

EXHIBIT C - SWEETS FOR CHANGE FRANCHISE AGREEMENT

Sweets For Change

Sweets For Change Franchises, Inc.

FRANCHISE AGREEMENT

FRANCHISEE

DATE OF AGREEMENT

SWEETS FOR CHANGE FRANCHISES, INC.

FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of _____, _____, by and between Sweets For Change Franchises, Inc. ("**Franchisor**", "**Company**" or "**we**"), a California corporation, with its principal place of business located at 7525 Metropolitan Dr., Suite 300, San Diego, California 92108 and _____ ("**Franchisee**" or "**you**"), a(n) _____, whose principal address is _____

1. INTRODUCTION.

1.01 Franchise Business. As a result of spending time, skill, effort and money, we have developed a comprehensive system for operating a confectionary distribution and charity fund raising business and related services utilizing specially developed Starlight Children's Foundation, charitable organization sponsored, "Honor System Donation Boxes" for receipt of payment placed in businesses and other premises open to the public, identification schemes, products, route management, programs, staffing, production standards, specifications and proprietary marks and information. We may improve or otherwise change the System from time to time.

1.02 Your Acknowledgments. You have read this Agreement and our disclosure document at least 10 days prior to signing this Agreement. You understand the terms of this Agreement and accept them as being reasonably necessary to maintain the uniformity of our high standards at all Sweets For Change Businesses in order to protect the goodwill of the Marks and the confidentiality of the System. You have conducted an independent investigation of the business contemplated by this Agreement and recognize that (a) an investment in a Sweets For Change Business involves business, financial and legal risks; (b) the success of the venture is largely dependent on your own business abilities, efforts and financial resources, and (c) the nature of Sweets For Change Businesses may change over time. You have obtained the advice of independent legal and financial counsel in connection with your decision to pursue the business contemplated by this Agreement. You have not received or relied on any guaranty or assurance, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement.

Franchisee initials _____

1.03 Your Representations. You represent and warrant that neither you nor any of your Owners has made any untrue statement of any material fact or has omitted to state any material fact in obtaining the rights granted hereunder. You recognize that we have approved your franchise application in reliance on all of the statements you and your Owners have made in connection therewith.

1.04 Certain Definitions. The terms listed below have the meanings which follow them and include the plural as well as the singular. Other terms are defined elsewhere in this Agreement in the context in which they arise.

"Affiliate" - Any Person who directly or indirectly owns or controls the referenced party, who is directly or indirectly owned or controlled by the referenced party, or who is under common control with the referenced party. The term **"control"** means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through ownership of voting securities, by contract or otherwise.

"Authorized Product and Service" has the meaning as set out in Schedule "A" hereto.

"Business" - has the meaning as set out in Section 2.01 hereof.

"Competitive Business" - Any business that offers products or services that are the same as, or similar to, the Sweets For Change Business or any other business that is the same as, or similar to, the Sweets For Change Business concept, as it evolves or changes over time. Restrictions in this Agreement on competitive activities do not apply to: (a) the ownership or operation of other Sweets For Change Businesses that are licensed or franchised by us or any of our Affiliates; or (b) the ownership of shares of a class of securities that are listed on a stock exchange or traded on the over-the-counter market and that represent less than five percent (5%) of that class of securities.

"Confidential Information" - Our and our Affiliates' proprietary and confidential information relating to the operation of Sweets For Change Businesses, including: (a) marketing and sales techniques; (b) training programs; route distribution management systems; (c) computer programs and system; and Operating Manuals.

"Gross Sales" - means the aggregate of all sales or other income from whatever source derived (whether it be retail, wholesale or other nature), whether or not collected by the Franchisee and whether for cash, credit or otherwise, arising out of the operation of the Business, including, without limitation:

- (i) all route donations of cash or equivalent collected from donation boxes;
- (ii) all income derived from mail, internet and telephone sales or other similarly placed orders;
- (iii) the amount of all sales assumed to have been lost by the interruption of the Business and which is the basis upon which an insurer has or will pay business interruption insurance;

The following shall not be included in calculating Gross Sales:

- (i) the amount of any tax imposed by state or local governmental agencies in which the Location is located, directly on retail sales and collected from customers at the time of the sale, provided that the amount of any such tax is shown separately and is in fact paid by the Franchisee to the said local government;
- (ii) the amount of the goods and services tax imposed by the federal government directly on retail sales and collected from customers at the time of sale, provided the amount of such tax is in fact paid by the Franchisee to the said government agency.

"Immediate Family" - Spouse, parents, brothers, sisters and children, whether natural or adopted.

"Internet" - All communications between computers and between computers and television, telephone, facsimile and similar communications devices, including the World Wide Web, proprietary online services, E-mail, news groups and electronic bulletin boards.

"Marks" - Our and our Affiliates' current and future trademarks, service marks, and trade dress used to identify the services and/or products offered by Sweets For Change Businesses, including the mark Sweets For ChangeSM and associated design marks.

"Sweets For Change Businesses" - Businesses which operate a plan or system for raising funds for charity through the distribution to businesses and other premises open to the public of boxes of confectionary together with a donation box for payment of purchases of confectionary comprising the use of identifying charity donation boxes, material, methods of advertising and publicity, insurance programs, the style and character of the equipment, the provision of sources for central procurement of inventory and trading stock, and standard operational procedures, which we or any of our Affiliates own, operate or franchise and which use the Marks and the System.

"Operating Manual" - Our confidential operating manual, as amended from time to time, which may consist of one or more manuals, either in hard copy form or electronic or on the National Web Site, containing our mandatory and suggested standards and operating procedures relating to the development and operation of Sweets For Change Businesses and other information relating to your obligations under this Agreement. The term **"Operating Manual"** also includes alternative or supplemental means of communicating such information to you that are labeled as being part of the Operating Manual, including bulletins, videotapes, audio tapes, compact discs, computer diskettes, CD ROMs and electronic communications.

"Operating Partner" - The individual so designated in Schedule "C".

"Owner" - Each Person who has a direct or indirect legal or beneficial ownership interest in Franchisee, if you are a business corporation, partnership, limited liability company or other legal entity.

"Person" - An individual (and the heirs, executors, administrators, or other legal representatives of an individual), partnership, limited liability company, joint venture, corporation, company, government (or any department or agency or instrumentality thereof), trustee, trust, unincorporated organization, or any other legal entity of whatever kind of nature.

"Premises" - The location selected pursuant to Section 2.03.

"Protected Territory" - The geographic territory so designated in Schedule "A".

"System" - The business methods for operating Sweets For Change Businesses, which include the Marks, certain Confidential Information, donation box design and layout, route management procedures, and operating and business standards and policies and manuals, all of which we may improve, further develop or otherwise modify from time to time.

"Transfer the Franchise" - or similar words - The voluntary or involuntary, direct or indirect, sale, assignment, transfer or other disposition of this agreement, any right under this agreement, or any form of ownership interest in Franchisee or the assets, revenues or income of your Franchised Business, including: (1) any transfer, redemption or issuance of a legal or beneficial ownership interest in the equity of Franchisee; (2) any merger or consolidation of Franchisee, whether or not Franchisee is the surviving entity; (3) any transfer in, or as a result of, a divorce, insolvency, corporate, limited liability company or partnership dissolution proceeding or otherwise by operation of law; (4) any transfer upon the death of Franchisee or any Owner of Franchisee, by will, declaration of or transfer in trust or under the laws of inter-provincial succession; or (5) any foreclosure upon your Franchised Business or the transfer, surrender or loss by Franchisee of possession, control or management of the Franchised Business.

2. GRANT OF RIGHTS.

2.01 Grant of Franchise. Subject to the terms and conditions of this Agreement, we grant you the right, and you assume the obligation, to operate the type of Sweets For Change Business, and offer the Authorized Product and Service, each as identified in Schedule "A" at the Location selected pursuant to Section 2.03 ("**Business**"), and to use the System solely in connection therewith, for a term of ten (10) years, starting on the date of this Agreement (the "**Term**"). You may not conduct your Business or use the System anywhere other than at the Location, nor relocate your Business, without our consent.

2.02 Protected Territory. Provided you and your Principal Owners are in compliance with all terms and conditions of this Agreement and all other agreements between you or any of your Affiliates, and us or any of our Affiliates, we agree during the Term not to own, operate or manage another business like the Business, nor to grant to another person the right to own, operate or manage the Business which offers the Authorized Product and Service at a location within the Protected Territory, as identified in Schedule "A." You will be assigned a protected territory based upon population density, whether your location is in a metropolitan or rural area, but generally we will not place another franchise within five (5) miles of the location of your Sweets for Change Business, and your protected territory will have a population base of not less than 100,000 people.

2.03 Selection of Location of Business. If the Business requires a Location, as determined by the Franchisor, within a reasonable period of time, not to exceed 45 days after the date of this Agreement, you agree to select a proposed location for the Business within the Protected Territory, which location is subject to our approval. You agree to submit to us all information we request about the proposed location. In approving or disapproving any proposed location, we will consider such factors as we deem relevant, including general location, neighborhood and distance to any other Sweets For Change Business. Upon approval of a proposed location, Schedule "B" will be completed and signed by both parties, and the location identified in Schedule "B" will be deemed the "**Location**".

2.04 Our Reservation of Rights. Except as otherwise expressly provided in this Agreement, we, on behalf of ourselves, our Affiliates and respective successors and assigns (by purchase, merger or otherwise), retain all of our rights and discretion with respect to the Marks, the System and Sweets For Change Businesses anywhere in the world, including the right to: (a) market, solicit and sell, and grant other persons the right to market, solicit and sell, authorized products and services through the Internet or otherwise, to persons residing inside and outside the Protected Territory; (b) operate, and grant the right to operate, Sweets For Change Businesses located anywhere outside the Protected Territory on such terms and conditions as we deem appropriate; (c) operate, and grant the right to operate, Sweets For Change Businesses located anywhere inside or outside the Protected Territory, that does not offer the Authorized Products and Services, on such terms and conditions as we deem appropriate; and (c) use, license and/or sell to others within and outside the Protected Territory pursuant to any terms and conditions we deem appropriate any or all of the concepts, formats and systems of a Sweets For Change Business using trademarks or service marks, other than the Marks.

2.05 Disclaimer. Neither our agreement to permit you to operate in the Protected Territory, nor our approval of the Location constitutes a warranty or representation of any kind, express or implied, as to the suitability of the Protected Territory or Location for a Sweets For Change Business or for any other purpose. Our proposal or acceptance of these matters merely signifies that we are willing to grant a franchise for a Sweets For Change Business located at that site and operating within that geographical territory. Your decision to develop and operate a Sweets For Change Business is based solely on your own independent investigation and judgment of the suitability of the Location and the Protected Territory for a Sweets For Change Business.

2.06 Minimum Performance Standard. The grant of your Protected Territory is expressly conditioned upon your successful penetration of the market in the Protected Territory. Franchisee shall continuously during the Term exert its best efforts to expand, promote, enhance and fully exploit the business potential of its Sweets For Change Business in the Protected Territory. You must maintain minimum Gross Sales every calendar year during the Term of at least eighty percent (80%) of the "designated average" of Gross Sales of all Franchisees within the System, except during the first calendar year (partial or full) of the Term, when no performance standard is in effect. The "designated average" is the average Gross Sales of all Franchisees within the System during each calendar year of the Term, without taking into consideration those Franchisees that are in the top and bottom 20th percentile of Gross Sales during this period. You must also maintain the number of charity donation boxes equal to not less than 90% of the required placement total described in Schedule G, with the exception of the first six months from the date of this Agreement. Further, you must manage the charity donation boxes so as to stay within 14% of the system-wide pilferage experience factor of 40%. Your failure to maintain the minimum performance standard is a material breach of this Agreement. **THIS MINIMUM PERFORMANCE STANDARD DOES NOT INFER THAT YOU WILL EXPERIENCE GROSS SALES OF ANY PARTICULAR LEVEL.**

3. FEES.

3.01 Initial Franchise Fee. You agree to pay us an initial franchise fee in the amount Twenty-Five Thousand (\$25,000.00) Dollars. Prior to the full initial franchise fee being paid, you must pay us a Five Thousand (\$5,000) non-refundable deposit to hold your territory. The territory reservation deposit is non-refundable, but will be credited against the initial franchise fee described above for a Sweets For Change Business, as identified in Schedule "A," with the balance of the initial franchise fee paid prior to franchisee training.

The initial franchise fee is payable when you sign this Agreement and is non-refundable, except as otherwise expressly provided herein. The required Initial Inventory is further described in Schedule G.

3.02 Ongoing Fees. You agree to pay us, within 10 days of the end of each calendar month, the ongoing fees ("**Ongoing Fees**"), as set forth and so designated in Schedule "F," and as amended from time-to-time in the Operating Manual.

3.03 Marketing Fund Contributions. You agree to contribute to the Marketing Fund, as further provided for in Section 7.01 hereof, an amount equal to \$200.00 per month. Sweets For Change Businesses owned by us and our Affiliates will contribute to the Marketing Fund on the same basis as you are required to do.

3.04 Local Advertising. You agree to spend a minimum of \$100.00 per month on local advertising in your Protected Area.

3.05 Method of Payment. We may require that all Marketing Fund contributions, payments for product purchases and any other payments hereunder be effected, at your cost, through electronic debit/credit transfer of funds programs that we specify from time to time, and you agree to sign such documents (including independent transfer authorizations) and do such things as we deem necessary to facilitate electronic transfer of funds.

3.06 Interest On Late Payments. All amounts which you owe us or any of our Affiliates, including Marketing Fund contributions, shall bear interest after their due date at the highest contract rate of interest permitted by law, not to exceed 2% per month. However, your failure to pay all amounts when due constitutes grounds for termination of this agreement, as provided in Section 14. In addition to interest on overdue amounts, you must pay a late charge of \$250 for each payment that is more than 10 days overdue to cover our administrative costs in dealing with the late payment.

3.07 Application of Payments. We may apply any payments by you, or offset any amounts we or any of our Affiliates owe you, to or against any of your past due indebtedness for Product purchases, Marketing Fund contributions or any other indebtedness to us or any of our Affiliates, notwithstanding any contrary designation by you.

4. TRAINING AND ASSISTANCE

4.01 Initial Training Program. Before opening your Business, you (or your Operating Partner) are required to attend an initial 5-day training and pre-opening program on the operation of a Sweets For Change Business, furnished at such place(s) and time(s) as we designate. At least 2 days of Initial Training will take place in your Protected Territory. You will be solely responsible for all compensation, travel, lodging and living expenses incurred in connection with attending the initial training program and all supplemental or refresher training programs outside of your Protected Territory.

4.02 Supplemental Training Programs. We may require you (or your Operating Partner) and all your managers to attend such refresher and supplemental training programs. Your failure to attend any refresher or supplemental training program, even if not mandatory, constitutes your

acknowledgment that you have received and are receiving all required assistance. Supplemental training may include telephonic or email communications and other assistance on an ongoing basis.

4.03 Access to Internet. You agree not to offer or sell authorized products or services through the Internet without our consent. In connection with any such consent, we may establish such requirements as we deem appropriate, including (a) obtaining our prior written approval of any Internet domain name and home page addresses; (b) submission for our approval of all web site pages, advertising, materials and content; (c) use of all hyperlinks and other links; (d) restrictions on use of any materials (including text, video clips, photographs, images and sound bites) in which any third party has any ownership interest; (e) obtaining our prior written approval of any modifications; and (f) consenting in advance to our removal of any web site pages, materials, advertising and content as we deem desirable, in our sole discretion, to maintain and enhance the goodwill associated with the Marks.

We will have the right to review all content you propose to include on your local web site ("Local Web Site", including all modifications, and to approve or disapprove such content in our sole discretion. Any modifications you propose to the content we previously have approved, as well as any modifications you propose to the standard format for the Local Web Site are subject to our prior approval. We may remove any content from your Local Web Site as we deem desirable, in our sole discretion, to maintain and enhance the goodwill associated with the Marks. We may push or link the content to a variety of other Internet Web Sites. We may sell space on your Local Web Site to third party advertisers. We have the right to modify your Local Web Site and their design and layout at your sole cost and expense.

4.04 Disclaimers of Warranties and Liabilities.

(A) ALL CONTENT ON, AND ACCESS TO THE NATIONAL WEB SITE IS PROVIDED TO YOU ON AN "AS IS," OR "AS AVAILABLE" BASIS WITHOUT WARRANTY OF ANY KIND EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT. WE MAKE NO WARRANTY AS TO THE ACCURACY, COMPLETENESS, CURRENCY, OR RELIABILITY OF ANY CONTENT AVAILABLE THROUGH THE NATIONAL WEB SITE OR THE LOCAL WEB SITE, OR ANY SERVICES PROVIDED VIA THE NATIONAL WEB SITE OR THE LOCAL WEB SITE.

(B) WE, ON OUR OWN BEHALF AND ON BEHALF OF ANY DESIGNATED SUPPLIERS, SPECIFICALLY DISCLAIM ANY LIABILITY TO YOU AND YOUR CUSTOMERS, WHETHER BASED IN CONTRACT, TORT, STRICT LIABILITY OR OTHERWISE, FOR ANY DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, EXEMPLARY, PUNITIVE OR SPECIAL DAMAGES ARISING OUT OF OR IN ANY WAY CONNECTED WITH ACCESS TO OR USE OF THE NATIONAL WEB SITE OR LOCAL WEB SITE, EVEN IF WE HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, INCLUDING BUT NOT LIMITED TO RELIANCE BY ANY PARTY ON ANY CONTENT OBTAINED THROUGH USE OF THE NATIONAL WEB SITE OR LOCAL WEB SITE, OR THAT ARISES IN CONNECTION WITH MISTAKES OR OMISSION IN, OR DELAYS IN TRANSMISSION OF, INFORMATION TO OR FROM YOU OR YOUR CUSTOMERS, INTERRUPTIONS IN TELECOMMUNICATIONS CONNECTIONS TO THE NATIONAL WEB SITE OR LOCAL WEB SITE OR VIRUSES, WHETHER CAUSED IN WHOLE OR IN PART BY NEGLIGENCE, ACTS OF GOD, TELECOMMUNICATIONS FAILURE, THEFT OR DESTRUCTION OF, OR UNAUTHORIZED ACCESS TO THE NATIONAL WEB SITE OR LOCAL WEB SITE OR RELATED INFORMATION.

4.05 Operating Manual. We will loan you a standard form of our Operating Manual(s) (and any other relevant materials describing the System), containing specifications, standards and operating procedures prescribed by Franchisor for the development and operation of your Sweets For Change

Business and which comprise the System. Additionally, we may provide you with a confidential access code number to obtain the Operating Manual, as well periodic amendments to same, from our national web site (**National Web Site**). **You are responsible to visit the National Web Site at least one (1) time per week to access the Operating Manual current amendment section. You hereby indemnify the Franchisor for any claims that you may have in the event that you do not visit the National Web Site on a weekly basis and fail to maintain your Operating Manual to current System standards.** You agree to comply fully with all mandatory standards and operating procedures and other obligations contained in the Operating Manual. We may modify the Operating Manual to reflect changes in authorized products and services, pricing, charitable donation percentages required to be paid by you, standards and operating procedures, provided no addition or modification may alter your fundamental status and rights under this Agreement. Mandatory standards and operating procedures and other obligations that we prescribe in the Operating Manual, or otherwise communicate to you in writing, constitute provisions of this Agreement as if fully set forth herein. All references to this Agreement include all such mandatory standards and operating procedures and other obligations. You agree to keep your copy of the Operating Manual current. If a dispute develops relating to the contents of the Operating Manual, our master copy will control. The Operating Manual contains Confidential Information, and you agree not to copy any part of the Operating Manual. . You will report the theft, loss or destruction of the Manuals immediately to us. Upon the theft, loss or destruction of the Manuals, we will loan to you a replacement copy at a fee of Two Hundred Fifty Dollars (\$250.00) for each Manual. A partial loss or failure to update any Manual is considered a complete loss.

Franchisee initials _____

4.06 On-Going Guidance. We will furnish you periodic guidance with respect to the System, including improvements and changes to the System. Such guidance, at our discretion, may be in the form of the Operating Manual, bulletins or other written materials, telephonic consultations or consultations at our offices or at the Business or by any other means of communication. At your request, we may provide special assistance for which you may be required to pay per diem fees and charges.

5. DEVELOPMENT OF THE BUSINESS.

5.01 Lease of Location of the Business. If you lease a Location outside of your home, you agree to lease or sublease the Location within 30 days after Schedule "B" has been completed. Any lease or sublease of the Location is required to have such provisions as are reasonably acceptable to us and, at our discretion, may be required to be conditionally assigned to us (with the consent of the lessor, if required) by a conditionally assignment agreement acceptable to us.

5.02 Development and Opening of the Business. You may operate the Business only at the Location. You are responsible for developing the Location and all expenses associated with it. You agree to do the following: (a) prepare and submit to us for approval, your proposed plans for layout and design of the Location, which must comply with applicable laws, regulations and ordinances, building codes, permit requirements and lease requirements and restrictions; (b) obtain all required permits and licenses, including building, sign, occupancy and business permits; (c) construct all improvements to the Location in compliance with the plans we approve and in compliance with all applicable laws, regulations and ordinances, building codes, permit and license requirements and lease requirements and restrictions; decorate the premises, and purchase or lease and install all fixtures, furniture, equipment (including telephone and computer equipment) and signs designated by us; and (d) establish recordkeeping and accounting systems conforming to our requirements.

We will furnish such further guidance in developing the Location as we deem appropriate. We may periodically inspect the Location during its development. We do not, by approving your plans or specifications or inspecting the Location, assume any liability or responsibility to you or to any third parties.

You agree not to open your Business for business without our approval. Your Business must be open for business within 30 days after you complete our initial training program; however, we may, at our discretion, grant an extension of time for opening the Business.

5.03 Motor Vehicle. You must ensure that any motor vehicle used by you in your Business is maintained regularly and is clean both inside and outside so as to maintain the image and standards of the System.

6. OPERATING PROCEDURES.

6.01 Authorized Product and Service. You agree that your Business will offer for sale the full range of Authorized Product and Service we consider mandatory from time to time for the type of Sweets For Change Business franchised hereunder. You agree to exert your best efforts to market and sell all such products and services and to capitalize on the full potential of your Business. We have the right from time to time to add, modify or delete Authorized Product and Service. You acknowledge and agree that additional Authorized Product and Service may require you to incur additional costs for products, charity donation boxes, equipment, inventory, additional personnel and personnel training.

You agree that your Business will not offer any products or services that are not then Authorized Product and Service. Your Business may not be used for any purpose other than the operation of the type of Sweets For Change Business franchised hereunder in compliance with this Agreement. You agree that your Business will offer courteous, efficient and high quality services in accordance with our standards.

YOU ARE SOLELY RESPONSIBLE FOR ALL OBLIGATIONS AND LIABILITIES TO CUSTOMERS OF YOUR BUSINESS. WE HAVE NO OBLIGATIONS OR LIABILITIES TO THOSE CUSTOMERS WHATSOEVER, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT.

YOU MAY ESTABLISH REASONABLE QUALIFICATIONS CRITERIA FOR THE SALE OF AUTHORIZED PRODUCTS AND SERVICES AND PLACEMENT OF CHARITY DONATION BOXES, BUT YOU MAY NOT, DIRECTLY OR INDIRECTLY, DISCRIMINATE AGAINST ANYONE DUE TO THEIR RACE, COLOR, RELIGION, SEX OR NATIONAL ORIGIN. WE HAVE THE RIGHT TO USE INFORMATION ABOUT CUSTOMERS OF YOUR BUSINESS FOR ANY PURPOSE WITHOUT COMPENSATION TO YOU. YOU AGREE TO USE ONLY THOSE TYPES OF FORMS AND AGREEMENTS AS WE APPROVE. YOU MAY PURCHASE SUCH FORMS FROM ANY SUPPLIER APPROVED BY US, WHICH MAY INCLUDE US OR ANY OF OUR AFFILIATES.

You recognize that the concept of a Sweets For Change Business may change over time. You agree to adopt such changes in your Business as we may direct. We may conduct market research and testing to determine consumer trends and the salability of new products, and services for Sweets For Change Businesses. You agree to participate in market research and test marketing and to make reasonable efforts sell such products or services and to provide us with timely reports and information.

6.02 Appearance of the Business. You may use in the development and operation of your Business only those brands or types of fixtures, equipment, furniture, signs and other materials and supplies we approve for Sweets For Change Businesses. You may purchase or lease approved brands and types of fixtures, equipment, furniture, signs and other materials and supplies from any supplier, which may include us or any of our Affiliates.

You agree to keep the Location clean, attractive and consistent with the image of a Sweets For Change Business. You agree to effect all maintenance of the Location as we require, including interior and exterior repair and cleaning; replacement of worn out or obsolete leasehold improvements, fixtures, furniture, equipment, signs and display merchandise; and periodic redecorating. You may not make any material alterations to the Location, nor make any material alterations to the layout, leasehold improvements, fixtures, signs, equipment or appearance of the Location, without our approval.

6.03 Standards And Procedures. You acknowledge that every aspect of the appearance and operation of your Business is important to us and is subject to our standards and procedures. You agree to comply with all mandatory standards and procedures including: (a) hours and days of operation; (b) cleanliness and appearance of your Business; (c) general appearance and demeanor of employees of your Business; and (d) marketing, solicitation and sale methods.

6.04 COMPLIANCE WITH LAWS. YOU AGREE TO MAINTAIN IN FORCE IN YOUR NAME ALL REQUIRED LICENSES, PERMITS AND CERTIFICATES RELATING TO THE OPERATION OF YOUR BUSINESS. YOU AGREE TO OPERATE YOUR BUSINESS IN FULL COMPLIANCE WITH ALL APPLICABLE LAWS, ORDINANCES AND REGULATIONS. YOU AGREE THAT YOU HAVE SOLE RESPONSIBILITY FOR BEING APPRISED AND STAYING APPRISED OF SUCH LAWS AND REGULATIONS AND ALL CHANGES THERETO. YOU AGREE TO NOTIFY US IN WRITING WITHIN 5 DAYS AFTER: (A) THE COMMENCEMENT OF ANY LEGAL OR ADMINISTRATIVE ACTION, OR THE ISSUANCE OF ANY ORDER OF ANY COURT, AGENCY OR OTHER GOVERNMENTAL INSTRUMENTALITY, WHICH MAY ADVERSELY AFFECT THE OPERATION OF YOUR BUSINESS OR YOUR FINANCIAL CONDITION; OR (B) THE DELIVERY OF ANY NOTICE OF VIOLATION OR ALLEGED VIOLATION OF ANY LAW, ORDINANCE OR REGULATION.

You agree that all of your advertising, solicitation and promotion will be completely factual and will conform to the highest standards of ethical advertising. You agree to adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct in all dealings with your customers, employees, lessors and the public. You agree to refrain from any business or advertising practice which may be injurious to our business, to any other Sweets For Change Business or to the goodwill associated with the Marks.

You agree to send us immediately any letters of appreciation, complaint or criticism of your Business and, with respect to complaints and criticisms, to furnish us with your response and describe in writing all action taken or proposed to be taken to rectify any complaints.

6.05 Personnel. Your Business is required at all times to be staffed by a sufficient number of competent and properly trained employees. You are responsible for hiring all employees of your Business and are responsible exclusively for the terms of their employment, including compensation, and for their proper training. You are solely responsible for all employment decisions of your Business, including those related to hiring, firing, remuneration, personnel policies, benefits, record keeping, supervision, and discipline, and regardless of whether you received advice from us on these subjects. You may not recruit or hire any person who is an employee of ours or of any Sweets For Change Business operated by us, our Affiliates or another franchisee of ours without obtaining the consent of that person's employer, which consent may be withheld for any reason.

6.06 Insurance. You agree to maintain in force: (a) commercial general and product liability insurance; (b) general casualty insurance, including fire and extended coverage, vandalism and malicious mischief insurance, for the replacement value of your Business and its contents; and (c) such other insurance policies, such as business interruption, automobile and unemployment insurance, as we may determine from time to time. All insurance policies shall be issued by carriers approved by us, shall contain such types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe, shall name us and our Affiliates as additional insureds, shall provide for 30 days' prior written notice to us of any material modification, cancellation or expiration of such policy and shall include such other provisions as we require.

At our request, you agree to furnish us with evidence of insurance coverage and payment of premiums. If you fail to maintain any required insurance coverage, or to furnish satisfactory evidence thereof, we may obtain such insurance coverage on your behalf, in addition to our other rights and remedies hereunder. If we do so, you agree to fully cooperate with us in our effort to obtain such insurance policies and pay for any costs and premiums we incur. Your obligation to maintain insurance coverage is not diminished in any manner by reason of any separate insurance we maintain, nor does it relieve you of your obligations under Section 17.02.

6.07 Pricing of Products and Services. We will offer guidance to you relating to prices for Authorized Products and Service of your Business that in our judgment constitutes good business practice. Such guidance shall be deemed to impose on you an obligation to charge any fixed or minimum price we shall designate. We will have the sole right to determine the prices to be charged by your Business. You agree not to enter into any agreement or arrangement or engage in any concerted practice with other Sweets For Change Businesses or other businesses offering similar products and services relating to the prices at which Authorized Product and Service will be sold by you or by other Sweets For Change Businesses.

6.08 Responding to Customer Leads. You are responsible from 8:00 a.m. to at least 6:00 p.m. to be available to answer all leads whether they be via e-mail, facsimile, telephone or otherwise. You may hire qualified and trained personnel to assist you in this capacity.

6.09 Vacations. You must advise the Franchisor with a minimum of 2 weeks notice when you will be taking vacation. During the vacation period, you must assign a qualified and approved replacement to service the Business.

6.10 Rebates. The Franchisee acknowledges and agrees that the Franchisor shall be entitled to the benefit of any and all discounts, volume rebates, advertising allowances or other similar advantages that the Franchisor or its Affiliates may obtain from any person by the reason of such person's supplying products or services to the Franchisee or to other franchisees of the Franchisor and the Franchisee acknowledges that such benefits may not be passed on to the Franchisee. The cost for such authorized products shall be prescribed from time to time by the Franchisor as more particularly set out in the Operating Manual or the manual provided by authorized suppliers.

7. MARKETING AND ADVERTISING

7.01 Marketing Fund. We may, in our sole discretion, establish and administer a fund ("**the Marketing Fund**") for the creation and development of marketing, advertising, and related programs. We will have sole discretion over all aspects of programs financed by the Marketing Fund, including creative concepts, media, materials and endorsements of marketing and advertising programs. Although any marketing and advertising programs funded by the Marketing Fund are intended to maximize general recognition and patronage of the Marks for the benefit of all Sweets For Change Businesses, we cannot assure you that any particular Sweets For Change Business will benefit directly or pro-rata from the placement of advertising. The Marketing Fund may be used to pay for the cost of preparing and producing marketing and advertising materials and programs we select, including Internet media (such as Web sites), video, audio and written advertising materials, and for the cost of employing advertising agencies, market research activities. We may furnish you with marketing, advertising and promotional materials at cost, plus any related administrative, shipping, handling and storage charges.

The Marketing Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for reasonable salaries, administrative costs and overhead we may incur in activities related to the administration of the Marketing Fund and its programs, including collecting and accounting for contributions to the Marketing Fund. All disbursements from the Marketing Fund shall be made first from income and then from contributions. We may spend in any fiscal year an amount which is more or less than the aggregate contributions to the Marketing Fund in that year, and the Marketing Fund may borrow from us or other lenders to cover deficits or cause the Marketing Fund to invest any surplus for future use. We will prepare annually a statement of monies collected and costs incurred by the Marketing Fund and furnish you a copy on your written request. Except as otherwise expressly provided in this Section, we assume no liability or obligation with respect to the establishment, direction or administration of the Marketing Fund. We do not act as trustee or in any other fiduciary capacity with respect to the Marketing Fund.

7.02 Your Advertising. You agree to submit to us for our prior approval, samples of all marketing, solicitation, advertising and promotional materials not prepared or previously approved by us and which vary from our standard materials. You may not use any materials we have disapproved.

8. RECORDS AND REPORTS

8.01 Records. You agree to prepare and to maintain complete and accurate books, records (including disbursement and repayment records) and accounts (using our standard chart of accounts) for your Business and copies of such portions of your signed state and federal income tax returns as relate to your Business. All such books and records shall be kept at the Location, unless we otherwise approve.

8.02 Periodic Reports. You agree to furnish us:

- (1) on the first Monday of each month during the term Agreement and any subsequent renewal, on or before 12:00 P.M. (noon) Pacific Standard Time (PST), a monthly report containing complete information on the sales and services rendered pursuant to the license issued hereunder during the preceding month, including all fees received or receivable for such sales and services and all sales tax paid or payable on such sales and services, as well as copies of all sales tax reports, as required to be filed by Franchisee;
- (2) The Franchisee shall submit to the Franchisor, on or before the fifteenth (15th) day of each month, in the form prescribed by the Franchisor, an operations report of the Business for the preceding calendar month;
- (3) The Franchisee shall submit to the Franchisor copies of all goods and services tax and retail sales tax reports and returns required to be paid or filed by the Franchisee at the same time as they are required to be paid or filed with the taxing authorities;
- (4) The Franchisee shall submit to the Franchisor, within thirty (30) days after the close of each twelve (12) month period, commencing with the opening of the Business, in the form prescribed by the Franchisor, a profit and loss statement for such twelve (12) month period and a balance sheet (including a statement of retained earnings or partnership account) as at the end of the period, both of which shall be prepared by an independent accountant as may be acceptable to the Franchisor.
- (5) The Franchisee shall submit to the Franchisor such other periodic forms and reports in such form and at the times prescribed by the Franchisor.
- (6) The Franchisee shall preserve for a period of not less than three (3) years all accounting records and supporting documents relating to the Franchisee's operations under this Agreement.

9. INSPECTIONS AND AUDITS OF YOUR BUSINESS.

9.01 Inspections. We and our agents have the right at any reasonable time and without prior notice to: (a) inspect your Business and access all your computer files relating to your Business; (b) observe, photograph, audio-tape and/or video tape the operations of your Business; and (c) interview personnel and customers of your Business. You agree to cooperate fully with such activities.

9.02 Audits. We have the right at any time during business hours, and without prior notice, to inspect, copy and audit the books, records, tax returns and documents relating to the development, ownership, lease, occupancy or operation of your Business, including all such documents and records maintained in electronic form. You agree to cooperate fully with our representatives and independent accountants conducting such audits.

10. TRADEMARKS.

10.01 Ownership of the Marks. You acknowledge that an Affiliate of the Franchisor, namely, Sweets For Change, Inc. ("**Company**") owns the Marks. Your right to use the Marks is derived solely from this Agreement and is limited to conducting business pursuant to and in compliance with this Agreement.

Your unauthorized use of any of the Marks constitutes a breach of this Agreement and an infringement of the Company's rights to the Marks. This Agreement does not confer on you any goodwill or other interests in the Marks. Your use of the Marks and any goodwill established thereby inures to the exclusive benefit of Company. All provisions of this Agreement applicable to the Marks apply to any additional or substitute trademarks, service marks and trade dress we authorize you to use. You may not at any time during or after the Term contest, or assist any other person in contesting, the validity or ownership of any of the Marks.

10.02 Use of the Marks. You agree to use the Marks as the sole identification of your Business, provided you identify yourself as the independent owner thereof in the manner we prescribe. You agree to use the Marks as we prescribe in connection with the sale of authorized products and services. You may not use any Mark (or any abbreviation, modification or colorable imitation) as part of any corporate or legal business name or in any other manner (including as an electronic media identifier, such as websites, web pages, or domain names).

10.03 Discontinuance of Use of Marks. If it becomes advisable at any time for us and/or you to modify or discontinue use of any Mark and/or use one or more additional or substitute trademarks, service marks or trade dress, you agree to comply with our directions within a reasonable time after notice. We will have no liability or obligation whatsoever with respect to any such required modification or discontinuance or the promotion of a substitute trademark, service mark or trade dress.

10.04 Notification of Infringements and Claims. You agree to notify us immediately of any apparent infringement of, or challenge to, your use of any Mark or any claim by another person of any rights in any Mark. You may not communicate with any person, other than your legal counsel, us, the Company and their legal counsel, in connection with any such infringement, challenge or claim. The Company will have sole discretion to take such action as it deems appropriate and will have the right to control exclusively any litigation or United States Patent and Trademark Office proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. You agree to sign any and all documents, render such assistance and do such things as may be advisable in the opinion of the Company's legal counsel to protect its interests in any litigation or United States Patent and Trademark Office proceeding or otherwise to protect its interests in the Marks.

10.05 Indemnification of Franchisee. We agree to indemnify you against, and to reimburse you for, all damages for which you are held liable in any proceeding arising out of your authorized use of any Mark pursuant to and in compliance with this Agreement and, except as provided herein, for all costs you reasonably incur in defending any such claim brought against you, provided you have timely notified us of such claim and provided further that you, and your Owners and Affiliates are in compliance with this Agreement and all other agreements entered into with us or any of our Affiliates. We, at our sole discretion, are entitled to prosecute, defend and/or settle any proceeding arising out of your use of any Mark pursuant to this Agreement, and, if we undertake to prosecute, defend and/or settle any such matter, we have no obligation to indemnify or reimburse you for any fees or disbursements of any legal counsel retained by you.

11. RESTRICTIVE COVENANTS

11.01 Confidential Information. We will disclose parts of our Confidential Information to you solely for your use in the operation of your Business. The Confidential Information is proprietary and includes trade secrets. During the Term and thereafter: (a) you may not use the Confidential Information in any other business or capacity (you acknowledge such use is an unfair method of competition); (b) you

agree to exert your best efforts to maintain the confidentiality of the Confidential Information; (c) you may not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form; and (d) you agree to implement all reasonable procedures we prescribe to prevent unauthorized use or disclosure of the Confidential Information, including the use of nondisclosure agreements with your officers, directors, managers and other personnel and the delivery of such agreements to us:

11.02 In-Term Covenants. During the Term, neither you nor any of your Owners may, without our prior consent: (a) directly or indirectly (such as through members of his or their Immediate Families) own any legal or beneficial interest in, or render services or give advice to: (1) any Competitive Business located anywhere; or (2) any entity located anywhere which grants franchises, licenses or other interests to others to operate any Competitive Business; or (b) divert or attempt to divert any business of Sweets For Change Business to any competitor or do anything injurious or prejudicial to the goodwill associated with the Marks or the System.

11.03 Information Exchange. All ideas, concepts, methods, techniques useful to a confectionary distribution and charity donation and fund raising business, whether or not constituting protectable intellectual property, which you create, or that are created on your behalf, shall be promptly disclosed to us. If we adopt any of them as part of the System, they will be deemed to be our sole and exclusive property and deemed to be works made-for-hire for us. You agree to sign whatever assignment or other documents we request to evidence our ownership or to assist us in securing intellectual property rights in such ideas, concepts, techniques or materials.

11.04 Post-Term Covenants. If: (a) this Agreement is terminated prior to its expiration; or (b) this Agreement expires and is not renewed in accordance with the provisions of Section 15, then for a period of 2 years, starting on the effective date of termination or expiration (without renewal) of this Agreement, neither you nor any of your Owners may directly or indirectly (such as through his or their Immediate Families) own a legal or beneficial interest in, or render services or give advice to, any Competitive Business located or operating in the Protected Territory.

You and each of your Owners expressly acknowledge the possession of skills and abilities of a general nature and the opportunity for exploiting those skills in other ways, so that enforcement of the covenants made in this Section will not deprive any of you of your personal goodwill or ability to earn a living. If you or any of your Owners fail or refuse to abide by any of the foregoing covenants, and we obtain enforcement in a judicial or arbitration proceeding, the obligations under the breached covenant will continue in effect for a period of time ending 2 years after the date such person commences compliance with the order enforcing the covenant.

12. YOUR ORGANIZATION AND MANAGEMENT.

12.01 Organizational Documents. If at any time you are a business corporation, partnership, limited liability company or other legal entity, you and each of your Owners represent, warrant and agree that: (a) you are duly organized and validly existing under the laws of the state of your organization; (b) you have the authority to execute and deliver this Agreement and to perform your obligations hereunder; (c) the articles of incorporation, partnership agreement or other organizational documents recite that the issuance, transfer or pledge of any direct or indirect legal or beneficial ownership interest is restricted by the terms of this Agreement; and (d) all certificates representing direct or indirect legal or beneficial ownership interests now or hereafter issued must bear a legend in conformity with applicable law reciting or referring to such restrictions.

12.02 Disclosure of Ownership Interests. You and each of your Owners represents, warrants and agrees that Schedule "C" is current, complete and accurate. You agree that updated Schedules "C" will be furnished promptly to us, so that Schedule "C" (as so revised and signed by you) is at all times current, complete and accurate. Each person who is or becomes an Owner shall execute an agreement in form as we prescribe, undertaking to be bound jointly and severally by the terms of this Agreement. Each Owner shall be an individual acting in his individual capacity, unless we waive this requirement.

12.03 Operating Partner/Management of Business. If at any time you are a business corporation, partnership, limited liability company or other legal entity, you agree to designate in Schedule "C" as the "Operating Partner" an individual approved by us who owns and controls not less than 50% of your equity and voting rights, and who has completed our initial training program to our satisfaction. You (or your Operating Partner) at all times are required to actively supervise and manage the operations of your Business, unless we waive this requirement. If the relationship with your Operating Partner terminates, you agree to promptly hire a successor Operating Partner. Any successor Operating Partner is required to meet our approval and successfully complete our training program.

13. TRANSFER OF AGREEMENT.

13.01 Transfer By Franchisee Subject To Approval. The rights and duties created by this Agreement are personal to you or, if you are a business corporation, partnership, limited liability company or other legal entity, your Owners. Accordingly, neither you nor any of your Owners may Transfer the Franchise without our approval and without complying with all of the provisions of Section 13. Any Transfer without such approval or compliance constitutes a breach of this Agreement and is void and of no force or effect.

Our approval of a Transfer of the Franchise does not constitute: (a) a representation as to the fairness of the terms of any agreement or arrangement between you or your Owners and the transferee or as to the prospects of success of your Business by the transferee; or (b) a release of you and your Owners, a waiver of any claims against you or your Owners or a waiver of our right to demand the transferee's exact compliance with this Agreement. Any approval shall apply only to the specific Transfer of the Franchise being proposed and shall not constitute an approval of, nor shall be deemed to have any effect on, any other transfer of the Franchise.

13.02 Conditions for Approval. If we have not exercised our right of first refusal under Section 13.05, we will not unreasonably withhold our approval of a Transfer of the Franchise that meets all of the reasonable restrictions, requirements and conditions we impose on the transfer, the transferor(s) and/or the transferee(s), including the following:

(a) You and your Owners and Affiliates shall be in compliance with the provisions of this Agreement and all other agreements with us or any of our Affiliates;

(b) the proposed transferee, or its Owners (if the proposed transferee is a legal entity), shall provide us on a timely basis all information we request, and shall be individuals acting in

their individual capacities who are of good character and reputation, who have sufficient business experience, aptitude and financial resources to operate your Business, and who otherwise meet our approval;

(c) the transferee (or its operating partner) shall agree to complete our initial training program to our satisfaction and to upgrade the Location to conform to our then current image and requirements for the type of Sweets For Change Business franchised hereunder;

(d) the transferee (and its owners) shall agree to be bound by all of the provisions of this Agreement for the remainder of its term or, at our option, execute our then current standard form of franchise agreement and related documents used in the state in which your Business is located (which shall provide for the same Marketing Fund contributions required hereunder and a term equal to the remaining Term);

(e) You or the transferee shall pay us our then current standard assignment fee to defray our expenses incurred in connection with the assignment; including training of the assignee(s), legal and accounting fees, credit and other investigation costs and evaluation of the assignee(s) and the terms of the assignment;

(f) you and your Owners and Affiliates shall, except to the extent limited or prohibited by applicable law, execute a general release, in form and substance satisfactory to us, of any and all claims against us and our Affiliates, stockholders, officers, directors, employees, agents, successors and assigns;

(g) you and your Owners shall execute a noncompetition covenant, in form and substance satisfactory to us, in favor of us and the transferee agreeing; for a period of 2 years, starting on the effective date of the transfer, that you and your Owners will not directly or indirectly (such as through members of his or their Immediate Families) own any legal or beneficial interest in, or render services or give advice to, any Competitive Business that is located or operating in the Protected Territory; and

(h) you and your Owners and Affiliates shall execute such other documents and do such other things as we may reasonably require to protect our rights and interests under this Agreement.

13.03 Special Transfers. Section 13.05 shall not apply to any Transfer of the Franchise among any of your then current Owners nor to any Transfer of the Franchise to any member of your Immediate Family or the Immediate Family of a then current Owner of Franchisee. On 30 days' notice to us, you (if you are an individual or partnership) may transfer this Agreement, in conjunction with a transfer of all of the assets of your Business, by an agreement in form and substance approved by us, to a corporation or limited liability company which conducts no business other than your Business, and of which you own and control all of the equity and voting power of all issued and outstanding capital stock. None of the foregoing assignments shall relieve you or your Owners of your respective obligations hereunder, and you and your Owners remain jointly and severally liable for all obligations hereunder.

13.04 Death or Disability of Franchisee. Upon your death or permanent disability, or the death or permanent disability of the Operating Partner or an Owner of a controlling interest in Franchisee, the executor, administrator or other personal representative of such person shall transfer his interest in this Agreement or his interest in Franchisee to a third party approved by us in accordance with all of the applicable provisions of Section 13 within a reasonable period of time, not to exceed 9 months from the date of death or permanent disability.

13.05 Franchisor's Right of First Refusal. If you or any of your Owners desire to Transfer the Franchise for legal consideration, you or such Owner shall obtain a bona fide, executed written offer and earnest money deposit in the amount of at least 5% of the offering price from a responsible and fully disclosed purchaser and shall deliver immediately to us a complete and accurate copy of such offer.

We have the option, exercisable by notice delivered to you or your Owners within 30 days from the date of delivery of a complete and accurate copy of such offer to us, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that: (a) we may substitute cash for any form of payment proposed in such offer; and (b) we will have not less than 90 days from the option exercise date to consummate the transaction.

If we exercise our option to purchase, we are entitled to purchase such interest subject to all representations and warranties, closing documents and indemnities as we reasonably may require. If we do not exercise our option to purchase, you or your Owners may complete the sale to such offeror pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided in Sections 13.01 and 13.02, provided that if the sale to such offeror is not completed within 90 days after delivery of such offer to us, or if there is a material change in the terms of the offer, you shall promptly notify us and we will have an additional option to purchase (on the terms of the revised offer, if any, and otherwise as set forth herein) during the 30 day period following your notification of the expiration of the 90 day period or the material change to the terms of the offer.

13.06 Transfer by Franchisor. We have the right to transfer or assign all or any part of our rights or obligations under this Agreement to any person or legal entity. If the assignee shall expressly assume and agree to perform all of our obligations under this Agreement accruing after the date of assignment, then the assignee shall become solely responsible for such obligations. In addition, and without limiting the foregoing, we may sell our assets; may sell our securities in a public offering or in a private placement; may merge with or acquire other corporations, or be acquired by another corporation; and may undertake any refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

14. TERMINATION OF AGREEMENT

14.01 Immediate Termination. You are in material breach of this Agreement, and this Agreement will automatically terminate without notice, at our discretion, if you become insolvent by reason of your inability to pay your debts as they mature; if you are adjudicated bankrupt or insolvent; if you file a petition in bankruptcy, reorganization or similar proceedings under the bankruptcy laws of U.S. *Bankruptcy Code and the Bankruptcy Reform Act of 2001*; or have such a petition filed against you which is not discharged within 30 days; if a receiver or other permanent or temporary, custodian, is appointed for your business, assets, property; if you request the appointment of a receiver or make a general assignment for the benefit of creditors; if final judgment against you in the amount of \$25,000 or more remains unsatisfied of record for 30 days or longer; if your bank accounts, property or accounts receivable are attached; if execution is levied against your business or property; if suit is filed to foreclose any lien or