, QWENCH or co-branded store The foregoing is not an estimate of capital or other reserve funds necessary for you to reach "break-even" or any other financial position, nor do any of these estimates include any finance charges, interest or debt service obligations, personal expenses or other excluded amounts You should not assume that revenues from your customers will cover your initial or later expenses You should review these figures carefully with a business advisor, such as an accountant, before making any commitments We cannot assure you that you will not have additional expenses in starting your business Your actual cost will depend upon a number of factors, including local economics and market conditions and the size of your store We urge you to review these figures carefully with a business advisor, accountant and attorney before making any commitments We do not offer financing either directly or indirectly for any of the above items

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required purchases

In order to maintain the reputation, high standards and quality of the DRNK and QWENCH brands, the franchise agreement restricts the sources of the products and services you require to establish and then operate your franchise We retain the right to restrict some purchases to be from ourselves and our Affiliate

You must purchase all products, equipment and services outlined in the specifications in the operations manual These specifications will include standards for performance, design and appearance Our specifications are created by experts in the field to maintain the integrity of the franchised brands, and may be modified periodically

Purchases from approved suppliers

You must purchase all products, equipment and services required to establish and operate your franchise from approved suppliers We do not directly supply any products or services to you Our affiliate, DRNK coffee + tea, LLC, is an approved supplier of coffee beans, other food and beverage items and franchisee consulting services for your business Our Chief Financial Officer, Sherry Moaven, is the sole owner of our affiliate We have also approved other suppliers of your required products, equipment and services and these approved suppliers are listed in our operations manual We may alter the specifications for approved suppliers in our manual from time to time

Approval of alternative suppliers

If you desire to use any suppliers that we have not approved, you must first send us sufficient information, specifications and samples for us to determine whether the supplier complies with our standards and specifications and approved supplier criteria Approval of a supplier will be conditioned on the supplier's ability to provide sufficient quantity of product, quality of products or services at competitive prices, production and delivery capability, dependability, and general reputation You will bear all expenses incurred by us in connection with determining whether we will approve the supplier We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease such items or services or from such supplier We may revoke the approval of your submitted supplier at any time that we determine that they no longer meet our standards and specifications as stated in the operations manual or other written or electronic statements available to you

Revenue from franchisee purchases

We do not derive any revenue or other material consideration from required purchases or leases by franchisees Our total revenue is set forth on the financial statements attached at Exhibit E

In the year ended December 31, 2016, our affiliate DRNK coffee + tea, LLC's revenue from the sale of coffee and other food and beverage items to franchisees was $12,000, or 10% of its total revenue, and revenue from the provision of consulting services for construction and equipping of franchisee stores was $0 or 0% of its total revenue We estimate these purchases of coffee and consulting services will represent 2 6% to 5 3% of your overall purchases in establishing and operating your business

Cooperatives

We do not have any purchase or distribution cooperatives

Negotiated prices

We do not negotiate purchase arrangements with any suppliers on your behalf

Material benefits

We do not provide any material benefits to you if you buy from sources we approve

ITEM 9 FRANCHISEE'S OBLIGATIONS

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 ddisclosure ddocument

Obligation	Section in Agreement	Disclosure Document Item
a Site selection and acquisition/lease	5	7 and 11
b Pre-opening purchases/leases	5	7 and 8
c Site development and other pre-opening requirements	5	11
d Initial and ongoing training	8	6, 7 and 11
e Opening	5 and 8	11
f Fees	3 and 11	5, 6 and 7
g Compliance with standards and policies/ Operating Manual	9 and 13	8, 14 and 16
h Trademarks and proprietary information	6	13 and 14
i Restrictions on products/services offered	13	8 and 16
j Warranty and customer service requirements	13	16
k Territorial development and sales quotas	Not Applicable	12
l Ongoing product/service purchases	13	8 and 11
m Maintenance, appearance and remodeling requirements	5 and 13	6
n Insurance	15	6, 7 and 8
o Advertising	11	6,7 and 11
p Indemnification	21	Not Applicable
q Owner's participation/ management/ staffing	8 and 13	15
r Records and reports	12	11
s Inspections and audits	6 and 12	6, 11 and 13
t Transfer	18	6 and 17
u Renewal	4	17
v Post-termination obligations	17	17
w Non-competition covenants	7	17
x Dispute resolution	23	17
y Right of First Refusal	19	Not Applicable

ITEM 10 FINANCING

We do not offer direct or indirect financing arrangements

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

Except as listed below, DRNK Coffee & Tea Franchising, LLC is not required to provide you with any assistance

Pre-opening Obligations

Before you open your business, we will

1 Assist you in selecting a business site (Franchise Agreement Section 5 1) You must select your business site subject to our approval We will approve or disapprove your site within a reasonable time, typically 30 days, after we receive notice of the proposed location (Franchise Agreement Section 5 1)

  Franchisees typically open their stores within 9 to 12 months after they sign a franchise agreement, although this period has been as long as 18 months The factors that affect opening time are the ability to obtain a lease, financing, or building permits, zoning and local ordinances Other factors include weather conditions, shortages, and delays in installation of equipment, fixtures and signs (Franchise Agreement Section 5 4 and 5 6)

2 If requested, assist you in negotiating the lease or purchase of a location for your store (Franchise Agreement Section 5 3) You will lease from an independent third party landlord

3 Provide store layouts and written specifications for store construction or remodeling and for all required and replacement equipment, inventory, and supplies (Franchise Agreement Section 5 4) You pay the construction and remodeling costs

4 Approximately 60 days prior to your store opening, provide an initial training program for your designated manager (Franchise Agreement Section 8 1)

5 Provide you with a hard copy or online access to our proprietary operations manual which is the blueprint for all aspects of running your business (Franchise Agreement Section 9)

Post Opening Obligations

During the operation of the franchised business, we will

1 Authorize the products and services for sale or use in your franchised business (Franchise Agreement Section 13 1)

2 Make available to you ongoing training as we think necessary and when we do we may require you to attend (Franchise Agreement Section 8 5)

3 Provide you with modifications to the Operations Manual as they are made available to franchisees (Franchise Agreement Section 9 2) We have the right to change or modify the System and will notify you of any changes (Franchise Agreement Section 10 2)

4 Offer you advice and guidance on prices for products and services (Franchise Agreement Section 14 1)

5 Be available to render advice, discuss problems and offer general guidance to you by telephone, e-mail, facsimile, newsletters and other methods with respect to general operating problems (Franchise Agreement Section 14 1) We will also make periodic visits to the Approved Location to provide you with consultation, assistance and guidance in various aspects of the operation and management of the franchised business (Franchise Agreement Section 14 2)

6 Review and approve or disapprove any advertising, direct mail, identification, and promotional materials and programs you propose (Franchise Agreement Section 11 2

7 We will evaluate sites to which you propose to relocate your store in accordance with the site selection criteria provisions described above in this item (Franchise Agreement Section 5 9)

Advertising

We are not obligated to conduct advertising, but regularly do conduct local, regional and national advertising campaigns, maintain a dedicated System-wide marketing and advertising fund (Marketing Fund), and also provide you certain marketing and advertising materials and services through our in-house marketing department Materials provided to all franchisees include videos, banners, posters, window graphics, decals, and miscellaneous point-of-sale items You will receive a limited initial supply of these materials at no charge If you want additional copies, you must pay duplication costs (Franchise Agreement Section 11 2)

You may develop advertising materials for your own use, at your own cost We must approve the advertising materials in advance and in writing However, all internet and television advertisements must be prepared and posted by us (Franchise Agreement Section 11 2)

Once you commence operations, you must participate in local advertising The amount of your contribution is listed in the Item 6 under "local advertising"

You must participate in our System-wide Marketing Fund (Franchise Agreement Section 11 3) All franchised and company-owned outlets are required to contribute 3% of their monthly gross revenues to the marketing fund Our in-house marketing and advertising department administers the Marketing Fund Amounts in the Marketing Fund not spent by the end of our fiscal year are carried over into the next year We do not currently audit the Marketing Fund We will provide franchisees periodic accountings of the Marketing Fund upon request

We reserve the right to use advertising fees from the Marketing Fund to place advertising in national media (including broadcast, print, internet and other media) Advertising funds are used to promote the products sold by the franchisee and are not used to sell additional franchises (Franchise Agreement Section 11 3)

During the year ended December 31, 2016, we spent approximately 70% of the advertising fund's income on the production of advertisements and other promotional materials, 15% for media placement, and 10% for general and administrative expenses, and 5% for other miscellaneous but related expenses

We do not have an advertising council

Although we are not obligated to do so, we may create a cooperative advertising program for the benefit of all franchised businesses located in a particular region We have the right to collect and designate all or a portion of your local advertising for cooperative advertising We will determine the geographic territory and market areas for each cooperative advertising program You must participate in any cooperative advertising program established in your region (Franchise Agreement Section 11 4)

Grand Opening Advertising

You must spend at least $3,000 on grand opening advertising promoting the opening of your store within 60 days of first opening for business (your Grand Opening Obligation) The Grand Opening Obligation will not be required if your store is opening in a "Captive Audience" location, including, but not limited to, a travel facility, an airport, a train station, a bus terminal, a highway travel plaza, a port facility, a sports facility, an entertainment facility, a stadium, an arena, an amphitheater, a theme park, an amusement park, a zoo, a concert venue, or a drive-in or theatre Captive Audience locations do not include enclosed malls All materials you use for this Grand Opening Obligation, and the media in which you use them, are subject to our approval

Computer Requirements

We require you to have a computer system and internet access You are required to purchase or have access to a document processing and email system such as Microsoft Office or Google Docs and a business accounting system such as QuickBooks Your computer must be in good repair, with sufficient memory to carry out ordinary business functions, as provided in the operations manual You also must purchase a point of sale system from an approved supplier See Items 7 and 8 of this disclosure document We are required to have independent access to the point of sale system and reserve the right to conduct periodic audits of any accounting records contained in the system (Franchise Agreement Section 12 5 and 12 6)

We anticipate the costs of this equipment and software to range from $11,000 to $22,000 In addition, there may be license, installation, maintenance and service fees associated with the implementation and maintenance fees required to operate the entire system

The R-Power Restaurant POS system platform is an integrated solution that contains components that reside and operate in your store and components that reside and operate on the Internet Because of this, we require you to obtain the required maintenance service and you must pay the maintenance fees required to operate the entire system Ongoing monthly support fees for your POS system run $150 per month

Operations Manual

We will provide to you, on loan, one copy of the DRNK coffee + tea, QWENCH juice bar or co-branded operations manual or provide you with access to an electronic copy of the Operations

Manual The Table of Contents of the Operations Manual, along with number of pages devoted to each subject, is included as Exhibit D to this Disclosure Document (Franchise Agreement Section 9 1)

Franchisor's Training Program

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Administrative training	16	0	Company headquarters, training store and franchised location
Store operations training	82	49	Training store and franchised location
Totals	98	49	

We provide you an initial training program, store opening training and support, and ongoing training as needed or requested All training is conducted by our operations staff each having a minimum of 4 years brand-specific experience, and having, collectively over 25 years of experience in franchisee operations and the quick service restaurant and related food service industries For purposes of this disclosure document, we consider our initial training program that takes place in our training store to be "classroom" training and your store opening training and support to be "on-the-job training"

Initial Training

We typically schedule initial training for you and your senior operations personnel, including the individual who will be the designated on-premises manager of your store (up to 3 people total) 6 to 8 weeks prior to your store opening This initial training is designed for you to complete a manager-level to prepare you to becoming a certified store manager, and at least one person must successfully complete this training program We provide this initial training to you at no additional cost, although you must pay any travel and living expenses for your staff Your initial training will be conducted at our training store in Los Angeles, California, or at other location(s) we specify After this initial training, you will be responsible to effectively train and develop all new store managers We may, in our discretion, assess any new store managers

Store Opening Support

For your first store, we provide you on-site training and assistance, which includes training and assistance during and for pre-opening, training for your entire new store team, and store support during the soft opening and following days The store opening support will be scheduled once store construction has been completed and all required permits have been issued This support and training will be for a minimum of 7 days and may be scheduled for additional days in our discretion This support and training will be at no additional cost for your first store

Additional Training

We may require you undergo additional mandatory training programs or offer optional training programs as new products, equipment or procedures are introduced There will be no cost to you for any mandatory additional training aside from the expenses related to travel and stay to the training location Optional training programs may or may not include a cost

ITEM 12 TERRITORY

You will operate from one location selected by you and approved by us There is no minimum territory for single franchise outlets We reserve the right to grant area development agreements that may provide for a territory with parameters to be determined a case-by-case basis

You do not have any right to open or acquire additional franchises unless you purchase another franchise We shall allow the reasonable relocation of your business, but you must receive our permission before relocating

You will not receive an exclusive territory if you purchase a single franchise outlet 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 retain the right, in our sole discretion, to offer goods and services identified by brands we control through channels of distribution other than through DRNK coffee + tea, QWENCH juice bar and co-branded stores to locations and customers located anywhere, including those residing in your local area or territory We also reserve the right to sell goods through mail order, catalog sales, telemarketing, Internet, television, newspaper, and any other advertising media to consumers located anywhere, including within your local area territory

You are not restricted from selling DRNK coffee + tea and/or QWENCH juice bar products and services to customers residing outside your local area or territory Except when advertising cooperatively with appropriate franchisees, you are restricted from advertising outside your territory without prior permission You may not engage in any mail order solicitations, catalog sales, telemarketing, Internet, or television solicitation programs, or use any other advertising media outside your local area or territory without our prior written consent

ITEM 13 TRADEMARKS

We grant you the right and license to operate a store and business under the name 'DRNK coffee + tea" and/or "QWENCH juice bar" You may also use our future trademarks to operate your store By "trademark" and "mark," we mean trade names, trademarks, service marks, and logos used to identify your store and business The following are our principal marks, which we registered on the Principal Register of the United States Patent and Trademark Office (USPTO)

TRADEMARK	REGISTRATION NUMBER	REGISTRATION DATE
DRNK COFFEE + TEA	4663946	December 30, 2014
DRNK	4685541	February 10, 2015
D (logo)	4724584	April 21, 2015
QWENCH JUICE BAR	5053150	October 4, 2016

You must follow our rules when you use these marks You cannot use the name or mark as part of a corporate or other entity name or with modifying words, designs, or symbols, except for those we license to you You may not use our registered name or marks in connection with the sale of any unauthorized product or service, or in a manner that we have not authorized in writing

You must immediately notify us when you learn about an infringement of, or challenge to your use of, any of our trademarks, or any claim by any person of any rights in any trademarks We will take the action we think appropriate While we are not required to defend you against a claim against your use of our trademarks, we will reimburse you for your liability and reasonable costs in connection with defending our trademarks To receive reimbursement, you must have notified us immediately when you learned about the alleged infringement or challenge You must modify or discontinue the use of a trademark if we modify or discontinue using it If this happens, we will reimburse you for your tangible costs of compliance (for example, changing signs) You must not directly or indirectly contest our right to our trademarks, trade secrets, or business techniques that are part of our business

We know of no superior prior rights or infringing uses that could materially affect your use of our "DRNK", "DRNK coffee + tea" or "D logo" trademarks in this state or any other state The federal trademark registration for "Quench," registration number 3220154, could materially affect the use of the "QWENCH juice bar" name in this state

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any patents that are material to the franchise We do claim copyright protection in our operations manual, this disclosure document, your franchise agreement, our websites and other materials we have created in connection with our business We also claim proprietary rights to the information contained in the operations manual and other documentation These documents and other proprietary materials have not been registered with any copyright office, but we reserve the right to register in the future

You must tell us when you learn about the unauthorized use of our proprietary information We are not obligated to take action, but we will respond to your notification of unauthorized use as we think appropriate We will indemnify you for any losses you sustain as a result of any action brought by a third party concerning your use of our proprietary information

ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

We do not require that you personally supervise your franchised business, but we do recommend it The business must be directly supervised by a full-time manager who has successfully completed our training program The on-premises manager does not need to own any interest in the franchise, but cannot have an interest or business relationship with any of DRNK coffee + tea's or QWENCH juice bar's competitors If you are a corporation, limited liability company or a partnership, the manager need not have an ownership interest in your entity The manager must sign a written agreement to maintain confidentiality of our trade secrets

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell only those goods and services that we have approved (see Item 9)

You must offer all goods and services that we designate as required for all franchisees These required services are the offering of core menu items of coffee and tea for DRNK coffee + tea franchises and juice and smoothies for our QWENCH juice bar franchises All equipment and supplies must be approved by us (See Item 8) These are described in our operations manual and other writings, as they may be updated periodically You must use off-site distribution methods we require, and you are not permitted to use other off-site distribution methods without our prior approval

We have the right to add additional authorized services that you will be required to offer There are no limits on our right to do so except that your investment required to change required or authorized services will not exceed $25,000 during the initial term of your franchise

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements You should read these provisions in the agreements attached to this disclosure document

Provision	Section in Franchise or Other Agreement	Summary
a Length of franchise term	4 1	The initial term is 10 years
b Renewal or extension of the term	4 2	If you are in good standing and satisfy certain conditions, you may renew for one additional 10-year term

Provision	Section in Franchise or Other Agreement	Summary
c Termination by franchisee	16 1	Franchisee may terminate the Franchise Agreement if Franchisee is in compliance with it, Franchisor materially breaches it, and Franchisor fails to begin to cure our breach within 30 days of receiving Franchisee's written notice
d Termination by franchisor without cause	None	None
e Termination by franchisor with cause	16 2	We have the right to terminate the franchise agreement with cause if you default Depending on the nature of the default, you may have the opportunity to cure the default prior to termination
f Termination by franchisor with cause	16 2	We have the right to terminate the franchise agreement with cause
g "cause" defined – curable defaults	16 2 2	Failure to maintain insurance, failure to comply with any mandatory specification, standard or operating procedure prescribed in the operations manual or otherwise prescribed in writing, or any other default not explicitly stated in the franchise agreement
h "cause" defined – non-curable defaults	16 2 1	Failure to timely select approved site and/or begin operations, failure of designated manger to complete training, material misrepresentation, failure after notice to refrain from activities likely to adversely affect our reputation or reputation of franchised business, conviction of felony or other crime, unauthorized use of operations manual or other proprietary information, failure of required parties to execution our non-disclosure and non-competition agreements or, if requested, fails to provide Franchisor with copies of all signed non-disclosure and non-competition agreements, abandonment of business for 5 or more consecutive days, unauthorized surrender or transfer of control of your business, failure to maintain the business under the supervision of a (continued)

Provision	Section in Franchise or Other Agreement	Summary
		(continued from above) designated manager following franchisee death or disability, submission of 2 or more reports understating amounts due by more than 3%, bankruptcy, insolvency or general assignment for the benefit of creditors, misuse and/or unauthorized use of our trademarks, failure on 2 or more occasions within any 12 month period to submit reports or records or to pay any fees to us or our affiliate, 2 or more violations of any health, safety or other laws, or operation of your business in a manner creating a health or safety hazard, taking any action reserved to us, failure to comply with applicable law after notice, breach of the franchise agreement or failure to comply with specifications on 2 or more occasions within any 12 months, or a default under any other agreement with us or our affiliate so gives us or our affiliate the right to terminate such agreement
i Franchisee's obligations on termination/nonrenewal	17 1	You must stop operating the franchised business, stop using any trade secrets, confidential information, the system and our trademarks, if requested, assign your interest in the franchise location to us, cancel or assign to us any assumed names, pay all sums owed to us including damages and costs incurred in enforcing the franchise agreement, return the operations manual, trade secrets and all other confidential information, assign your telephone and facsimile numbers to us, comply with the covenants not to compete and any other surviving provisions of the franchise agreement
j Assignment of contract by franchisor	18 1	There are no restrictions on our right to assign its interest in the franchise agreement

Provision	Section in Franchise or Other Agreement	Summary
k "Transfer" by franchisee-definition	18 2	"Transfer" means to sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in the franchise agreement, the franchise granted to you, your approved location used in operating your business, its assets, or all or any part or all of you the ownership interest in franchisee
l Franchisor's approval of transfer by franchisee	18 2	You may not transfer your interest without our prior written consent
m Conditions for franchisor approval of transfer	18 2	If we have not exercised our right of first refusal, all obligations owed to us are paid, you and the transferee have signed a general release acceptable to us, the prospective transferee meets our business and financial standards, the transferee and its owners sign our franchise agreement, you provide us a copy of all contracts and agreements related to the transfer, you or the transferee pay a transfer fee of $10,000, the transferee or its owners have agreed to be personally bound by all provisions of the franchise agreement, if we so request, you have agreed to guarantee the transferee's performance, all third party consents and approvals are obtained, transferee and its owners have signed our form of non-competition agreement, the transferee has agreed that its designated manager will complete the initial training program before assuming management of the franchised business, and the transferee has obtained all required insurance
n Franchisor's right of first refusal to acquire franchisee's business	19	We may match an offer for the franchised business or an ownership interest you propose to sell

Provision	Section in Franchise or Other Agreement	Summary
o Franchisor's option to purchase franchisee's franchised business	17 4	Except as described in (n) above, we do not have the right to purchase your business, however, during the 30-day period after the termination or expiration of the franchise agreement, we have the right to purchase any assets of your business for fair market value
p Death or disability of franchisee	18 6	Following the death or incapacity of an owner of your business or the death or incapacity of any holder of a legal or beneficial interest in your business, you or your representative must transfer, subject to the terms of the franchise agreement, the individual's interest in the franchised business within 180 days of death or incapacity or we may terminate the franchise agreement
q Non-competition covenants during the term of the franchise	7 3	You, any owners of your business (and members of their families and households) and its officers, directors, executives, managers, professional staff and employees are prohibited from attempting to divert any business or customer of the franchised business to a competitive business or causing injury or prejudice to the marks or the system, owning or working for a competitive business
r Non-competition covenants after the franchise is terminated or expires	17 2	For 2 years after the termination or expiration of the franchise agreement, you and other owners and others executing non-competition agreements are prohibited from owning or working for a competitive business operating within 25 miles of your or any other the franchise location or soliciting or influencing any of our customers, employees or business associates to compete with or terminate their relationship with us
s Modification of the agreement	9 2, 22 7 and 22 8	The franchise agreement can be modified only by written agreement between you and us We may modify the operations manual without your consent if it does not materially alter your fundamental rights

Provision	Section in Franchise or Other Agreement	Summary
t Integration/ merger clause	22 7	Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable
u Dispute resolution by arbitration or mediation	23 6	Except for claims relating to the trademarks, confidential information, trade secrets and covenants not to compete, and subject to state law, all disputes must be arbitrated in Los Angeles, California
v Choice of forum	23 2	Subject to state law, any litigation must be pursued in courts located in Los Angeles, California
w Choice of law	23 1	Subject to state law, California Law applies, except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U S C Sec 1051 et seq) and disputes over copyrights will be governed by federal copyright laws of the United States

See Exhibit H, California Addendum to the disclosure document, for additional Item 17 disclosures required by the State of California

ITEM 18 PUBLIC FIGURES

We do not presently use any public figures to promote our franchise

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATION

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

The following table and notes provide financial performance representations that are historical, and that are based on information from all existing DRNK coffee + tea, QWENCH juice bar and co-branded franchised and company-owned stores that have been open for business to the public for at least one year, during a one-year measuring period from January 1, 2016 through December 31, 2016 We have not audited this information, nor independently verified this information Written substantiation of the data used in preparing this information will be made available upon reasonable request

IMPORTANTLY, THE SUCCESS OF YOUR FRANCHISE WILL DEPEND LARGELY UPON YOUR INDIVIDUAL ABILITIES AND YOUR MARKET, AND THE FINANCIAL RESULTS OF YOUR FRANCHISE ARE LIKELY TO DIFFER, PERHAPS MATERIALLY, FROM THE RESULTS SUMMARIZED IN THIS ITEM 19

THE EARNINGS CLAIMS FIGURES 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, LISTING IN THE DISCLOSURE DOCUMENT, MAY BE ONE SOURCE OF THIS INFORMATION

You should not use this information as an indication of how well your franchise will do A number of factors will affect the success of your franchise, including the location of your franchise area, the competition, and your ability to operate the franchise

Company and Franchisee Owned Outlets

The following table contains information regarding average 2016 annual net sales of the 7 company and franchisee-owned outlets operating at least one year as of December 31, 2016

Store Model Type	**DRNK**	**QWENCH**	**Co-branded**	**Co-branded (short week)**
Number of Stores in Category	2	3	1	1
Avg Annual Net Sales	$531,683	$670,884	$1,091,777	$683,365

Notes

The short week co-branded store has limited operating hours of 6 30 a m – 5 p m Monday through Friday, and is closed on all government holidays

One DRNK-branded store and one QWENCH-branded store have consistently performed significantly better than the above averages (with 2016 net sales of $678,0770 and $891,617, respectively) These stores are located in territories in Hollywood and Downtown Los Angeles, respectively, with each area having a significant and affluent daytime business population greater than the other stores in its category, in addition to a more affluent residential population

As of December 31, 2016, there were 8 total company-owned and franchisee-owned stores in our system, and 3 licensed university-owned on-campus stores

ITEM 20 OUTLETS AND FRANCHISE INFORMATION

Table No 1
Systemwide Outlet Summary
For Years 2014 to 2016

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2014	0	2	+2
	2015	2	9	+7
	2016	9	10	+1
Company-Owned (Note 1)	2014	3	4	+1
	2015	4	0	-4
	2016	0	1	+1
Total Outlets	2014	3	6	+1
	2015	6	9	+3
	2016	9	11	+2

Note 1 Company-owned outlets disclosed in the table above includes outlets owned by our affiliate

Note 2 Franchise-owned outlets disclosed in the above table include 2 on-campus stores opened in 2014 and 1 on-campus store opened in 2016 and operated by a university under license

Table No 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2014 to 2016

State	Year	Number of Transfers
California	2014	0
	2015	0
	2016	1
Total	2014	0
	2015	0
	2016	1

Note Table data includes one franchisee-owned outlet acquired by our affiliate

Table No 3
Status of Franchised Outlets
For Years 2014 to 2016

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
California	2014	0	2	0	0	0	0	2
	2015	2	7	0	0	0	0	9
	2016	9	2	0	0	1	0	10
Total	2014	0	2	0	0	0	0	2
	2015	2	7	0	0	0	0	9
	2016	9	2	0	0	1	0	10

Note 1 2014 data includes 2 on-campus stores opened in 2014 and operated by a university under license

Note 2 2016 data includes 1 on-campus store opened in 2016 and operated by a university under license and 1 franchisee-owned outlet acquired by our affiliate

Table No 4
Status of Company-Owned Outlets
For Years 2014 to 2016

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
California	2014	3	1	0	0	0	4
	2015	4	3	0	0	7	0
	2016	0	0	1	0	0	1
Total	2014	3	1	0	0	0	4
	2015	4	3	0	0	7	0
	2016	0	0	1	0	0	1

Note 2016 data includes 1 franchisee-owned outlet acquired by our affiliate

Table No 5
Projected Openings as of December 31, 2016

State	Franchise Agreements Signed but Outlet Not Yet Opened	Projected New Franchised Outlets in The Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	4	12	2
New York	0	2	0
Texas	2	4	0
Virginia	0	2	0
Total	6	20	2

A listing of the current franchise outlets and franchisees with their business address and business telephone number is set forth at Exhibit F to this disclosure document

The following franchisees have left the system in the last fiscal year

KM Franchise Ventures, LLC
Carson, California
Attn Melissa Christian
Tel 562-958-8556

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system

Franchisor is not selling any previously owned franchised outlets now under its control

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with DRNK/QWENCH franchise system You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you

As of the date of this disclosure document, there are no trademark-specific franchisee organizations sponsored or endorsed by us and no independent franchisee organizations have asked to be included in this disclosure document There are no trademark-specific franchisee organizations associated with the franchise system being offered

ITEM 21 FINANCIAL STATEMENTS

The audited financial statements prepared on April 14, 2017, for the year ended December 31, 2016, and on March 31, 2016 for the year ended December 31, 2015 are attached in Exhibit E to this document

ITEM 22 CONTRACTS

All proposed agreements regarding the franchise offering are attached Franchise Agreement (Exhibit C to this disclosure schedule), General Release (Exhibit 1 to the Franchise Agreement), Non-disclosure and Non-competition Agreement (Exhibit 2 to the Franchise Agreement), Unlimited Guaranty and Assumption of Obligations (Exhibit 3 to the Franchise Agreement)

ITEM 23 RECEIPTS

Both your and our copy of the disclosure document receipt is located on the last 2 pages of this disclosure document

EXHIBIT A TO THE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS

The following is a list of state administrators responsible for registration and review of franchises for these states We may register in one or more of these states

California
Department of Business Oversight
One Sansome Street
San Francisco, California 94104-4428

Connecticut
Connecticut Banking Commissioner
Department of Banking
Securities & Business Investments Division
260 Constitution Plaza
Hartford, Connecticut 06103

Florida
Division of Consumer Services
Attn Business Opportunities
2005 Apalachee Parkway
Tallahassee, Florida 32399-6500

Hawaii
Commissioner of Securities
Department of Commerce & Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

Illinois
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

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

Kentucky
Office of the Attorney General
Consumer Protection Division
Attn Business Opportunity
1024 Capital Center Drive
Frankfort, KY 40601-8204

Maine
Department of Professional and Financial Regulations
Bureau of Banking
Securities Division
121 Statehouse Station
Augusta, Maine 04333

Maryland
Office of the Attorney General
Securities Division
200 St Paul Place
Baltimore, Maryland 21202

Michigan
Michigan Attorney General's Office
Consumer Protection Division
Attn Franchise Section
525 W Ottawa Street
G Mennen Williams Building, 1st Floor
Lansing, Michigan 48933

Minnesota
Minnesota Department of Commerce
Commissioner of Commerce
85 7th Place East, Suite 600
St Paul, Minnesota 55101

Nebraska
Nebraska Department of Banking and Finance
Commerce Court
1230 O Street, Suite 400
Lincoln, Nebraska 68509

New York
Bureau of Investor Protection and Securities
New York State Department of Law
120 Broadway, 23rd Floor
New York, New York 10271

North Carolina
Secretary of State
Securities Division
300 North Salisbury Street, Suite 100
Raleigh, NC 27603-5909

North Dakota
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol – 5th Floor
Department 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

Rhode Island
Department of Business Regulation
JOHN O PASTORE COMPLEX
1511 Pontiac Avenue
Bldg 69, First Floor
Cranston, RI 02920

South Carolina
Office of the Secretary of State
1205 Pendleton Street
Edgar Brown Building, Suite 525
Columbia, South Carolina 29201

South Dakota
Department of Revenue and Regulation
Division of Securities
445 East Capitol Avenue
Pierre, South Dakota 57501

Texas
Office of the Secretary of State
Statutory Document Section
1019 Brazos Street
Austin, Texas 78701

Utah
Utah Department of Commerce
Division of Consumer Protection
160 East Three Hundred South
P O Box 146704
Salt Lake City, Utah 84114-6704

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

Washington
Department of Financial Institutions
Securities Division
150 Israel Road Southwest
Olympia, Washington 98501

Wisconsin
Division of Securities
Department of Financial Institutions
345 West Washington Avenue
Madison, Wisconsin 53703

EXHIBIT B TO THE DISCLOSURE DOCUMENT

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

The following state agencies are designated as Franchisor's agent for service of process in accordance with the applicable state laws We may register in one or more of these states

California
Department of Business Oversight
One Sansome Street
San Francisco, CA 94104-4428

Connecticut
Connecticut Banking Commissioner
Department of Banking
Securities & Business Investments Division
260 Constitution Plaza
Hartford, Connecticut 06103

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

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

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

Maryland
Maryland Securities Commissioner
Office of Attorney General
Securities Division
200 St Paul Place
Baltimore, Maryland 21202

Michigan
Michigan Department of Commerce
Corporations and Securities Bureau
P O Box 30054
6546 Mercantile Way
Lansing, Michigan 48909

Minnesota
Minnesota Department of Commerce
Commissioner of Commerce
85 7th Place East, Suite 600
St Paul, Minnesota 55101

New York
Secretary of the State of New York
41 State Street
Albany, New York 12231

North Dakota
North Dakota Securities Department
State Capitol – 5th Floor
600 East Boulevard
Bismarck, North Dakota 58505-0510

Rhode Island
Director, Department of Business Regulation
JOHN O PASTORE COMPLEX
1511 Pontiac Avenue
Bldg 69, First Floor
Cranston, RI 02920

South Dakota
Department of Revenue and Regulation
Division of Securities
445 East Capitol Avenue
Pierre, South Dakota 57501

Virginia
Clerk, State Corporation Commission
Tyler Building, 1st Floor
1300 East Main Street
Richmond, Virginia 23219

Washington
Director, Department of Financial Institutions
Securities Division
150 Israel Road Southwest
Olympia, Washington 98501

Wisconsin
Commissioner of Securities
345 West Washington Street, 4th Floor
Madison, Wisconsin 53703

EXHIBIT C TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

TABLE OF CONTENTS

EXHIBITS

DRNK/QWENCH Franchise Agreement

Franchisor	Franchisee
DRNK coffee + tea Franchising, LLC	______________________
350 S Grand Ave , Suite 3070	______________________
Los Angeles, CA 90071	______________________

This Franchise Agreement is by and between DRNK coffee + tea Franchising, LLC, a California Limited Liability Company ("Franchisor"), and ________________________, [an individual [*or*] business entity established in the State of _____________] ("Franchisee") and is for the purpose of establishing a franchise relationship between the parties, whereas Franchisor intends to sell and Franchisee intends to own and operate a DRNK coffee + tea®, QWENCH juice bar® or Co-Branded Franchised Business Franchisor and Franchisee, intending to be legally bound, agree as follows

§1 Definitions

Whenever used in this Agreement, the following words and terms have the following meanings

"Affiliate" means any business entity that controls, is controlled by, or is under common control with Franchisor

"Agreement" means this agreement entitled "DRNK/QWENCH Franchise Agreement" and all instruments supplemental hereto or in amendment or confirmation hereof

"Approved Location" means the site for the operation of the Franchised Business selected by Franchisee and approved in writing by Franchisor

"Competitive Business" means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) services and products the same as or similar to those provided by Franchised Businesses or in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate or its other franchisees, provided, however, that the term "Competitive Business" shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Franchisee owns more than a five percent (5%) legal or beneficial interest

"Confidential Information" means information used in or related to DRNK/QWENCH Franchised Businesses and not commonly known by or available to the public, including, without limitation, Trade Secrets and any other information identified or labeled as confidential when delivered by Franchisor

"Operations Manual" means the DRNK/QWENCH Operations Manual, whether in paper or electronic form, and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers' manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor

"Designated Manager" means the individual designated by Franchisee as having primary responsibility for managing the daily affairs of the Franchised Business

"Effective Date" means the date on which Franchisor and Franchisee fully execute this Agreement, thereby commencing its effectiveness and term

"Franchise" means the right granted to Franchisee by Franchisor to use the System and the Marks

"Franchised Business" means the DRNK/QWENCH business to be established and operated by Franchisee pursuant to this Agreement

"Gross Revenue" means the aggregate of all revenue collected from all sources in connection with the Franchised Business, including, but not limited to any sales or other income resulting from Franchisee's conduct of any business outside of the Franchised Business involving the System, whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding (a) any revenue Franchisee remits to a customer or property owner or collection agency that Franchisee is contractually obligated to remit, (b) any chargeback fees Franchisee pays to a collection agency, (c) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, and (d) any rebate received by Franchisee from a manufacturer or supplier

"Incapacity" means the inability of Franchisee, or any holder of a legal or beneficial interest in Franchisee, to operate or oversee the operation of the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation,

"Marks" means the trade name or trademark "DRNK coffee + tea" or "QWENCH juice bar" and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with DRNK/QWENCH Franchised Businesses,

"System" means the uniform standards, methods, procedures and specifications developed by Franchisor and as may be added to, changed, modified, withdrawn or otherwise revised by Franchisor for the operation of DRNK/QWENCH Franchised Businesses, and

"Trade Secrets" means information in any form (including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in DRNK/QWENCH Franchised Businesses that are not commonly known by or available to the public and that (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use, and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy

§2 Grant of Franchise and Approved Location

2 1 Grant

Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained, a revocable, limited license to operate one (1) DRNK coffee + tea®, QWENCH juice bar® or Co-Branded Franchised Business using the System and Marks

2 2 Approved Location

The street address (or detailed description of the premises) of the Approved Location for the operation of the Franchised Business is ______________________________________
____
____
____

2 3 Approved Location Not Determined

If the Approved Location is determined as of the Effective Date, then this Section shall be inapplicable If the Approved Location is not determined as of the Effective Date, then the geographic area in which the Approved Location is to be located shall be within the geographic area described below ("Designated Area") Franchisee shall select and submit possible sites for Franchisor's evaluation in accordance with Section 5 1 When the Approved Location is determined, its address shall be inserted into Section 2 2, shall be initialed and dated by Franchisee and Franchisor and the Designated Area shall lapse The failure to insert such address into Section 2 2, shall not automatically affect the enforceability of this Agreement The Designated Area is delineated for the sole purpose of site selection and does not confer any territorial exclusivity or protection A detailed description of the geographic area or boundaries of the Designated Area is ______________________________________
____
____
____

2 4 Territory

Franchisee will not receive an exclusive territory Franchisee shall open the Franchised Business in location to be secured by Franchisee and approved by Franchisor as described in Section 5 of this Agreement

2 5 Approved Relocatıon

If Franchısee wıshes to relocate to a new Approved Locatıon, Franchısee shall select and submıt possıble sıtes for Franchısor's evaluatıon ın accordance wıth Sectıons 2 3 and 5 1 Franchısor shall not unreasonably wıthhold ıts approval

2 6 Addıtıonal Franchıse Outlets

Franchısee shall not be permıtted to open addıtıonal Franchısed Busınesses under thıs Agreement Addıtıonal franchıses shall be governed by an addıtıonal franchıse agreement

2 7 Sub-Franchısıng/Agents

Franchısee shall not sublıcense the use of the System or Marks to any person or entıty Except as permıtted ın Sectıon 18, Franchısee shall not grant any person or entıty the rıght to perform any part of Franchısee's rıghts or oblıgatıons lıcensed hereunder

2 8 Franchısor's Rıghts

2 8 1 Franchısee acknowledges that except to the extent provıded ın Sectıon 2 4 above, Franchısor expressly retaıns all rıghts and dıscretıon wıth respect to the Marks and System, ıncludıng the rıght to

2 8 1 1 establısh, own or operate, and lıcense others to establısh, own or operate, DRNK/QWENCH Franchısed Busınesses ıncludıng the DRNK branded stores, QWENCH branded stores or Co-Branded Stores,

2 8 1 2 establısh, own or operate, and lıcense others to establısh, own or operate other busınesses under other systems usıng other trademarks anywhere regardless of the proxımıty to the Franchısed Busıness,

2 8 1 3 be acquıred (regardless of the form of transactıon) by any busıness, even ıf the other busıness operates, franchıses and/or lıcenses Competıtıve Busınesses anywhere regardless of the proxımıty to the Franchısed Busıness,

2 8 1 4 provıde the servıces and sell the products authorızed for the Franchısed Busınesses usıng the Marks or other trademarks, servıce marks and commercıal symbols through an alternate channel of dıstrıbutıon on such terms and condıtıons as Franchısor deems approprıate, and

2 8 1 5 purchase or otherwıse acquıre the assets or controllıng ownershıp of one (1) or more busınesses ıdentıcal or sımılar to the Franchısed Busıness some or all of whıch may be located anywhere regardless of the proxımıty to the Franchısed Busıness

2 8 2 If Franchısor purchases or acquıres such busınesses anywhere regardless of the proxımıty to the Franchısed Busıness that are not franchısed or lıcensed, Franchısor may, ın ıts sole dıscretıon

2 8 2 1 offer to sell any such busınesses to Franchısee or to any thırd party at the busıness's faır market value to be operated as a DRNK coffee + tea®, QWENCH juice bar or Co-Branded Franchısed Busıness, or

2 8 2 2 offer Franchısee the opportunıty to operate such busıness(s) ın partnershıp wıth Franchısor (or an Affılıate) under the busıness(s) exıstıng trade name or a dıfferent trade name

2 9 Marketıng and Solıcıtatıon Restrıctıons

2 9 1 Except as part of cooperatıve advertısıng ımplemented pursuant to Sectıon 11 4, Franchısee shall not advertıse ın any medıa whose prımary cırculatıon ıs wıthın the area of prımary responsıbılıty of another franchısee Franchısor shall make reasonable efforts to enforce these restrıctıons wıth regard to Franchısee and any other Franchısed Busınesses, but under no cırcumstances shall Franchısor be requıred to engage ın lıtıgatıon or sımılar actıons wıth regard to these restrıctıons

2 9 2 Despıte the marketıng restrıctıon ın the prevıous sectıon, Franchısee shall be permıtted to serve any customers regardless of theır home or busıness locatıon at theır Approved Locatıon

<u>§3 Fees</u>

3 1 Franchıse Fee

Upon executıon of thıs Agreement, Franchısee shall pay a fee ("Franchıse Fee") to Franchısor of FORTY THOUSAND DOLLARS ($25,000) The Franchıse Fee shall be deemed fully earned upon executıon of thıs Agreement and ıs nonrefundable, except under certaın condıtıons set forth under Sectıons 5 2, and 8 3 The Franchıse Fee ıs payment, ın part, for expenses ıncurred by Franchısor ın furnıshıng assıstance and servıces to Franchısee as set forth ın thıs Agreement and for costs ıncurred by Franchısor, ıncludıng general sales and marketıng expenses, traınıng, legal, accountıng and other professıonal fees

3 2 Monthly Royalty Fee

On or before the first Monday of each Month, for so long as thıs Agreement shall be ın effect, Franchısor shall be entıtled to a fee ("Royalty Fee") equal to sıx percent (6%) of the Gross Revenue for the prevıous month Franchısee shall pay the Monthly Royalty Fee ın the followıng manner Royalty Fees wıll be deducted automatıcally through EFT, and each monthly Royalty Fee payment made by Franchısee shall accompany a sales report ıncluded dırectly from the requıred POS System If Franchısor requıres Franchısee to pay Royalty Fees through electronıc transfer as set forth ın Sectıon 3 4, such reports shall ınstead be submıtted to Franchısor vıa facsımıle transmıssıon, e-maıl or ıntranet system

3 3 Taxes

Franchısee shall pay to Franchısor an amount equal to all sales taxes, excıse taxes, use taxes, wıthholdıng taxes and sımılar taxes ımposed on the fees payable by Franchısee to

Franchisor hereunder and on services or goods furnished to Franchisee by Franchisor at the same time as Franchisee remits such fees to Franchisor, whether such services or goods are furnished by sale, lease or otherwise, unless the tax is an income tax assessed on Franchisor for doing business in the state where the Approved Location is located

3 4 Late Fees

All Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor and other amounts that are not received by Franchisor within five (5) days after the due date shall incur late fees at the rate of one and one-half percent (1 5%) per month (or the highest rate allowed by the law of the state where Franchisee is located), from the date payment is due to the date payment is received by Franchisor Franchisee shall pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and past due Royalty Fees, Marketing Fund Contributions or any other amounts due Franchisor, including reasonable accounting and legal fees This Section shall not constitute an agreement by Franchisor to accept any payments after the due date or a commitment by Franchisor to extend credit to or otherwise finance Franchisee

3 5 Application of Payments

Notwithstanding any designation by Franchisee, Franchisor shall have the right to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, Marketing Fund Contributions, purchases from Franchisor or any other amount owed to Franchisor in any proportion or priority

§4 Term and Renewal

4 1 Initial Term

This Agreement shall be effective and binding for an initial term of ten (10) years from the Effective Date, unless sooner terminated pursuant to Section 16

4 2 Successor Franchise

4 2 1 Subject to the conditions below, Franchisee has the right to obtain a Successor Franchise at the expiration of the term of this Agreement by entering into the then current franchise agreement with Franchisor To qualify for a successor franchise, each of the following conditions shall have been fulfilled and remain true as of the last day of the term of this Agreement

4 2 1 1 Franchisee has, during the entire term of this Agreement, fully complied with all material provisions of this Agreement,

4 2 1 2 Franchisee has access to and, for the duration of the successor franchise, the right to remain in possession of the Approved Location, or a suitable substitute location approved by Franchisor, which is in full compliance with Franchisor's then-current specifications and standards,

4 2 1 3 Franchisee has, at its expense, made such capital expenditures as were necessary to maintain uniformity with any Franchisor-required System modifications such that the Franchised Business reflects Franchisor's then-current standards and specifications,

4 2 1 4 Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor (or any Affiliate), and has timely met these obligations throughout the term of this Agreement,

4 2 1 5 Franchisee is not in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor,

4 2 1 6 Franchisee has given written notice of its intent to operate a successor franchise to Franchisor not less than nine (9) months nor more than twelve (12) months prior to the end of the term of this Agreement,

4 2 1 7 Franchisee's written notice must be accompanied by a non-refundable renewal fee equal to fifteen (15%) of the Franchise Fee that Franchisor is charging for a new single-unit franchise in the United States at the time that Franchisor receives Franchise's written notice

4 2 1 8 Franchisee has executed Franchisor's then-current form of franchise agreement that may be different from this Agreement (or has executed other documents at Franchisor's election that modify this Agreement to reflect the fact that the Franchise Agreement relates to the grant of a successor franchise), which franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee or Marketing Fund Contribution, provided, however, that Franchisee shall not be required to pay either a renewal fee or the then-current Franchise Fee,

4 2 1 9 Franchisee has complied with Franchisor's then-current qualifications for a new franchisee and has agreed to comply with any training requirements, and

4 2 1 10 Franchisee has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, any Affiliate and against their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), except to the extent prohibited by the laws of the state where the Franchised Business is located

§5 Approved Location

5 1 Selection of Site

Franchisee shall select their facility to lease or purchase for the operation of the Franchised Business to be approved by Franchisor ('Approved Location") If an Approved Location for the Franchised Business has not been determined as of the Effective Date, Franchisee shall promptly select a site for the Franchised Business and shall notify Franchisor of such selection Franchisor shall evaluate the site and notify Franchisee of its approval or disapproval of the site within a reasonable time (usually thirty (30) days) of receiving notice of the site from Franchisee If Franchisor approves of such selection, the site shall be designated as the Approved Location If Franchisor does not approve of such selection, Franchisee shall select and notify Franchisor of new sites until Franchisor approves a site for the Franchised Business Franchisor shall provide Franchisee with general guidelines to assist Franchisee in selecting a site suitable for the Approved Location Franchisor has the right to approve or disapprove a proposed location based on such factors as it deems appropriate, including, without limitation, the condition of the premises, demographics of the surrounding area, proximity to other DRNK coffee + tea®, QWENCH juice bar or Co-Branded Franchised Businesses, proximity to Competitive Businesses, or the size of the location and lease requirements Franchisee shall not locate the Franchised Business on a selected site without the prior written approval of Franchisor ***Franchisor does not represent that it, or any of its Affiliates, owners, employees or agents, have special expertise in selecting sites Neither Franchisor's assistance nor approval is intended to indicate or indicates that the Franchised Business will be profitable or successful at the Approved Location Franchisee is solely responsible for identifying the Approved Location***

5 2 Failure to Select Site

Should Franchisee fail to obtain an Approved Location within six (6) months after the Effective Date, Franchisor has the right to terminate this Agreement The amount of the Franchise Fee retained shall be specifically understood and agreed by the parties to be in consideration of the services provided, time expended, work performed, and other efforts of Franchisor up to the date of Franchisee's failure to timely commence operations of the Franchised Business and shall not be construed as nor considered to be a penalty

5 3 Lease of Approved Location

5 3 1 If Franchisee is to execute a lease for, or a binding agreement to purchase, the Approved Location, Franchisee must obtain Franchisor s approval of the terms Franchisor shall not unreasonably withhold its approval ***Franchisor's review of a lease or purchase agreement, or any advice or recommendation offered by Franchisor, shall not constitute a representation or guarantee that Franchisee will succeed at the Approved Location nor constitute an expression of Franchisor's opinion regarding the terms of such lease or purchase agreement Franchisee acknowledges and agrees that Franchisee shall solely rely on its review of any such lease or purchase agreement*** Franchisor shall be entitled to require that nothing therein contained is contradictory to, or likely to interfere with, Franchisor's rights or Franchisee's duties under this Agreement Franchisee shall take all actions necessary to maintain the lease, if any, of the Approved Location while this Agreement is in effect Any default for which the lease may be terminated shall also be deemed a default hereunder and the time to cure the same shall expire when the lease is terminated Franchisor has the right to require that the lease for the Approved Location be collaterally assigned by Franchisee to Franchisor, pursuant to the terms of its standard collateral assignment of lease form, to secure performance by Franchisee of its obligation under this Agreement Franchisor's approval of a lease shall be conditioned upon inclusion of terms in the lease acceptable to

Franchisor and, at Franchisor's option the lease shall contain such provisions as Franchisor may reasonably require, including but not limited to

5 3 1 1 a provision reserving to Franchisor the right, but not the obligation, at Franchisor's election, to receive an assignment of the leasehold interest without payment of any assignment fee or similar charge and without a requirement for the payment of an additional security deposit or any increase in rent or other fees upon termination or expiration of the Franchise The lessor agrees that, before the effective date of any assignment of the lease to Franchisor (or its designee), Franchisee shall be solely responsible for all obligations, debts and payments under the lease Franchisee shall not be entitled to a return of its security deposit,

5 3 1 2 a provision requiring the lessor to provide Franchisor with a copy of any written notice of deficiency sent by the lessor to Franchisee, and granting to Franchisor the right (but not the obligation) to cure any deficiency under the lease should Franchisee fail to do so within fifteen (15) days after the expiration of the period in which Franchisee may cure the default,

5 3 1 3 a provision requiring the lessor to provide Franchisor (at the same time lessor provides to Franchisee) a copy of all lease amendments and assignments, and a copy of all letters and notices lessor sends to Franchisee relating to the lease or the leased premises,

5 3 1 4 a provision permitting Franchisor to enter the leased premises to make any modifications or alterations necessary in Franchisor's sole discretion to protect the System and the Marks without being guilty of trespass, or other tort or other crime,

5 3 1 5 a provision allowing Franchisee to display the Marks in accordance with the specifications required by the Operations Manual, subject only to the provisions of applicable law,

5 3 1 6 a provision prohibiting the premises from being used for any purpose other than the operation of the Franchised Business,

5 3 1 7 a provision allowing Franchisor, upon expiration and non-renewal or termination of the lease or the Franchise Agreement, to enter the premises and remove any interior and exterior signs containing the Marks and trade fixtures,

5 3 1 8 a provision stating that upon default of this Agreement, Franchisor or its nominee has the right, but not the obligation, to take possession of the Approved Location and operate the Franchised Business and notwithstanding Franchisor's (or the nominee's) possession, the lessor agrees that during all times prior to an assignment of the lease to Franchisor (or its designee), Franchisee shall be solely responsible for all obligations, debts and payments under the lease incurred prior to or during such possession and prior to such assignment, and

5 3 1 9 a provision stating that lessor shall not amend or otherwise modify the lease in any manner that would affect any of the foregoing provisions to be included in the lease set forth above without Franchisor's prior written consent

5 4 Development of Approved Location

5 4 1 Franchisor shall make available to Franchisee, at no charge to Franchisee, specifications for the development of the Approved Location, including specifications for improvements, supplies and equipment that are necessary for the development and operation of a DRNK/QWENCH Franchised Business Franchisee shall cause the Approved Location to be developed, equipped and improved in accordance with such specifications within twelve (12) months of the Effective Date In connection with the development of the Approved Location, Franchisee shall

5 4 1 1 obtain all permits and licenses required for operation of the Franchised Business, and certify in writing that all such permits and certifications have been obtained,

5 4 1 2 purchase any supplies or inventory necessary for the operation of the Franchised Business, as specified in the Operations Manual,

5 4 1 3 purchase and install all equipment, furniture and fixtures, including any software and computer equipment, required by Franchisor for the operation of the Franchised Business, and

5 4 1 4 establish broadband or high-speed Internet access and obtain at least one (1) telephone number and one (1) facsimile number solely dedicated to the Franchised Business

5 5 Failure to Develop Approved Location

Should Franchisee fail to develop the Approved Location within twelve (12) months after the site approval, Franchisor has the right to terminate this Agreement If this Agreement is terminated pursuant to this Section, Franchisor shall terminate any future obligations to Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities)

5 6 Opening

5 6 1 Before opening the Franchised Business and commencing business, Franchisee must

5 6 1 1 fulfill all of the obligations of Franchisee pursuant to the other provisions of this Section 5,

5 6 1 2 furnish Franchisor with copies of all insurance policies required by this Agreement, or by the lease (if any), or such other evidence of insurance coverage and payment of premiums as Franchisor may request,

5 6 1 3 complete initial training to the satisfaction of Franchisor,

5 6 1 4 hire and train the personnel necessary or required for the operation of the Franchised Business,

5 6 1 5 if Franchisee is a business entity, cause each of its stock certificates or other ownership interest certificates to be conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that such ownership interest is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement,

5 6 1 6 obtain Franchisor's permission and approval of an opening date, Franchisor shall not unreasonably withhold consent to open Permission to open shall be based on Franchisor's determination that Franchisee is ready to open and satisfactorily prepared to operate, and

5 6 1 7 pay in full all amounts due to Franchisor

5 7 Failure to Open

Time is of the essence Should Franchisee fail to commence operations of the Franchised Business within twelve (12) months after the Site Approval Date, Franchisor has the right to terminate this Agreement

5 8 Use of Approved Location

Franchisee shall not use the Approved Location for any purpose other than for the operation of a Franchised Business in full compliance with this Agreement and the Operations Manual, unless approved in writing by Franchisor

5 9 Relocation

Franchisee shall not relocate the Approved Location without the prior written consent of Franchisor If the Approved Location is leased, and the lease expires or terminates through no fault of Franchisee or if the Approved Location's premises is destroyed, condemned or otherwise rendered unusable, Franchisee may request the right to relocate the Approved Location either permanently or temporarily as appropriate under the circumstances and Franchisor shall not unreasonably withhold its consent to such relocation Should Franchisee desire to relocate the Approved Location for any other reason, Franchisee shall request the right and Franchisor may approve or disapprove such request Any relocation of the Approved Location shall be at Franchisee's sole expense, and shall proceed in accordance with the requirements set forth in Sections 5 1 through 5 8 Franchisor has the right to charge Franchisee for any costs incurred by Franchisor in providing assistance to Franchisee, including, but not limited to, legal and accounting fees Notwithstanding the foregoing, Franchisor has no obligation to provide relocation assistance If Franchisor and Franchisee do not agree upon a substitute site within ninety (90) days after the lease expires or is terminated or the Approved Location is rendered unusable, this Agreement shall terminate as provided in Section 16 2 1 1

§6 Proprietary Marks

6 1 Ownership

Franchisee's right to use the Marks is derived solely from this Agreement, is nonexclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks Franchisee's use of the Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor Franchisee shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks This Agreement does not confer any goodwill, title or interest in the Marks to Franchisee Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks

6 2 Limitations on Use

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Franchised Business Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee Franchisee shall include on its letterhead, forms, cards and other such identification, and shall display at the Approved Location, a prominent notice stating that the Franchised Business is an "Independently Owned and Operated Franchise" of Franchisee

6 3 Notification of Infringements and Claims

Franchisee shall immediately notify Franchisor of any infringement of the Marks or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks Franchisee shall not communicate with any person other than Franchisor and Franchisor's counsel in connection with any such infringement, challenge or claim, provided, however, Franchisee may communicate with Franchisee's counsel at Franchisee's expense Franchisor has the right to take such action as it deems appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of Franchisor's counsel, be necessary or advisable to protect and maintain Franchisor's interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor's interest in the Marks

6 4 Indemnification for Use of Marks

Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee's authorized use of any Mark, provided that Franchisee has complied with the provisions of Section 6 3 and has complied with this Agreement and Franchisor's directions in responding to such proceeding At Franchisor's option, Franchisor or its designee may defend and control the defense of any proceeding arising directly from Franchisee's use of any Mark This indemnification shall, not include the expense to Franchisee of removing signage or discontinuance of the use of the Marks, not apply to litigation between Franchisor and Franchisee wherein Franchisee's use of the Marks is disputed or challenged by Franchisor, not apply to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee's use of the Marks

6 5 Discontinuance of Use

If Franchisor deems it necessary for Franchisee to modify or discontinue use of any of the Marks, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions within ten (10) business days after notice to Franchisee by Franchisor and subject to the limitations in Section 10 2 Franchisor shall not be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark

6 6 Right to Inspect

To preserve the validity and integrity of the Marks licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Business, Franchisor and its designees have the right to enter and inspect the Approved Location at all reasonable times and, additionally, have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, products, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Franchised Business in accordance with the quality control provisions and performance standards established by Franchisor Franchisor and its agents shall have the right, at any reasonable time, to remove sufficient quantities of products, supplies or other items to test whether such products or items meet Franchisor's then-current standards Franchisor or its designee has the right to observe Franchisee and its employees during the operation of the Franchised Business and to interview and survey (whether in person or by mail) customers and employees and to photograph or videotape the operations

6 7 Franchisor's Sole Right to Domain Name

Franchisee shall not advertise on the Internet using, or establish, create or operate an Internet site or website using a domain name or uniform resource locator containing, the Marks or the words "DRNK coffee + tea" or "QWENCH juice bar" or any variation thereof without Franchisor's written approval Franchisor is the sole owner of all rights title and interest in and to such domain names as Franchisor shall designate in the Operations Manual

§7 Trade Secrets and Other Confidential Information

7 1 Confidentiality of Trade Secrets and Other Confidential Information

Franchisee acknowledges that Franchisor shall disclose Trade Secrets and other Confidential Information to Franchisee during the training program, through the Operations Manual, and as a result of guidance furnished to Franchisee during the term of this Agreement Franchisee shall not acquire any interest in the Trade Secrets or other Confidential Information, other than the right to use it in the development and operation of the Franchised Business and in performing its duties during the term of this Agreement Franchisee acknowledges that the use or duplication of the Trade Secrets or other Confidential Information in any other business venture would constitute unfair competition Franchisee acknowledges that the Trade Secrets and other Confidential Information are proprietary and are disclosed to Franchisee solely on the condition that Franchisee (and all holders of a legal or beneficial interest in Franchisee and all officers, directors, executives, managers and members of the professional staff of Franchisee) (a) shall not use the Trade Secrets or other Confidential Information in any other business or capacity, (b) shall maintain the absolute confidentiality of the Trade Secrets and other Confidential Information during and after the term of this Agreement, (c) shall not make any unauthorized copies of any portion of the Trade Secrets or other Confidential Information disclosed in written or other tangible form, and (d) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Trade Secrets and other Confidential Information Franchisee shall enforce this Section as to its employees, agents and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of Trade Secrets or other Confidential Information by any of them

7 2 Additional Developments

All ideas, concepts, techniques or materials concerning the System or developed, in whole or in part, using Trade Secrets or other Confidential Information, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, shall be promptly disclosed to Franchisor and shall be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation shall be due to Franchisee or its owners or employees therefore, and Franchisee agrees to assign to Franchisor all right, title and interest in any intellectual property so developed Franchisor has the right to incorporate such items into the System To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Franchisee shall assign, and by this Agreement, does assign, ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor requests to assist

Franchisor in obtaining or preserving intellectual property rights in the item Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor's efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not

7 3 Exclusive Relationship

7 3 1 Franchisee acknowledges that Franchisor would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among DRNK/QWENCH franchisees if owners of Franchised Businesses and members of their immediate families or households were permitted to hold an interest in or perform services for any Competitive Business Therefore, during the term of this Agreement, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee (or any member of their immediate families or households), nor any officer, director, executive, manager or member of the professional staff of Franchisee, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall

7 3 1 1 divert or attempt to divert any business or customer of the Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System, or

7 3 1 2 own an interest in, manage, operate, or perform services for any Competitive Business wherever located

7 4 Non-disclosure and Non-competition Agreements with Certain Individuals

Franchisor has the right to require any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff of Franchisee to execute a non-disclosure and non-competition agreement, in a form the same as or similar to the Non-disclosure and Non-competition Agreement attached as Exhibit 2, upon execution of this Agreement or prior to each such person's affiliation with Franchisee Upon Franchisor's request, Franchisee shall provide Franchisor with copies of all non-disclosure and non-competition agreements signed pursuant to this Section Such agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein Franchisor shall be a third-party beneficiary with the right to enforce covenants contained in such agreements

7 5 Reasonableness of Restrictions

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that without their inclusion, Franchisor would not have entered into this Agreement Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System and the Marks and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable

§8 Training and Assistance

8 1 Initial Training

Franchisor shall make an initial training program available to the up to three individuals Franchisee, one of whom must be Franchisee's Designated Manager Approximately six to eight weeks prior to the opening of the Franchised Business, the Designated Manager must attend and successfully complete, to Franchisor's satisfaction, an initial training program pertaining to the operation and administration of the Franchised Business including, but not limited to, operational procedures, customer service techniques, sales and marketing methods, financial controls, maintenance of quality standards, record keeping, and reporting procedures and other operational issues Franchisor shall conduct the initial training program at its headquarters, Franchisor's training store, or at another designated location Franchisor shall not charge tuition or similar fees for initial training, however, all expenses incurred by Franchisee in attending such program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee Franchisee shall be responsible for training its management and other employees

8 2 Opening Assistance

In conjunction with the beginning of operation, but not to exceed 60 days from the opening of the Franchised Business, Franchisor shall make available to Franchisee, at Franchisor's expense, a team of Franchisor's representatives, experienced in the System, for the purpose of familiarizing Franchisee's staff with the Franchised Business System techniques and for the purpose of providing general assistance and guidance in connection with the opening of the Franchised Business If Franchisee requests additional assistance with respect to the opening or continued operation of the Franchised Business, and should Franchisor deem it necessary and appropriate to comply with such request, Franchisee shall pay Franchisor's then-current standard rates, plus expenses, for such additional assistance

8 3 Failure to Complete Initial Training Program

If Franchisor determines that the Designated Manager is unable to satisfactorily complete the training program described above, Franchisor has the right to terminate this Agreement If Franchisee is a business entity and the Designated Manager fails to complete the initial training program to Franchisor's reasonable satisfaction, Franchisee may be permitted to select a substitute manager and such substitute manager must complete the initial training to Franchisor's satisfaction

8 4 New Designated Manager

After beginning operations, should Franchisee name a new Designated Manager, Franchisee must notify Franchisor of the identity of the new Designated Manager Franchisee will be responsible for training the new Designated Manager The Franchisor may, in its discretion, conduct an assessment of Franchisee's new Designated Manager at the completion of his or her training Franchisee may request that Franchisor conduct or allow the Designated Manager to attend and participate in another franchisee's initial training program, but Franchisor reserves the right to approve or disapprove such request in its sole discretion Any such training by Franchisor shall be at Franchisee's sole cost and expense, and Franchisor shall charge Franchisee a training fee to be determined by Franchisor in its sole discretion

8 5 Ongoing Training

From time to time, Franchisor may provide and if it does, has the right to require that the Designated Manager attend ongoing training programs or seminars during the term of this Agreement Franchisor shall not charge a fee for any mandatory ongoing training Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the Designated Manager's attendance at such training

§9 Operations Manual

9 1 Loan by Franchisor

While this Agreement is in effect, Franchisor shall lend to Franchisee one (1) copy of the Operations Manual or grant Franchisee access to an electronic copy of the Operations Manual Manual will vary depending on whether the business is a DRNK coffee + tea® or QWENCH juice bar or Co-Branded business Franchisee shall conduct the Franchised Business in strict accordance with the provisions set forth in the Operations Manual The Operations Manual may consist of one (1) or more separate manuals and other materials as designated by Franchisor and may be in written or electronic form The Operations Manual shall, at all times, remain the sole property of Franchisor and shall promptly be returned to Franchisor upon expiration or termination of this Agreement

9 2 Revisions

Franchisor has the right to add to or otherwise modify the Operations Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor, provided, however, that no such addition or modification shall materially alter Franchisee's fundamental status and rights under this Agreement Franchisor may make such additions or modifications without prior notice to Franchisee Franchisee shall immediately, upon notice, adopt any such changes and shall ensure that its copy of the Operations Manual is up-to-date at all times If a dispute as to the contents of the Operations Manual arises, the terms of the master copy of the Operations Manual maintained by Franchisor at Franchisor's headquarters shall be controlling

9 3 Confidentiality

The Operations Manual contains Trade Secrets and other Confidential Information of Franchisor and its contents shall be kept confidential by Franchisee both during the term of the Franchise and subsequent to the expiration and non-renewal or termination of this Agreement Franchisee shall at all times ensure that its copy of the Operations Manual is available at the Approved Location in a current and up-to-date manner If the Operations Manual is in paper form or stored on computer-readable media, Franchisee shall maintain the Operations Manual in a secure manner at the Approved Location, if the Operations Manual is in electronic form, Franchisee shall maintain the Operations Manual in a password-protected file Franchisee shall only grant authorized personnel, as defined in the Operations Manual, access to the Operations Manual or any key, combination or passwords needed for access to the Operations Manual Franchisee shall not disclose, duplicate or otherwise use any portion of the Operations Manual in an unauthorized manner

§10 Franchise System

10 1 Uniformity

Franchisee shall strictly comply, and shall cause the Franchised Business and its employees to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Operations Manual or other communications supplied to Franchisee by Franchisor

10 2 Modification of the System

Franchisor has the right to change or modify the System from time to time including, without limitation, the adoption and use of new or modified Marks or copyrighted materials, and computer hardware, software, equipment, inventory, supplies or sales and marketing techniques Franchisee shall accept and use any such changes in, or additions to, the System as if they were a part of this Agreement as of the Effective Date Franchisee shall make such expenditures as such changes, additions or modifications in the System may reasonably require, provided, however, Franchisee shall not be required to implement or conform to any such changes, additions or modifications if the cost to do so would exceed (a) ONE DOLLAR ($1 00) during the first (1st) year of the term of this Agreement, (b) TWENTY FIVE THOUSAND DOLLARS ($25,000 00) in the aggregate during the initial term of this Agreement (which amounts may be increased consistent with increases to the Consumer Price Index, U S City Average, all items, 1982-84=100, as published by the United States Department of Labor, Bureau of Labor Statistics "CPI-U"), or (c) ONE DOLLAR ($1 00) during the final year of the term of this Agreement if Franchisee provides written notice of its intention not to renew the Franchise Any required expenditure for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 13 2 Notwithstanding the foregoing, Franchisee shall be required to make any and all improvements or modifications whenever such are required by law, regulation, agency decision or court order

10 3 Variance

Franchisor has the right to vary standards or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of any particular Franchised Business Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance granted to another franchisee

<u>§11 Advertising and Promotional Activities</u>

11 1 Grand Opening Advertising

Prior to, and/or during a period of approximately three (3) months following the initial opening of the Franchised Business, Franchisee shall spend an amount specified by Franchisor on local advertisement and promotion of the initial opening ("Grand Opening Advertising") Franchisor shall determine and specify an appropriate minimum amount which Franchisee shall be required to expend on Grand Opening Advertising based upon Franchisor's general assessment of the area surrounding the Franchised Business and taking into account other potentially relevant factors, such as prevailing costs of advertising in the area, the time of year of opening and other similar factors Further, Franchisor shall specify the time at which Franchisee shall conduct Grand Opening Advertising Prior to their use, all materials to be used in Grand Opening Advertising must be approved by Franchisor through the process set forth in Section 11 2 2 Grand Opening Advertising expenditures shall be in addition to any Local Advertising expenditures and Marketing Fund Contributions

11 2 Local Advertising

11 2 1 Franchisee shall continuously promote the Franchised Business Every month, Franchisee shall spend one percent (1%) of its monthly Gross Revenue on advertising, promotions and public relations within the immediate locality surrounding the Franchised Business ("Local Advertising") Such expenditures shall be made directly by Franchisee, subject to the prior approval and direction of Franchisor Franchisor shall provide general guidelines to Franchisee for conducting Local Advertising Within thirty (30) days after the end of each month, Franchisee shall furnish to Franchisor an accurate accounting of the expenditures on Local Advertising for the preceding month

11 2 2 Franchisee shall submit to Franchisor, for its prior approval, all advertising and promotional materials to be used by Franchisee including, but not limited to, television ads, radio ads, ad copy, coupons, flyers, scripts and direct mail Franchisor shall use reasonable efforts to provide notice of approval or disapproval within twenty (20) days from the date all requested material is received by Franchisor If Franchisor does not approve submitted materials by the end of such twenty (20) day period, such materials shall be deemed to have received the required approval Franchisee shall not use any marketing or promotional material prior to approval by Franchisor The submission of advertising materials to Franchisor for approval shall not affect Franchisee's right to determine the prices at which Franchisee sells products or provides services

11 3 Marketing Fund

11 3 1 Franchisor has established and administers a System-wide marketing, advertising and promotion fund to assist in Franchisor's regional and national advertising ("Marketing Fund") Franchisee shall be required to contribute three (3%) of Gross Sales Monthly to the Marketing Fund in an amount specified by Franchisor and which Franchisor may adjust from time to time ("Marketing Fund Contribution") Marketing Fund Contributions shall be made at the time and in the manner provided for Royalty Fees in Section 3 2

Franchisor shall notify Franchisee at least thirty (30) days before changing Marketing Fund Contribution requirements Marketing Fund shall be maintained and administered by Franchisor or its designee as follows

11 3 1 1 Franchisor shall oversee all marketing programs, with sole control over creative concepts, materials and media used in such programs, and the placement and allocation thereof Franchisor does not warrant that any particular franchisee will benefit directly or *pro rata* from expenditures by the Marketing Fund The program(s) may be local, regional or System-wide Franchisor does not warrant the success or effectiveness of any particular marketing program

11 3 1 2 Franchisee's Marketing Fund Contributions may be used to meet the costs of, or to reimburse Franchisor for its costs of, producing, maintaining, administering and directing consumer advertising (including, without limitation, the cost of preparing and conducting television, radio, Internet, magazine, newspaper, and direct mail advertising campaigns and other public relations activities, developing and/or hosting an Internet web page or site and similar activities, employing advertising agencies to assist therein, and providing promotional brochures and other marketing materials to franchisees) All Marketing Fund Contributions shall be maintained in a separate account from the monies of Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable costs and expenses, if any, that Franchisor may incur in activities reasonably related to the administration of the Marketing Fund

11 3 1 3 Franchisor shall endeavor to spend all Marketing Fund Contributions on marketing programs and promotions during Franchisor's fiscal year within which such contributions are made If excess amounts remain in any Marketing Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the Marketing Fund, and next out of prior year contributions and then out of current contributions

11 3 1 4 Although Franchisor intends the Marketing Fund to be of perpetual duration, Franchisor has the right to terminate the Marketing Fund at any time The Marketing Fund shall not be terminated, however, until all Marketing Fund Contributions have been expended for advertising and promotional purposes or returned to Franchisee and other franchisees on a *pro rata* basis based on total Marketing Fund Contributions made in the aggregate by each franchisee

11 3 1 5 Each franchised business operated by Franchisor or an Affiliate shall make Marketing Fund Contributions at the same rate as Franchised Businesses

11 3 1 6 An accounting of the operation of the Marketing Fund shall be prepared annually and shall be available to Franchisee upon request Franchisor retains the right to have the Marketing Fund reviewed or audited and reported on, at the expense of the Marketing Fund, by an independent certified public accountant selected by Franchisor

11 3 1 7 Franchisee acknowledges that the Marketing Fund is not a trust and Franchisor assumes no fiduciary duty in administering the Marketing Fund

11 4 Cooperative Advertising

Franchisor has the right, but not the obligation, to create a cooperative advertising program for the benefit of Franchised Businesses located within a particular region Franchisor has the right to collect and designate all or a portion of the Local Advertising to payments or contributions to Franchisor for the funding of a cooperative advertising program Franchisor has the right to determine the composition of all geographic territories and market areas for the implementation of each cooperative advertising program and to require that Franchisee participate in such cooperative advertising programs when established within Franchisee's region If a cooperative advertising program is implemented in a particular region, Franchisor has the right to administer the cooperative advertising Program or to establish an advertising council of franchisees to self-administer the cooperative advertising program Franchisee shall participate in the council according to the rules and procedures established by the council and Franchisee shall abide by the council's decisions Should Franchisor establish a cooperative advertising program or programs with or without an advertising council, Franchisor has the right, but not the obligation, to change, dissolve or merge such program(s) and/or council(s) at any time

11 5 Internet, Website and Social Media Marketing

Franchisee may not establish a presence on, or market using, the Internet, any website or Social Media (such as Facebook, LinkedIn, Twitter, Instagram, Snapchat, YouTube, blogs, and other online social networks, wikis, forums, content sharing communities, etc) in connection with the Franchised Business without Franchisor's prior written consent Franchisor has established and maintains an Internet website at the uniform resource locator www drnkcoffee com_that provides information about the System and the products and services that Franchisor and its franchisees provide Franchisor may (but is not required to) include at the DRNK coffee + tea® or QWENCH juice bar website an intranet section or an interior page containing information about the Franchised Business If Franchisor includes such information on the DRNK coffee + tea® or QWENCH juice bar website, Franchisor has the right to require Franchisee to prepare all or a portion of the section or page, at Franchisee's expense, using the trademarks DRNK coffee + tea® or QWENCH juice bar that Franchisor provides and to pay reasonable, per page web hosting fees to Franchisor (or a third-party web hosting firm) on a monthly basis All such information shall be subject to Franchisor's approval prior to posting Franchisor retains the sole right to advertise and sell the products and services offered by franchised businesses and to or use the Marks on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), Social Media pages, banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements Franchisee may be requested to provide content for Franchisor's Internet marketing and shall be required to follow Franchisor's intranet and Internet usage rules, policies and requirements Franchisor retains the sole right to approve any linking to, or other use of, the DRNK coffee + tea® or QWENCH juice bar website If Franchisee is permitted to establish a presence on an Internet website or Social Media site, Franchisor must be granted administrative access to the account

§12 Accounting, Records and Reporting Obligations

12 1 Records

During the term of this Agreement, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Operations Manual or otherwise in writing Franchisee shall retain during the term of this Agreement, and for three (3) years thereafter, all books and records related to the Franchised Business including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law

12 2 Gross Revenue Reports

Franchisee shall maintain an accurate record of daily Gross Revenue and shall deliver to Franchisor via facsimile transmission, email, or the intranet, a signed and verified statement of monthly Gross Revenue ("Gross Revenue Report") for the tenth (10^{th}) day of each month for the previous month in a form that Franchisor approves or provides in the Operations Manual The Gross Revenue Report for the preceding month must be provided to Franchisor by the close of business on the tenth (10^{th}) day of each month as provided in Section 3 2

12 3 Financial Statements

Franchisee shall supply to Franchisor on or before the tenth (10^{th}) day of each month following the close of a quarter, in a form approved by Franchisor, a balance sheet as of the end of the last day of the preceding month and an income statement for the preceding quarter and the fiscal year-to-date Franchisee shall, at its expense, submit to Franchisor within ninety (90) days after the end of each calendar year, an income statement for the calendar year just ended and a balance sheet as of the last day of the calendar year Such financial statements shall be prepared in accordance with GAAP, applied on a consistent basis As required by Franchisor, such financial statements shall be reviewed or audited by a certified public accountant Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Operations Manual or otherwise in writing

12 4 Other Reports

Franchisee shall submit to Franchisor copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as Franchisor may reasonably request from time to time or as specified in the Operations Manual Franchisor shall have the right to release financial and operational information relating to the Franchised Business to Franchisor's lenders or prospective lenders Franchisee shall certify as true and correct all reports to be submitted pursuant to this Agreement

12 5 Computer Equipment

Franchisor reserves the right to require Franchisee to purchase, install and use computer and point-of-sale systems consisting of hardware and software in accordance with

Franchisor's specifications Franchisor shall have full access to all of Franchisee's computer and point-of-sale data and systems and all related information by means of direct access, either in person or by telephone, modem or Internet to permit Franchisor to verify Franchisee's compliance with its obligations under this Agreement

12 6 Right to Inspect

Franchisor or its designee has the right, during normal business hours, to examine, copy and audit the books, records and tax returns of Franchisee If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of eighteen percent (18%) per annum (or the highest rate allowed by the law of the state where Franchisee is located, whichever is lower) If the audit or any other inspection discloses an underpayment of three percent (3%) or more of the amount due for any period covered by the audit, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees) The foregoing remedies shall be in addition to any other remedies Franchisor may have

12 7 Release of Records

At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting and legal professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Revenue, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor

§13 Standards of Operation

13 1 Authorized Products, Services and Suppliers

13 1 1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality products and services to its customers Accordingly, Franchisee shall provide or offer for sale or use at the Franchised Business only those items and services that Franchisor from time to time approves (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards

13 1 2 Franchisor shall provide Franchisee, in the Operations Manual or other written or electronic form, with a list of specifications and a list of Approved Suppliers for some or all of the supplies, signs, furniture, fixtures, inventory, equipment and other approved or specified items and services Franchisor may from time to time issue revisions to such list Franchisee shall not offer for sale, sell or provide through the Franchised Business or from the Approved Location any products or services that Franchisor has not approved Franchisor may revoke its

approval of any item, service or supplier at any time by notifying Franchisee and/or the supplier Franchisee shall, at its own expense, promptly cease using, selling or providing any items or services disapproved by Franchisor and shall promptly cease purchasing from suppliers disapproved by Franchisor

13 1 3 If Franchisee desires to utilize any products or services that Franchisor has not approved (for products and services that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and samples for Franchisor to determine whether the service or product complies with its standards and specifications or whether the supplier meets its Approved Supplier criteria Franchisee shall bear all expenses incurred by Franchisor in connection with determining whether it shall approve an item, service or supplier Franchisor will decide within a reasonable time (usually thirty (30) days) after receiving the required information whether Franchisee may purchase or lease such items or services or from such supplier Approval of a supplier may be conditioned on the supplier's ability to provide sufficient quantity of product, quality of products or services at competitive prices, production and delivery capability, and dependability and general reputation Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor deems confidential

13 1 4 If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or its Affiliate

13 1 5 Franchisor has the right to designate certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences Franchisor has the right to give its consent to one (1) or more franchisees to provide certain products or services not authorized for general use as part of the System Such consent will be based upon the factors set forth in Section 10 3 and shall not create any rights in Franchisee to provide the same products or services

13 1 6 Franchisor has the right to retain volume rebates, markups and other benefits from suppliers or in connection with the furnishing of suppliers Franchisee shall have no entitlement to or interest in any such benefits

13 2 Appearance and Condition of the Franchised Business

Franchisee shall maintain the Approved Location, vehicle, equipment and signage in "like new" condition, and shall repair or replace equipment, vehicle, fixtures, supplies, inventory and signage as necessary to comply with the health and safety standards and specifications of Franchisor and Franchisee's lessor and any applicable laws or regulations The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications, as described in Section 10 2

13 3 Ownership and Management

The Franchised Business shall, at all times, be under the direct supervision of Franchisee who will appoint a Designated Manager will provide personal "on premises" supervision of the Franchised Business The Designated Manger is required to devote sufficient efforts to the management of the day-to-day operation of the Franchised Business, which shall entail not less than thirty-five (35) hours per week, excluding vacation, sick leave and similar absences Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its Designated Manager Franchisee and the Designated Manager must not engage in any business or other activities that will conflict with their obligations under this Agreement

13 4 Days of Operation

Franchisee shall keep the Franchised Business open for business during normal business hours on the days specified in the Operations Manual

13 5 Contributions and Donations

In order to protect the Marks, Franchisee must obtain Franchisor's prior written consent before making any contributions or donations of items, services or funds to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization) Franchisor may withhold any such consent in its sole and absolute discretion

13 6 Licenses and Permits

Franchisee shall secure and maintain in force all required licenses, permits and certificates necessary for the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Franchised Business Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Franchised Business

13 7 Notification of Proceedings

Franchisee shall notify Franchisor in writing of the receipt of a notice of demand or threatened claim of liability of, or damages against or involving, Franchisee or the Franchised Business not more than five (5) days after Franchisee's receipts of such notice Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the Franchised Business, and of the issuance of any order, writ, injunction, judgment, award or decree which may affect the operation or financial condition of the Franchised Business not more than five (5) days after notice of such commencement or issuance Franchisee shall deliver to Franchisor not more than five (5) days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's non-compliance or less than full compliance with any applicable law, rule or regulation

13 8 Compliance with Good Business Practices

Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created and licenses granted hereby Therefore, Franchisee shall endeavor to maintain high standards of quality and service in the operation of the Franchised Business Franchisee shall at all times give prompt, courteous and efficient service to customers of the Franchised Business The Franchised Business shall in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct If Franchisor deems that Franchisee did not fairly handle a customer complaint, Franchisor has the right to intervene and satisfy the customer Franchisor will take disciplinary action by giving written notice for failing to comply with good business practices Termination will occur after 3 notices have been issued within twelve (12) months Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in servicing a customer of the Franchised Business pursuant to this Section

13 9 Uniforms

Franchisee shall abide by any uniform or dress code requirements stated in the Operations Manual or otherwise Uniforms, if required, must be purchased from an Approved Supplier

13 10 E-Mail

Franchisee shall, at all times and at Franchisee's expense, maintain an e-mail address and account for communicating with Franchisor Franchisee may change its e-mail address by giving written notice of such change of address to Franchisor

13 11 Best Efforts

Franchisee shall use its best efforts to promote and increase the sales and recognition of services offered through the Franchised Business Franchisee shall require all of Franchisee's employees, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all products and services provided as part of the System

<u>§14 Franchisor's Additional Operations Assistance</u>

14 1 General Advice and Guidance

Franchisor shall be available to render advice, discuss problems and offer general guidance to Franchisee by telephone, e-mail, facsimile, newsletters and other methods with respect to planning, opening and operating the Franchised Business Franchisor shall not charge for this service, however, Franchisor retains the right to refuse or charge a fee for this service should Franchisee be deemed by Franchisor to be utilizing this service too frequently or in an unintended manner Franchisor's advice or guidance to Franchisee relative to prices for products and services that, in Franchisor's judgment, constitutes good business practice is based upon the experience of Franchisor and its franchisees in operating DRNK/QWENCH businesses and an analysis of costs and prices charged for competitive products and services Franchisee shall have the sole right to determine the prices to be charged by the Franchised Business, provided, however, that Franchisor shall have the sole right to determine the prices to be charged for products sold through the DRNK coffee + tea or QWENCH juice bar Internet site, including products sold to persons identified as customers of the Franchised Business

14 2 Periodic Visits

Franchisor or Franchisor's representative shall make periodic visits, which may be announced or unannounced, to the Franchised Business for the purposes of consultation, assistance and guidance with respect to various aspects of the operation and management of the Franchised Business Franchisor and Franchisor's representatives who visit the Franchised Business may prepare, for the benefit of both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the Franchised Business A copy of any such written report may be provided to Franchisee Franchisee shall implement any required changes or improvements as required by Franchisor with time being of the essence

§15 Insurance

15 1 Types and Amounts of Coverage

15 1 1 At its sole expense, Franchisee shall procure within sixty (60) days of the Effective Date, and maintain in full force and effect during the term of this Agreement, the types of insurance listed below All policies (except any workers' compensation insurance) shall expressly name Franchisor as an additional insured or loss payee and all shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure

15 1 1 1 "all risk" property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Business Franchisee's property insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost,

15 1 1 2 workers' compensation insurance that complies with the statutory requirements of the state in which the Franchised Business is located and employer liability coverage with a minimum limit of ONE HUNDRED THOUSAND DOLLARS ($100,000 00) or, if higher, the statutory minimum limit as required by state law,

15 1 1 3 comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Business, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of TWO MILLION DOLLARS ($2,000,000 00) per occurrence or, if higher, the statutory minimum limit required by state law,

15 1 1 4 such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 21 3

15 2 Future Increases

Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances

15 3 Carrier Standards

Such policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an "A" Rating Classification as indicated in the latest issue of A M Best's Key Rating Guide Although A M Best groups "A" and 'A-" in the same classification, Franchisor demands an "A" rating

15 4 Evidence of Coverage

Franchisee's obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 21 3 Franchisee shall provide, annually, certificates of insurance showing compliance with the foregoing requirements Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days' prior written notice to Franchisor and shall reflect proof of payment of premiums

15 5 Failure to Maintain Coverage

Should Franchisee not procure and maintain insurance coverage as required by this Agreement, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice

§16 Default and Termination

16 1 Termination by Franchisee

If Franchisee is in full compliance with all of the terms of this Agreement and Franchisor materially breaches this Agreement and fails to commence reasonable efforts to cure such breach within thirty (30) days after receiving written notice identifying the claimed breach, Franchisee may elect to terminate this Agreement unless the breach cannot reasonably be cured within such thirty (30) days If the breach cannot reasonably be cured in such thirty (30) days, Franchisee may elect to terminate this Agreement only if Franchisor does not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish Franchisee reasonable proof of such efforts

16 2 Termination by Franchisor

16 2 1 Franchisor has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee

16 2 1 1 fails to timely select an approved site for or establish, equip and commence operations of the Franchised Business pursuant to Section 5,

16 2 1 2 fails to have its Designated Manager satisfactorily complete any training program pursuant to Section 8,

16 2 1 3 made any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement,

16 2 1 4 is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business,

16 2 1 5 after notice to cure, fails to refrain from activities, behavior or conduct likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business,

16 2 1 6 discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Operations Manual, Trade Secrets or any other Confidential Information,

16 2 1 7 if required by Franchisor, fails to have any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of Franchisee, execute a non-disclosure and non-competition agreement, in a form the same as or similar to the Non-disclosure and Non-competition Agreement attached as Exhibit 2, upon execution of this Agreement or prior to each such person's affiliation with Franchisee or fails to provide Franchisor with copies of all non-disclosure and non-competition agreements signed pursuant to Section 7 4 if requested by Franchisor,

16 2 1 8 abandons, fails or refuses to actively operate the Franchised Business for five (5) or more consecutive days (unless the Franchised Business has not been operational for a purpose approved by Franchisor), or, if first approved by Franchisor, fails to promptly relocate the Franchised Business following the expiration or termination of the lease for the Approved Location, the destruction or condemnation of the Approved Location or any other event rendering the Approved Location unusable,

16 2 1 9 surrenders or transfers control of the operation of the Franchised Business without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or incapacitated owner thereof as herein required,

16 2 1 10 fails to maintain the Franchised Business under the primary supervision of a Designated Manager during the one hundred eighty (180) days following the death or Incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee pursuant to Section 18 6,

16 2 1 11 submits to Franchisor on two (2) or more separate occasions at any time during the term of the Franchise any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to Franchisor by more than three percent (3%) for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error,

16 2 1 12 is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency, if a receiver of its property or any part thereof is appointed by a court, if it makes a general assignment for the benefit of its creditors, if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless *supersedeas* bond is filed), if execution is levied against Franchisee's business or property, if a suit to foreclose any lien or mortgage against its Approved Location or equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed,

16 2 1 13 misuses or makes an unauthorized use of any of the Marks or commits any other act which can reasonably be expected to impair the goodwill associated with any of the Marks,

16 2 1 14 fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, Marketing Fund Contribution, amounts due for purchases from Franchisor and any Affiliate, or other payment when due to Franchisor or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee,

16 2 1 15 violates on two (2) or more occasions any health or safety law, ordinance or regulation, or operates the Franchised Business in a manner that presents a health or safety hazard to its customers, employees or the public,

16 2 1 16 engages in any activity exclusively reserved to Franchisor,

16 2 1 17 fails to comply with any applicable law or regulation within ten (10) days after being given notice of non-compliance,

16 2 1 18 breaches this Agreement and/or fails to comply with mandatory specifications, customer service standards or operating procedures prescribed in the Operations Manual on two (2) or more separate occasions within any period of twelve (12) consecutive months, whether or not previous breaches or failures are cured, or

16 2 1 19 defaults under any other agreement between Franchisor (or any Affiliate) and Franchisee, such that Franchisor or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates

16 2 2 Except as otherwise provided in Section 16 2 1, Franchisor has the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default, provided, however, that Franchisee may avoid termination by curing such default or failure (or by providing proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period

16 2 2 1 within five (5) days of receiving notice of Franchisee's failure to pay any amounts due to Franchisor,

16 2 2 2 within ten (10) days of receiving notice of Franchisee's failure to maintain insurance as specified in Section 15 of this Agreement, or

16 2 2 3 within thirty (30) days of receiving notice of any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard or operating procedure prescribed in the Operations Manual or otherwise prescribed in writing

16 3 Reinstatement and Extension

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement

16 4 Right of Franchisor to Discontinue Services to Franchisee

If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers to Franchisee a notice of termination pursuant to Section 16 2 2, Franchisor has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any products or services for which Franchisor is an Approved Supplier to Franchisee, until such time as Franchisee corrects the breach

16 5 Right of Franchisor to Operate Franchised Business

Following the delivery of a notice of termination pursuant to Section 16 2 2, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume the operation of the Franchised Business until such time as Franchisee corrects the breach Franchisor may charge a management fee as stated in the Operations Manual from time to time, currently equal to SIX HUNDRED DOLLARS ($600 00) per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business Should Franchisor elect to assume the operation of the Franchised Business on a temporary basis, Franchisor shall have no responsibility or liability for the obligations, debts or payments under the lease for the Approved Location (if any) or otherwise

§17 Rights and Duties Upon Expiration or Termination

17 1 Actions to be Taken

17 1 1 Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall

17 1 1 1 immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor,

17 1 1 2 cease to use the Trade Secrets or other Confidential Information, the System and the Marks including, without limitation, all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items which display or are associated with the Marks,

17 1 1 3 upon demand by Franchisor, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease) its interest in the lease then in effect for the Approved Location to Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due,

17 1 1 4 take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state city or county authorities which contains the name 'DRNK coffee + tea" "QWENCH juice bar" or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement,

17 1 1 5 pay all sums owing to Franchisor and any Affiliate In the event of termination for any default of Franchisee, such sums shall include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees with respect to litigation, arbitration, appellate or bankruptcy proceedings, unpaid Royalty Fees, loss of future Royalty Fee payments incurred by Franchisee as a result of any early termination of this Agreement, and any other amounts due to Franchisor or any Affiliate,

17 1 1 6 pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement,

17 1 1 7 immediately return to Franchisor the Operations Manual, Trade Secrets and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Franchisor to

Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property),

17 1 1 8 assign all telephone listings and numbers for the Franchised Business to Franchisor and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified or other telephone directory listing and shall authorize transfer of same to or at the direction of Franchisor, and

17 1 1 9 comply with all other applicable provisions of this Agreement

17 2 Post-Termination Covenant Not to Compete

17 2 1 Franchisee acknowledges that the restrictive covenants contained in this Section and in Section 7 are fair and reasonable and are justifiably required for purposes including, but not limited to, the following

17 2 1 1 to protect the Trade Secrets and other Confidential Information of Franchisor,

17 2 1 2 to induce Franchisor to grant a Franchise to Franchisee, and

17 2 1 3 to protect Franchisor against its costs in training Franchisee and its officers, directors, executives, professional staff and Designated Managers

17 2 2 Except as otherwise approved in writing by Franchisor, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, shall, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity

17 2 2 1 own an interest in, manage, operate or provide the same goods or services to customers through a Competitive Business located or operating (a) within the Territory, or (b) within the territory of any other Franchised Business in existence at the time of termination or expiration, or

17 2 2 2 solicit or otherwise attempt to induce or influence any customer, employee, franchisee or other business associate of Franchisor to terminate or modify his, her or its business relationship with Franchisor or to compete against Franchisor

17 2 3 In furtherance of this Section, Franchisor has the right to require certain individuals to execute standard form non-disclosure or non-competition agreements in a form the same as or similar to the Non-disclosure and Non-competition Agreement attached as Exhibit 2

17 2 4 If for whatever reason, either the above area or time frame covered by the Non-disclosure and Non-competition Agreement is deemed unreasonable by a court of law,

then and only in such an event shall such area and/or its time frame be reduced accordingly by the court The rulings by the court concerning the area or time frame or any other judicial interpretation shall not affect the rest and remainder of such restrictive covenants

17 3 Unfair Competition

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks Franchisee shall not utilize any designation of origin, description or representation that suggests or represents an association or connection with Franchisor This Section is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict Sections 7, 17 1 or 17 2 If Franchisor elects not to receive an assignment or sublease of the Approved Location, Franchisee shall make such modifications or alterations to the Approved Location (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Approved Location Franchisee shall make such specific additional changes to the Approved Location as Franchisor may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Approved Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand

17 4 Franchisor's Option to Purchase Certain Business Assets

Franchisor has the right of first refusal under Section 19 of this Agreement (but not the obligation), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Business including leasehold improvements, equipment, supplies and other inventory The purchase price shall be equal to the assets' fair market value, as determined by an independent appraiser If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price

17 5 Survival of Certain Provisions

All obligations of Franchisor and Franchisee, which expressly or by their nature survive the expiration or termination of this Agreement, shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire

<u>§18 Transferability of Interest</u>

18 1 Transfer by Franchisor

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred, provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor hereunder and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement

18 2 Transfer by Franchisee to a Third Party

18 2 1 The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability Accordingly, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the Approved Location used in operating the Franchised Business, its assets or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor Any purported transfer without such approval shall be voidable and shall constitute a material breach of this Agreement If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements

18 2 1 1 Franchisee has complied with the requirements set forth in Section 19,

18 2 1 2 all obligations owed to Franchisor, and all other outstanding obligations relating to the Franchised Business, are fully paid and satisfied,

18 2 1 3 Franchisee (and any transferring owners, if Franchisee is a business entity) has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor, including its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise, provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law,

18 2 1 4 the prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require to demonstrate ability to conduct the Franchised Business,

18 2 1 5 the transferee and, if Franchisor requires, all persons owning any interest in the transferee, have executed the then-current franchise agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee and Marketing Fund Contribution rates and other material provisions, and the franchise agreement then executed shall be for the term specified in such agreement,

18 2 1 6 the transferee has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 1, of any and all claims against Franchisor and its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee,

18 2 1 7 Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise,

18 2 1 8 Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount of TEN THOUSAND DOLLARS ($10,000 00),

18 2 1 9 the transferee, or all holders of a legal or beneficial interest in the transferee, has agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of its term by executing an Unlimited Guaranty and Assumption of Obligations in such form as prepared by Franchisor,

18 2 1 10 Franchisee has agreed to be bound to the obligations of the new franchise agreement and to guarantee the full performance thereof by the transferee, if required by Franchisor,

18 2 1 11 the transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the Approved Location) and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied,

18 2 1 12 Franchisee has, and if Franchisee is an entity, all of the holders of a legal and beneficial interest in Franchisee have executed and delivered to Franchisor a non-disclosure and non-competition agreement in a form satisfactory to Franchisor and in substance the same as the non-disclosure and non-competition covenants contained in Sections 7 and 17,

18 2 1 13 the transferee agrees that its Designated Manager shall complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Section 8 1 prior to assuming the management of the day-to-day operation of the Franchised Business, and

18 2 1 14 the transferee has obtained all necessary types of insurance as described in Section 15 1

18 3 Transfer to a Controlled Entity

18 3 1 If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by Franchisee ('Controlled Entity"), which Controlled Entity is being formed for the financial

planning, tax or other convenience of Franchisee Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements

18 3 1 1 the Controlled Entity is newly organized and its charter provides that its activities are confined exclusively to the operation of the Franchised Business,

18 3 1 2 Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity,

18 3 1 3 all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied, provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee as required pursuant to Section 18 2 8,

18 3 1 4 the Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Franchised Business If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor,

18 3 1 5 all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement,

18 3 1 6 each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement, and

18 3 1 7 copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, federal tax identification number and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption

18 3 2 The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights

18 3 3 Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Business, shall not constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement

18 4 Franchisor's Disclosure to Transferee

Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Franchised Business or to the history of the relationship of the parties hereto Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchised Business by an intended transferee identified by Franchisee

18 5 For-Sale Advertising

Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Business, or in any communication media, any form of advertising relating to the sale of the Franchised Business or the rights granted hereunder

18 6 Transfer by Death or Incapacity

18 6 1 Upon the death or Incapacity of Franchisee (if Franchisee is an individual) or any holder of a legal or beneficial interest in Franchisee (if Franchisee is a business entity), the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding one hundred eighty (180) days following such event, transfer such individual's interest in the Franchised Business or in Franchisee to a third party approved by Franchisor Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless prohibited by the laws of the state wherein Franchisee resided, with such choice of law provision being applicable only for this Section18 6 During such one hundred eighty (180) day period, the Franchised Business must remain at all times under the primary management of a Designated Manager who otherwise meets Franchisor's management qualifications

18 6 2 Following such a death or Incapacity of such person as described in this Section, if necessary in Franchisor's discretion, Franchisor shall have the right but not the obligation, to assume operation of the Franchised Business until the deceased or incapacitated owner's interest is transferred to a third party approved by Franchisor Franchisor may charge a management fee as stated in the Operations Manual from time to time, currently equal to SIX HUNDRED DOLLARS ($600 00) per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business

§19 Right of First Refusal

19 1 Submission of Offer

If Franchisee, or any of its owners, proposes to sell or otherwise transfer (including a transfer by death or Incapacity pursuant to Section18 6) the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor, except with regards to a sale or transfer to a family member The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners

19 2 Franchisor's Right to Purchase

Franchisor shall, for thirty (30) days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty (60) days to close the purchase Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal

19 3 Non-Exercise of Right of First Refusal

If Franchisor does not exercise its right of first refusal within thirty (30) days from the date of delivery of all such documents, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 18 2 Should the sale fail to close within one hundred eighty (180) days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section

19 4 Sales or Transfers to Family Excepted

If Franchisee, or any of its owners, proposes to sell or otherwise transfer the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder to a member of Franchisee's (or its owners') family, then the terms and conditions of this Section 19 shall be inapplicable Nothing in this Section 19 4 shall be construed to relieve Franchisee from full compliance with the terms and conditions of Section 18 2 prior to a sale or transfer to family pursuant to this Section

§20 Beneficial Owners of Franchisee

Franchisee represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individuals identified in Exhibit 4 are the sole holders of a legal or beneficial interest (in the stated percentages) of Franchisee

§21 Relationship and Indemnification

21 1 Relationship

This Agreement is purely a contractual relationship between the parties and does not appoint or make Franchisee an agent, legal representative, joint venturer, partner, employee, servant or independent contractor of Franchisor for any purpose whatsoever Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public only as a franchisee and an owner of the Franchised Business operating the Franchised Business pursuant to a franchise from Franchisor Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Approved Location and on all forms, stationery or other written materials, the content of which Franchisor has the right to specify Under no circumstances shall Franchisor be liable for any act, omission, contract, debt, nor any other obligation of Franchisee Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Business Any third party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone

21 2 Standard of Care

This Agreement does not establish a fiduciary relationship between the parties Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Franchisee or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation

21 3 Indemnification

To the fullest extent permitted by law, Franchisee shall, at Franchisee's sole cost and expense, hold harmless and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively "Franchisor Indemnitees") from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon (a) any personal injury, bodily injury or property damage whatsoever occurring in or at the location of the Franchised Business, (b) any bodily injury to an employee of Franchisee arising out of and in the course of employment of the employee, (c) Franchisee's ownership or operation of the Franchised Business, (d) Franchisee's breach of the lease for the Approved Location, (e) Franchisee's violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule, (f) Franchisee's breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or an Affiliate), (g) Franchisee's defamation of Franchisor or the System, (h) Franchisee's acts, errors or omissions committed or incurred in connection with the Franchised Business and or place of operations, including any negligent or intentional acts, or (i) Franchisee's infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Trade Secrets or other Confidential Information The obligations of this Section shall expressly survive the termination of this Agreement

21 4 Right to Retain Counsel

Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnitee Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred If Franchisor's exercise of its rights under this Section to take corrective or remedial action, causes any of Franchisee's insurers to refuse to pay a third-party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee

§22 General Conditions and Provisions

22 1 No Waiver

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement

22 2 Injunctive Relief

As any breach by Franchisee of any of the restrictions contained in Sections 6, 7 and 17 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated, without the necessity of posting security or bond and Franchisee shall be responsible for Franchisor's reasonable attorneys' fees incurred in pursuing the same Franchisor's right to seek injunctive relief will not affect the parties' waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 23 6 Franchisor's rights herein shall include pursuing injunctive relief through arbitration or in a state or federal court

22 3 Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed received (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party), (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system, (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service, or (d) five (5) business days after being sent by Registered Mail, return receipt requested Either party may change its address by a written notice sent in accordance with this Section All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address

DRNK coffee + tea Franchising, LLC
Attn Sherry Moaven
350 S Grand Ave , Suite 3070
Los Angeles, CA 90071

With a copy to
Frank Taboada, Esq
4212 E Los Angeles Ave , Suite 4212
Simi Valley, CA 93063
Fax 818 337 1928

22 4 Cost of Enforcement or Defense

If Franchisor or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, in connection with such proceeding

22 5 Unlimited Guaranty and Assumption of Obligations

All holders of a legal or beneficial interest in Franchisee of five percent (5%) or greater shall be required to execute, as of the date of this Agreement, the Unlimited Guaranty and Assumption of Obligations attached as Exhibit 3, through which such holders agree to assume and discharge all of Franchisee's obligations under this Agreement and to be personally liable hereunder for all of the same

22 6 Approvals

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing

Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval

22 7 Entire Agreement

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to you

22 8 Severability and Modification

22 8 1 Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties, and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement If Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement

22 8 2 Notwithstanding the above, each of the covenants contained in Sections 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Trade Secrets or other Confidential Information or on competition to the maximum extent provided or permitted by law

22 9 Construction

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof

22 10 Force Majeure

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorism, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay This clause shall not result in an extension of the term of this Agreement

22 11 Tımıng

Tıme ıs of the essence Except as set forth ın Sectıon 22 10, faılure to perform any act wıthın the tıme requıred or permıtted by thıs Agreement shall be a materıal breach

22 12 Wıthholdıng Payments

Franchısee shall not, for any reason, wıthhold payment of any Royalty Fees or other amounts due to Franchısor or to an Affılıate Franchısee shall not wıthhold or offset any amounts, damages or other monıes allegedly due to Franchısee agaınst any amounts due to Franchısor No endorsement or statement on any payment for less than the full amount due to Franchısor wıll be construed as an acknowledgment of payment ın full, or an accord and satısfactıon, and Franchısor has the rıght to accept and cash any such payment wıthout prejudıce to Franchısor's rıght to recover the full amount due, or pursue any other remedy provıded ın thıs Agreement or by law Franchısor has the rıght to apply any payments made by Franchısee agaınst any of Franchısee's past due ındebtedness as Franchısor deems approprıate Franchısor shall set off sums Franchısor owes to Franchısee agaınst any unpaıd debts owed by Franchısee to Franchısor

22 13 Further Assurances

Each party to thıs Agreement wıll execute and delıver such further ınstruments, contracts, forms or other documents, and wıll perform such further acts, as may be necessary or desırable to perform or complete any term, covenant or oblıgatıon contaıned ın thıs Agreement

22 14 Thırd-Party Benefıcıarıes

Anythıng to the contrary notwıthstandıng, nothıng ın thıs Agreement ıs ıntended, nor shall be deemed, to confer upon any person or legal entıty other than Franchısor or Franchısee, and theır respectıve successors and assıgns as may be contemplated by thıs Agreement, any rıghts or remedıes under thıs Agreement

22 15 Multıple Orıgınals

Both partıes wıll execute multıple copıes of thıs Agreement, and each executed copy wıll be deemed an orıgınal

<u>§23 Dıspute Resolutıon</u>

23 1 Choıce of Law

Except to the extent thıs Agreement or any partıcular dıspute ıs governed by the U S Trademark Act of 1946 or other federal law, thıs Agreement shall be governed by and construed ın accordance wıth the laws of the State of Calıfornıa (wıthout reference to ıts conflıct of laws prıncıples) The partıes hereby submıt all such dısputes not governed by the U S Trademark Act of 1946 (or breaches of the Non-compete Provısıons hereof set forth ın Exhıbıt 2 hereof) to bındıng arbıtratıon as theır exclusıve forum and remedy wıth the Calıfornıa

Arbitration Act to exclusively govern the procedure for all such arbitration References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time References to a governmental agency also refer to any regulatory body that succeeds the function of such agency

23 2 Consent to Jurisdiction

Any action brought by either party except those claims required to be submitted to arbitration, shall only be brought in the appropriate state or Federal courts located in or serving Los Angeles, California The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision Claims for injunctive relief may be brought by Franchisor where Franchisee is located This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction

23 3 Cumulative Rights and Remedies

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions

23 4 Limitation of Damages

Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in Section 22 4 Franchisee waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Franchise Fee and Royalty Fees

23 5 Waiver of Jury Trial

Franchise and Franchisor Each irrevocably waive trial by jury in any action, whether at law or equity, brought by either of them

23 6 Arbitration

23 6 1 This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained herein Except for controversies or claims relating to intellectual property rights, including, but not limited to, Franchisor's Marks, copyrights or the unauthorized use or disclosure of Franchisor's Confidential Information, covenants against competition and other

claims for injunctive relief, all disputes arising out of or relating to this Agreement or to any other agreements between the parties, or with regard to interpretation, formation or breach of this or any other agreement between the parties (except the Non-compete Agreement attached hereto as Exhibit 2), shall be settled by binding arbitration conducted in Los Angeles, California, in accordance with the Revised Uniform Arbitration Act (G S 1-569 1) The proceedings will be held by a single arbitrator agreed upon by the parties or otherwise appointed by the Chief Resident Superior Court Judge for the Judicial District sitting in Los Angeles, California The decision of the arbitrator will be final and binding upon the parties Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction

23 6 2 Franchisee acknowledges that it has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of Franchisor or any of Franchisor's agents or employees

<u>§24 Acknowledgements</u>

24 1 Receipt of this Agreement and the Franchise Disclosure Document

Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Franchise Disclosure Document, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement Franchisee represents and acknowledges that it has received, at least fourteen (14) calendar-days prior to the date on which this Agreement was executed, the Disclosure Document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures

24 2 Consultation by Franchisee

Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so

24 3 True and Accurate Information

Franchisee represents that all information set forth in any and all 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

24 4 Risk

Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a Franchised Business involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby

24 5 No Guarantee of Success

Franchisee represents and acknowledges that it has not received or relied on any guarantee, express or implied, as to the revenues, profits or likelihood of success of the Franchised Business Franchisee represents and acknowledges that there have been no representations by Franchisor's officers, directors, employees or agents that are not contained in, or are inconsistent with, the statements made in the Franchise Disclosure Document or this Agreement

24 6 No Violation of Other Agreements

Franchisee represents that its execution of this Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party

24 7 Severability

If a provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect the validity or enforceability in that jurisdiction of any other provision of this Agreement, or the validity or enforceability in other jurisdictions of that or any other provision of this Agreement

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement

DRNK coffee + tea Franchising, LLC	*[Franchisee]*
______________________	______________________
By	By
______________________	______________________
Name Printed	Name Printed
______________________	______________________
Title	Title

EXHIBIT 1 TO THE FRANCHISE AGREEMENT

GENERAL RELEASE

This General Release is made by ______________________________, ("RELEASOR") a/an _ ____________________ with a principal address of ______________________________ __________________________, in consideration of

_______ the execution by DRNK coffee + tea Franchising, LLC, A California Limited Liability Company ("RELEASEE"), of a successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise") granted to RELEASOR by RELEASEE pursuant to that certain Franchise Agreement (the "Franchise Agreement") between RELEASOR and RELEASEE, or

_______ RELEASEE'S consent to RELEASOR'S assignment of its rights and duties under the Franchise Agreement, or

_______ RELEASEE'S consent to RELEASOR'S assumption of rights and duties under the Franchise Agreement, or

_______ RELEASEE'S refund of fifty percent (50%) of the Franchise Fee RELEASOR paid to RELEASEE,

and other good and valuable consideration, the adequacy of which is hereby acknowledged

Accordingly RELEASOR hereby releases and discharges RELEASEE, RELEASEE'S officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and RELEASEE'S successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and RELEASOR'S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances

Any action brought by either party regarding this Release, shall only be brought in the appropriate state or federal court located in or serving Los Angeles, California The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR and RELEASEE

IN WITNESS WHEREOF, RELEASOR has executed this General Release as of the date first above written

RELEASOR ______________________
(type/print name)

By ______________________________

Name Printed ___________________________

Title ____________________________

Date ____________________________

ACKNOWLEDGMENT

State of ____________________)
) ss
County of __________________)

On this ____ day of _____________, 20____ before me personally came ______________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the foregoing General Release, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed said General Release

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct

IN WITNESS WHEREOF, I have hereunto set my hand and official seal

____________________________ (NOTARIAL SEAL)

Notary Public
My Commission expires

EXHIBIT 2 TO THE FRANCHISE AGREEMENT

NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

This "Agreement" is by and between ______________________________, ("Franchisee") and ______________________________ ("Individual")

WITNESSETH

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated ______________, 20__ ("Franchise Agreement") by and between Franchisee and DRNK coffee + tea Franchising, LLC ("Company"), and

WHEREAS, Franchisee desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below, and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said Trade Secrets and other Confidential Information, and

WHEREAS, Individual understands the necessity of not disclosing any such information to any other party or using such information to compete against Company, Franchisee or any other franchisee of Company in any business (i) that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) a quick service food and beverage concept the same as or similar to that offered by Franchisee or (ii) in which Trade Secrets and other Confidential Information (as defined below) could be used to the disadvantage of Franchisee, or Company, any affiliate of Company or Company's other franchisees (hereinafter, "Competitive Business"), provided, however, that the term "Competitive Business" shall not apply to any business operated by Franchisee under a Franchise Agreement with Company

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows

1 **Trade Secrets and Confidential Information**

Individual understands Franchisee possesses and will possess Trade Secrets and other Confidential Information that are important to its business

a) For the purposes of this Agreement, a "Trade Secret" is information in any form (including, but not limited to, materials and techniques, technical or nontechnical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in the Franchised Business that is not commonly known by or available to the public and that information (i) derives 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 (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy

b) For the purposes of this Agreement "Confidential Information" means technical and nontechnical information used in or related to the Franchised Business that is not commonly known by or available to the public, including, without limitation, Trade Secrets and information contained in the Operations Manual and training guides and materials In addition, any other information identified as confidential when delivered by Franchisee shall be deemed Confidential Information Confidential Information shall not include, however, any information that (i) is now or subsequently becomes generally available to the public through no fault of Individual, (ii) Individual can demonstrate was rightfully in its possession, without obligation of non-disclosure, prior to disclosure pursuant to this Agreement, (iii) is independently developed without the use of any Confidential Information, or (iv) is rightfully obtained from a third party who has the right, without obligation of non-disclosure, to transfer or disclose such information

c) Any information expressly designated by Company or Franchisee as "Trade Secrets" or "Confidential Information" shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information Individual understands Franchisee's providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets and other Confidential Information

2 <u>Confidentiality/Non-disclosure</u>

a) Individual shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets or other Confidential Information At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Franchisee to ensure that the Confidential Information and Trade Secrets are kept confidential pursuant to the terms of this Agreement Individual must comply with all applicable policies, procedures and practices that Franchisee has established and may establish from time to time with regard to the Confidential Information and Trade Secrets

b) Individual's obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Individual's relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual's obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in a DRNK coffee + tea® or QWENCH juice bar or Co-Branded Business

3 Non-competition

a) During the term of Individual's relationship with Franchisee and for a period of two (2) years after the expiration or termination of Individual's relationship with Franchisee, regardless of the cause of expiration or termination, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, divert or attempt to divert any business or customer of Franchisee to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Company's trademark "DRNK coffee + tea" or "QWENCH Juice Bar and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as the Company designates to be used in connection with the Franchised Businesses or the Company's uniform standards, methods, procedures and specifications for the establishment and operation of a Franchised Business

b) During the term of Individual's relationship with Franchisee, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business anywhere within a twenty-five (25) mile radius of the Franchisee's Approved Location without the express written consent of Franchisee

c) For a two (2) year period following the term of Individual's relationship with Franchisee, regardless of the cause of termination, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business within a twenty-five (25) mile radius of Franchisee's Approved Location or within twenty-five (25) miles of any other DRNK coffee + tea® or QWENCH juice bar or Co-Branded Business without the express written consent of Franchisee

d) During the term of Individual's relationship with Franchisee and for a period of two (2) years thereafter, regardless of the cause of termination, Individual shall not, directly or indirectly, solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisee, Company or any other DRNK/QWENCH Business to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisee, Company or any other DRNK coffee + tea® or QWENCH juice bar or Co-Branded Business

4 Reasonableness of Restrictions

Individual acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee, Company, and Company's Trade Secrets and other Confidential Information, the Company's business system, network of franchises and trade and service marks, and

Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law 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 any jurisdiction where enforcement is sought

5 **Relief for Breaches of Confidentiality, Non-Solicitation and Non-competition**

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Company immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law Accordingly, Franchisee and Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage or to post any bond or other security Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Company may have at law or in equity

6 **Miscellaneous**

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties

b) Except to the extent this Agreement or any particular dispute is governed by the U S Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of California (without reference to its conflict of laws principles) The Federal Arbitration Act shall govern all matters subject to arbitration References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time References to a governmental agency also refer to any regulatory body that succeeds the function of such agency

c) Any action brought by either party, shall only be brought in the appropriate state or federal court located in or serving Los Angeles, California The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision Company may bring claims for injunctive relief where Franchisee is located This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction

d) Individual agrees if any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party shall be entitled to recover attorneys' fees, investigative fees, administrative fees billed by such party's attorneys, court costs and all expenses, including, without limitation, all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings incurred by the successful or prevailing party in that action or proceeding

e) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns Company is an intended third-party beneficiary of this Agreement with the independent right to enforce the confidentiality and non-competition provisions contained herein

f) The failure of either party to insist upon performance in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect

g) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement

h) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof

i) This Agreement may be modified or amended only by a written instrument duly executed by Individual, Franchisee and Company

j) The existence of any claim or cause of action Individual might have against Franchisee or Company will not constitute a defense to the enforcement by Franchisee or Company of this Agreement

k) Except as otherwise expressly provided in this Agreement, no remedy conferred upon Franchisee or Company pursuant to this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof

INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT

THE PARTIES ACKNOWLEDGE THAT THE COMPANY IS A THIRD-PARTY BENEFICIARY TO THIS AGREEMENT AND THAT THE COMPANY SHALL BE ENTITLED TO ENFORCE THIS AGREEMENT WITHOUT THE COOPERATION OF THE FRANCHISEE INDIVIDUAL AND FRANCHISEE AGREE THAT THIS AGREEMENT CANNOT BE MODIFIED OR AMENDED WITHOUT THE WRITTEN CONSENT OF THE COMPANY

IN WITNESS WHEREOF, Franchisee has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one (1) original being delivered to each party as of the day and year first above written

WITNESS

____

FRANCHISEE

By __________________________

Its __________________________

INDIVIDUAL

Signature ____________________

Name Printed ______________________

EXHIBIT 3 TO THE FRANCHISE AGREEMENT

UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS AGREEMENT

THIS UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS AGREEMENT in connection with that certain Franchise Agreement of even date herewith (which Franchise Agreement, as may have been modified, amended and/or supplemented in writing, is hereunder called the Franchise Agreement by and between DRNK coffee + tea Franchising, LLC as "Franchisor" and ________________________________ as "Franchisee"

For valuable consideration received, and as an inducement to Franchisor to enter into the Franchise Agreement, the undersigned ("Guarantor") hereby unconditionally guarantees to Franchisor (a) the full and timely performance by Franchisee of the Franchise Agreement and all terms, conditions and covenants thereof, and (b) the payment by Franchisee of royalties and all other sums payable by Franchisee under the Franchise Agreement

Guarantor agrees that (1) the obligations shall be enforceable against Guarantor without the necessity for any suit or proceedings whatsoever against Franchisee, and without the necessity of any notice of nonpayment, nonperformance or nonobservance or any notice of acceptance of this Agreement or any other notice or demand to which Guarantor might otherwise be entitled, all of which Guarantor hereby expressly waives, (2) immediately upon each and every breach or default of the Franchise Agreement by Franchisee, whether before or during the term of the Franchise Agreement or thereafter (e g , during any renewal term), without any notice to or demand upon Guarantor Guarantor will (i) pay to Franchisor the sum or sums in arrears, (ii) pay to Franchisor all damages, including but not limited to any expenses, costs and fees incurred by Franchisor, that may be occasioned by Franchisee's nonperformance, and (iii) comply with or perform all terms and conditions of the Franchise Agreement, (3) no extension, forbearance or leniency extended by Franchisor to Franchisee shall wholly or partially discharge Guarantor hereunder, notwithstanding that Guarantor had no notice of any breach or default of the Franchise Agreement or of any such leniency, forbearance or extension, (4) Franchisor and Franchisee, without notice to or consent by Guarantor, may at any time(s) enter into modifications, renewals, extensions, amendments and/or other agreements respecting the Franchise Agreement, and Guarantor shall not be wholly or partially released thereby, it being intended that Guarantor shall continue as guarantor with respect to the Franchise Agreement as so modified, renewed, extended, amended or otherwise affected and notwithstanding any transfer or assignment of the Franchise Agreement

The obligations of Guarantor herein shall be co-extensive with those of Franchisee under the Franchise Agreement and shall remain in effect as long as Franchisee's obligations under the Franchise Agreement are in effect This Agreement is absolute and unconditioned and shall continue without being affected by any impairment, release or limitation of the liability of Franchisee or its estate in bankruptcy resulting from the operation of any present or future provision of the Bankruptcy Code of the United States or from the decision of any court interpreting the same Guarantor further agrees to be bound by each and every obligation of Franchisee under the Franchise Agreement, with the same force and effect as if Guarantor were designed in and had executed the Franchise Agreement as Franchisee thereunder

This Agreement is a primary guaranty of payment and performance and shall not be subject to any counterclaim, set-off, deduction or defense No failure or delay on the part of Franchisor in exercising any right or remedy under the Franchise Agreement and/or this Agreement shall operate as a waiver thereof nor shall a single or partial exercise of any right or remedy preclude any other or further exercise thereof, and all rights and remedies of Franchisor hereunder and under the Franchise Agreement shall be cumulative Until all Franchisee's obligations under the Franchisee are fully performed, Guarantor waives any rights that it may have against Franchisee by reason of Guarantor's compliance with this Agreement, and subordinates any liability or indebtedness of Franchisee held by Guarantor to the obligations of Franchisee to Franchisor under the Franchise Agreement

If Guarantor consists of more than one person and/or entity, (a) this Agreement shall be binding on all of them jointly and severally, and (b) notice to or from any of them will constitute notice to or from each of them

Any notice or other communication to Franchisor may be addressed to DRNK coffee + tea Franchising, LLC, 350 S Grand Ave , Suite 3070, Los Angeles, CA 90071, Attention Sherry Moaven, or such other address as may be designated by Franchisor by registered or certified mail, return receipt requested, and the time of rendition of such notice or other communication shall be when it is deposited in an official United States Mail receptacle, postage prepaid

This Agreement, which is to be governed by and construed in accordance with the laws of the State of California, shall also bind Guarantor's legal or personal representatives, heirs, successors and assigns (as the case may be) and inure to the benefit of Franchisor's successors and assigns and any other person or entity at any time having the rights of Franchisor under the Franchise Agreement

Guarantor will forthwith pay to Franchisor all attorney's fees and disbursements incurred by Franchisor in connection with any breach or default by Franchisee under the Franchise Agreement and/or the enforcement of this Agreement, in each instance whether or not suit is brought (and if suit is brought, through appeals and collection efforts)

Any sums not paid to Franchisor when due hereunder will bear interest at the rate of 18% per annum, from the due date until full payment is received by Franchisor

As a further inducement to Franchisor to make and enter into the Franchise Agreement and in consideration thereof, Guarantor agrees that in any action or proceeding brought on, under or by virtue by this Agreement, Guarantor shall and does hereby waive trial by jury and the benefit of any statute of limitations defense, and Guarantor agrees that the applicable courts of California may have jurisdiction over Guarantor upon appropriate service on Guarantor anywhere in the United States in a manner in accordance with the laws of California Without limiting the foregoing, Guarantor hereby irrevocably appoints Franchisee as Guarantor's agent for service of process related to this Agreement

This Agreement contains the entire agreement between the parties with respect to the matters covered hereby, and Guarantor acknowledges that no agent, representative, salesman or officer of Franchisor has authority to make or has made any statement, agreement or representation, either oral or written, in connection herewith, modifying, adding to or changing the terms and conditions herein set forth No customs or dealings between the parties shall be permitted to contradict or modify the terms hereof This Agreement shall not be construed more strictly against one party merely by reason of such party's preparation hereof If any provision of this Agreement shall be held to be invalid or unenforceable, to the maximum extent possible the remaining provisions hereof shall in no way be affected or impaired and such remaining provisions shall continue in full force and affect Neither this Agreement nor any of its provisions can be waived, modified or terminated orally, but only by a written instrument duly executed by or on behalf of the party against whom enforcement of any waiver, modification or termination is sought

Guarantor fully and expressly intends that the foregoing requirements as to a writing be strictly adhered to and strictly interpreted and enforced by any court that may be asked to consider the matter This Agreement shall be effective for the full Franchise Agreement term, including any extensions or renewals thereof

GUARANTOR

____

____
Social Security #

____
Driver's License #

Notice Address

____

____

ACKNOWLEDGMENT

State of ____________________)
) ss
County of __________________)

On this ____ day of _____________, 20____ before me personally came _____________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the foregoing Unlimited Guaranty and Assumption of Obligations Agreement, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed said Unlimited Guaranty and Assumption of Obligations Agreement

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct

IN WITNESS WHEREOF, I have hereunto set my hand and official seal

____

(NOTARIAL SEAL)

Notary Public
My Commission expires

EXHIBIT 4 TO THE FRANCHISE AGREEMENT

HOLDERS OF LEGAL OR BENEFICIAL INTEREST IN FRANCHISEE, OFFICERS, DIRECTORS

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 ___%

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 ___%

Officers and Directors

Name ____________________
Position/Title ____________________
Home Address ____________________
____
____
Telephone No ____________________
E-mail address ____________________

Name ____________________
Position/Title ____________________
Home Address ____________________
____
____
Telephone No ____________________
E-mail address ____________________

Name ______________________________
Position/Title ________________________
Home Address ______________________
____
____
Telephone No ______________________
E-mail address ______________________

Name ________________________
Position/Title __________________
Home Address ________________
____
____
Telephone No ________________
E-mail address ________________

EXHIBIT 6 TO THE FRANCHISE AGREEMENT

CALIFORNIA ADDENDUM

This Addendum to the Franchise Agreement is agreed to this ___ day of _________, 20___, is by and between DRNK coffee + tea Franchising, LLC and ______________________________

____

1 New Section 17 6 is inserted into the Franchise Agreement and states as follows

If termination is the result of Franchisee's default, Franchisee will pay to Franchisor a lump sum payment (as liquidated damages for causing the premature termination of this Agreement and not as a penalty) equal to the total of all Royalty Fee payments for (a) the twenty-four (24) calendar months of operation of Franchisee preceding Franchisee's default, (b) the period of time Franchisee has been in operation preceding the notice, if less than twenty-four (24) calendar months, projected on a twenty-four (24) calendar month basis, or (c) any shorter period as equals the unexpired term at the time of termination The parties agree that a precise calculation of the full extent of the damages that Franchisor will incur on termination of this Agreement as a result of Franchisee's default is difficult and the parties desire certainty in this matter and agree that the lump sum payment provided under this Section is reasonable in light of the damages for premature termination that Franchisor will incur This payment is not exclusive of any other remedies that Franchisor may have including recovery of attorneys' fees and costs

2 In recognition of the requirements of the California Franchise Investment Law, Cal Corp Code §§31000-31516 and the California Franchise Relations Act, Cal Bus And Prof Code §§20000-20043, the Franchise Agreement for DRNK coffee + tea Franchising, LLC is amended as follows

- The California Franchise Relations Act provides rights to Franchisee concerning termination or nonrenewal of the Franchise Agreement, which may supersede provisions in the Franchise Agreement, specifically Sections 4 2 and 16

- Section 16 2 1 12 that terminates the Franchise Agreement upon the bankruptcy of Franchisee may not be enforceable under federal bankruptcy law (11 U S C Section 101, *et seq*)

- Section 17 2 contains a covenant not to compete that extends beyond the expiration or termination of the Agreement, this covenant may not be enforceable under California Law

- Paragraph 1 of this Addendum contains a liquidated damages clause Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable

- Section 23 6 requires binding arbitration The arbitration will occur at the forum indicated in Section 23 6, with the costs being borne by the non-prevailing party Prospective franchisees are encouraged to consult 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 the Franchise Agreement restricting venue to a forum outside of the State of California

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

EXHIBIT D TO THE DISCLOSURE DOCUMENT

DRNK/QWENCH CONFIDENTIAL OPERATIONS MANUAL

(See Each Section for Detailed Contents of That Section)

Total Pages 359

SECTION A PREFACE & INTRODUCTION

SECTION C DRNK COFFEE + TEA® / QWENCH PERSONNEL

SECTION D DRNK COFFEE + TEA® / QWENCH ADMINISTRATIVE PROCEDURES

EXHIBIT F TO THE DISCLOSURE DOCUMENT

LIST OF CURRENT FRANCHISES

DRNK/QWENCH - Hollywood
110 Sunshine Smoothies, Inc
Attn Fariba Atighehchi
6848 Sunset Blvd
Hollywood, CA 90028
323-469-8825

DRNK/QWENCH – City Mall
110 Sunshine Smoothies, Inc
Attn Fariba Atighehchi
201 N Los Angeles Street #10D
Los Angeles, CA 90012
213-617-0400

DRNK/QWENCH – The Bloc
110 Sunshine Smoothies, Inc
Attn Fariba Atighehchi
750 W 7th Street
Los Angeles, CA 90017
Tel 213-789-4694

QWENCH Los Feliz
110 Sunshine Smoothies Inc
Attn Fariba Atighehchi
1915 Hillhurst Avenue
Los Angeles, CA 90027
323-912-0644

QWENCH -Vermont
110 Sunshine Smoothies, Inc
Attn Fariba Atighehchi
1528 Vermont Avenue
Los Angeles, CA 90027
323-644-3016

QWENCH 9th and Flower
110 Sunshine Smoothies, Inc
Attn Fariba Atighehchi
645 W 9th Street
Los Angeles, CA 90015
213-789-4694

DRNK -Vermont
110 Sunshine Smoothies, Inc
Attn Fariba Atighehchi
1528 Vermont Avenue
Los Angeles CA 90027
323-660-1232

DRNK/QWENCH – City Mall Kiosk
CQ Consulting, LLC
Attn Christine Quigg
201 N Los Angeles Street #10D
Los Angeles, CA 90012
604-618-1502

DRNK/QWENCH – Hoover-Adams
WAZ Franchise Ventures, LLC
Attn Wafaa Ahmed
2595 Hoover Blvd
Los Angeles, CA 90007

DRNK/QWENCH – Westwood
Ocean Eagle, Inc
Attn Haiying Chi
1001 Gayley Avenue
Los Angeles, CA 90024
323-807-0337

DRNK/QWENCH Bixby Knolls
Lucky Brightstar, LLC
Attn Lina Pei
4245 Atlantic Avenue
Long Beach, CA 90807
562-921-0028

DRNK- South Bay Pavilion
GOER L A , LLC
Attn Jessie Hao
20700 Avalon Blvd B-21
Carson, CA 90746
562-239-2128

DRNK/QWENCH – Tyler
AHA Juice & Coffee, LLC
Attn Ajaz Khan
6210 Broadway Ave
Tyler, TX 75703
903-714-7988

EXHIBIT G TO THE DISCLOSURE DOCUMENT

FRANCHISE DISCLOSURE QUESTIONNAIRE

As you know, DRNK coffee + tea Franchising, LLC and Franchisee are preparing to enter into a Franchise Agreement for the operation of a Franchised Business In this Franchisee Disclosure Questionnaire, DRNK coffee + tea Franchising, LLC will be referred to as "we" or us " The purpose of this Questionnaire is to determine whether any statements or promises were made to Franchisee that we did not authorize and that may be untrue, inaccurate or misleading Please review each of the following questions carefully and provide honest and complete responses to each question

1 Have you received and personally reviewed DRNK coffee + tea Franchising, LLC Franchise Agreement and each exhibit, addendum and schedule attached to it?

Yes __ No __

2 Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?

Yes __ No __

If "No", what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary)

____

____

____

____

____

____

____

____

3 Have you received and personally reviewed Franchisor's Disclosure Document Franchisor provided to you?

Yes __ No __

4 Do you understand all of the information contained in the Disclosure Document?

Yes __ No __

If "No", what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary)

____

____

____

____

5 Have you discussed the benefits and risks of operating the Franchised Business with an attorney, accountant or other professional advisor and do you understand those risks?

Yes __ No __

6 Do you understand that the success or failure of Franchisee's business will depend in large part upon Franchisee's skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes __ No __

7 Has any employee or other person speaking on Franchisor's behalf made any statement or promises concerning the revenues, profits or operating costs of the Franchised Business that Franchisor or our franchisees operate?

Yes __ No __

8 Has any employee or other person speaking on Franchisor's behalf made any statement or promise concerning a Franchised Business that is contrary to, or different from, the information contained in the Disclosure Document?

Yes __ No __

9 Has any employee or other person speaking on Franchisor's behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes __ No __

10 Has any employee or other person speaking on Franchisor's behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes __ No __

11 If you have answered 'Yes" to any of questions 7 through 10, please provide a full explanation of your answer in the following blank lines (Attach additional pages, if necessary, and refer to them below) If you have answered "No" to each of these questions, please leave the following lines blank

____

____

____

____

____

12 Do you understand that in all dealings with you, Franchisor's officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and these dealings are solely between Franchisee and Franchisor?

Yes __ No __

You understand that your answers are important to Franchisor and that Franchisor will rely on them

By signing this Franchisee Disclosure Questionnaire, you are representing that you have responded truthfully to the above questions

____
Name of Franchisee/Applicant

Date _______________, 20__

____
Signature

____
Name and Title of Person Signing

EXHIBIT H TO THE DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM

1 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

2 Section 31125 of the California Corporations Code requires Franchisor to give Franchisee a Disclosure Document in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise

3 You must sign a general release if Franchisee renew or transfer Franchisee's franchise California Corporations Code §31512 voids a waiver of Franchisee's rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516) Business and Professions Code §20010 voids a waiver of Franchisee's rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043)

4 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 these persons from membership in the association or exchange

5 ITEM 17 of the Disclosure Document is amended to add the following

- The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or nonrenewal of a franchise If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control

- 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)

- The Franchise Agreement contains a covenant not to compete that extends beyond the term of the agreement This provision might not be enforceable under California law

- The Franchise Agreement contains a liquidated damages clause Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable
- The Franchise Agreement requires binding arbitration The arbitration will occur at the forum indicated in ITEM 17 with the costs being borne by the non-prevailing party Prospective franchisees are encouraged to consult

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 the Franchise Agreement restricting venue to a forum outside the State of California

- The following URL address is for the franchisor's website www drnkcoffee com

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www dbo ca gov

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

DRNK coffee + tea Franchising, LLC	Franchisee ______________________
By ______________________	By ______________________
Title ______________________	Title ______________________

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language Read this disclosure document and all agreements carefully

If DRNK coffee + tea Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale unless otherwise stated in your state's addendum The delivery of the disclosure document is to be received 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 in the States of Maryland or New York

If DRNK coffee + tea Franchising, LLC 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 the State Administrator listed in Exhibit A

The following are the names, principal business addresses, and telephone numbers of each franchise seller offering the franchise

Sherry Moaven, 350 S Grand Ave , Suite 3070, Los Angeles, CA 90071, 323-825-5373

Our agent for service of process for California is listed in Item 1 Our agents for service of process in all other states are listed in Exhibit B

I have received a disclosure document dated ________________ that included the following exhibits on the date listed below

A List of State Administrators
B List of State Agents for Service of Process
C Franchise Agreement
D Table of Contents to the Operations Manual
E Financial Statements
F List of Current Franchisees
G Franchisee Disclosure Questionnaire
H Multi-State Addenda

Please sign and print your name below, date and return one copy of this receipt to DRNK coffee + tea Franchising, LLC and keep the other for your records

Signature ________________

Print Name ________________

Date of Receipt ______________

Company Name ______________

Return To
DRNK coffee + tea Franchising, LLC
350 S Grand Ave , Suite 3070
Los Angeles, CA 90071

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language Read this disclosure document and all agreements carefully

If DRNK coffee + tea Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale unless otherwise stated in your state's addendum The delivery of the disclosure document is to be received 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 in the States of Maryland or New York

If DRNK coffee + tea Franchising, LLC 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 the State Administrator listed in Exhibit A

The following are the names, principal business addresses, and telephone numbers of each franchise seller offering the franchise

Sherry Moaven, 350 S Grand Ave , Suite 3070, Los Angeles, CA 90071, 323-825-5373

Our agent for service of process for California is listed in Item 1 Our agents for service of process in all other states are listed in Exhibit B

I have received a disclosure document dated ________________ that included the following exhibits on the date listed below

A List of State Administrators
B List of State Agents for Service of Process
C Franchise Agreement
D Table of Contents to the Operations Manual
E Financial Statements
F List of Current Franchisees
G Franchisee Disclosure Questionnaire
H Multi-State Addenda

Please sign and print your name below, date and return one copy of this receipt to DRNK coffee + tea Franchising, LLC and keep the other for your records

Signature ________________

Print Name ________________

Date of Receipt ____________

Company Name ____________

Return To
DRNK coffee + tea Franchising, LLC
350 S Grand Ave , Suite 3070
Los Angeles, CA 90071