

(a) **Bookkeeping Services.** We will provide you with a bookkeeping format for reporting Gross Revenue utilizing forms that we develop from time-to-time for membership sales, product sales, and general and administrative activities. (Section 8.01 of the Franchise Agreement.)

(b) **Field Visits.** We will provide assistance to you in the development and operation of your SWEETS FOR CHANGE Franchise by means of periodic visits by one of our field representatives. (Section 9.01 of the Franchise Agreement.)

(c) **Telephone Assistance.** We will provide informational assistance by telephone, including consultation on matters involving operations, sales techniques, advertising, promotion and business methods. (Section 4.02 of the Franchise Agreement.)

(d) **Advertising and Public Relations Campaigns.** We will generally promote your business through advertising and public relations campaigns. (Section 7.01 of the Franchise Agreement.)

(e) **Local Advertising.** We will provide you advice on Local Advertising. (Section 7.01 of the Franchise Agreement.)

(f) **Promotional Methods and Materials.** We will furnish you with marketing, advertising and promotional materials at cost, plus any related administrative, shipping, handling and storage charges. (Section 7.01 of the Franchise Agreement.)

#### **DISCRETIONARY OBLIGATIONS AFTER BEGINNING OPERATIONS**

**Refresher or Additional Training.** We may provide refresher training programs, seminars, or advanced management training for you and your employees at our principal training facility in San Diego, California, as may be required at our option, which you or your Operating Partner must attend. Training is not required more often than once a year. However, if you receive an unsatisfactory inspection report from us and fail to promptly remedy the deficiencies, your Operating Partner and designated employees must attend refresher training as soon as reasonably possible. You must pay for all expenses associated with these programs including the then prevailing standard training fee we charge for these programs and all travel, meals and lodging costs of your attendees. (Section 4.02 of the Franchise Agreement.)

#### **ADVERTISING PROGRAMS**

##### **LOCAL ADVERTISING**

You must spend during each month during the Term, beginning on the opening date, at least \$100 monthly for Local Advertising. (Section 3.04 of the Franchise Agreement.)

##### **WEB SITE ADVERTISING**

Any Web Site is deemed Local Advertising under the Franchise Agreement and is subject to, among other things, our prior written consent. Before establishing a Web Site, you must submit to us a sample of the Web Site format and information in the form and manner that we reasonable require. In addition to any other applicable requirements, you must comply with our standards and specifications for Web Sites as set forth in the Manuals. You must establish your Web Site as part of any Web Site that we establish and/or establish electronic links to any Web Site we establish. If you propose any material revision to your Web Site or any information contained in your Web Site, you must submit each revision to us for our prior written approval. (Section 4.03 of the Franchise Agreement.)

**MARKETING FUND** (Section 3.03 and 7.01 of the Franchise Agreement.)

(a) You must contribute to the Marketing Fund, as further provided for in Section 7.01 of the Franchise Agreement, 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.

(b) We are authorized to charge the Marketing Fund fees at reasonable market rates for advertising, marketing or promotional services actually provided by us, in lieu of engaging third party agencies to provide these services.

(c) All expenditures are at the sole discretion of us.

(d) You must authorize us to act as your sole agent to enter into contracts with parties offering promotion, discount or other programs whereby you would receive rebates or marketing allowances ("Rebates") from handling items offered for sale by the parties. All Rebates will be paid to us and we will contribute them to the Marketing Fund. You must assign all of your right, title and interest in all Rebates to us.

(e) We will retain our independent certified public accountants to prepare an annual audit of the Marketing Fund, at the expense of the Marketing Fund, and send a copy of the audit to you and all other Franchisees within 90 days after the end of each fiscal year.

#### MISCELLANEOUS

Company Units are required to contribute to the Marketing Fund on the same basis as you. (Section 3.03 of the Franchise Agreement.)

We will receive payment for providing goods or services to the Marketing Fund.

Any monies not spent by the Marketing Fund are carried over to fund advertising expenses in the next year.

There may be additional advertising requirements contained in your Premises lease. The extent of these advertising requirements may be subject to negotiation; consequently, the extent of any advertising obligation, if any, may be unknown to us.

See ITEMS 6, 8 and 9 for additional information on the SWEETS FOR CHANGE advertising programs.

#### OTHER ADVERTISING FUNDS

There are no other advertising funds.

#### OPERATIONS MANUAL

After you have signed your SWEETS FOR CHANGE Franchise Agreement and shortly before Initial Training we will loan you a copy of our SWEETS FOR CHANGE Manuals. Our Manuals contain proprietary information and you must keep this information confidential as described in ITEM 14. The current Operations Manual, as of October 1, 200 is divided into the following subjects:

#### **SWEETS FOR CHANGE** Operations Manual Table of Contents

**INTRODUCTION.....1**

## SITE SELECTION METHODS

You must select the site. If a site for your SWEETS FOR CHANGE Franchise has not been selected on the Agreement Date, you must complete the acquisition or lease arrangements for your Premises located in the Protected Territory, at your expense within 45 days after the Agreement Date, after obtaining our written approval under Section 2.03. If a site has not been approved within 45 days of the Agreement Date, we may terminate this Agreement and refund the Initial Franchise Fee to you without interest, less our out-of-pocket costs and our standard fees and expenses for the assistance we have provided under this Agreement including site location assistance.

We will supply to you our site selection criteria. We will not unreasonably withhold approval of any site that meets our standards for demographic characteristics, traffic patterns, parking, the predominant character of the neighborhood, competition from other businesses providing similar services within the area, the proximity to other businesses, the nature of other businesses in proximity to the site and other commercial characteristics, the size, appearance and other physical characteristics of the site, and any other factors that we consider relevant in approving or disapproving a site. We will review site approval submissions on a first-received basis. If we do not approve the selected site, you have 45 days to submit a new site within the Protected Territory for our written approval. **WE DO NOT REPRESENT THAT WE HAVE ANY SPECIAL EXPERTISE IN SELECTING SITES. OUR APPROVAL OF A SITE IS NOT A REPRESENTATION OR WARRANTY THAT THE SWEETS FOR CHANGE FRANCHISE WILL BE PROFITABLE OR THAT YOUR SALES WILL ATTAIN ANY PREDETERMINED LEVELS. APPROVAL IS INTENDED ONLY TO INDICATE THAT THE PROPOSED SITE MEETS OUR MINIMUM CRITERIA FOR IDENTIFYING SITES. OUR APPROVAL OR DISAPPROVAL OF A PROPOSED SITE DOES NOT IMPOSE ANY LIABILITY ON US.** (Section 2.05 of the Franchise Agreement.)

## TIME BETWEEN SIGNING OF FRANCHISE AGREEMENT [FIRST PAYMENT TO SWEETS FOR CHANGE] AND THE OPENING OF THE SWEETS FOR CHANGE FRANCHISE

The typical length of time between the signing of the SWEETS FOR CHANGE Franchise Agreement and the opening of the SWEETS FOR CHANGE Franchise can vary from 2 to 4 months. The factors that affect this time frame usually include: the time needed to acquire a site for your SWEETS FOR CHANGE Franchise (depends in part on selecting a satisfactory site, arranging financing, local ordinance compliance issues, hiring employees, and other operational issues, etc.) and the time when you receive and complete satisfactorily Initial Training.

## TRAINING PROGRAM

### INITIAL TRAINING (MANDATORY)

We will provide you with 5 Business Days of Initial Training for you and your Operating Partner at our training facilities in San Diego, California or in your Protected Territory at our option. Unless otherwise agreed in writing, at least 1 Trainee must be the Franchise Operating Partner. If you will not be active in the day-to-day activities of your SWEETS FOR CHANGE Franchise, you must designate another person as your Operating Partner who will be active in the day-to-day activities of your SWEETS FOR CHANGE Franchise to be another Trainee. We must approve all Trainees. Initial Training includes instruction in owner-operator responsibilities, instructor training, equipment, charitable sales, administration, operations, product sales and marketing, and franchisor relations. Training programs may differ in content and length for Franchise Owners or employees depending upon their responsibilities at the SWEETS FOR CHANGE Franchise. We will provide, at our expense, (as Initial Training is included in the Initial Franchise Fee), instructors, facilities, equipment, training materials, manuals and technical training tools for Initial Training. You must pay for all expenses of the Trainees in attending Initial Training including all travel, lodging and meal expenses. You must pay all expenses incurred to have your additional employees or agents attend Initial Training. (Section 4.01 of the Franchise Agreement.)

There is no additional fee involved for Initial Training. However, you must pay for you and your employees' travel, food and lodging expenses. Training classes are held every 60 days.

Initial Training will occur 2 to 4 weeks after the Franchise Agreement is signed or 2 to 4 weeks before the opening of your SWEETS FOR CHANGE Franchise.

**SWEETS FOR CHANGE FRANCHISEE INITIAL TRAINING PROGRAM**

**Owner Training Program**

**MONDAY**

8:30 - 9:30  
 9:30 - 10  
 10 - 10:15  
 10:15 - 11  
 11 - 12 pm  
 12 - 1 pm  
 1 - 3:15  
 3:15 - 4:30  
 4:30

Item	Instructor
General Overview & Company History	David Cox
Company Start-up	David Cox
Break	
Company Start-up	David Cox
Forms & Paperwork	Andrea King
Lunch Break	
Accounting	Andrea King
Charitable Organizations	Steve Conn
Dismissal	

**TUESDAY**

8:30 - 10  
 10 - 10:15  
 10:15 - 12  
 12 - 1 pm  
 1 - 1:45  
 1:45 - 3:15  
 3:15 - 4:30  
 4:30

Item	Instructor
Accounting	Andrea King
Break	
Accounting	Andrea King
Lunch Break	
Accounting	Andrea King
Membership - ASF Training	
Donation Box Placement Theory	David Cox
Dismissal	

**WEDNESDAY**

8:30 - 10  
 10 - 10:15  
 10:15 - 12  
 12 - 1 pm  
 1 - 3:15 pm  
 3:15 - 4:30  
 4:30

Item	Instructor
Donation Box Placement Theory	David Cox
Break	
Stock Purchasing	Steve Conn
Lunch Break	
Stock Purchasing	Steve Conn
Stock Purchasing	David Cox
Dismissal	

**THURSDAY**

8:30 - 10  
 10 - 10:15  
 10:15 - 11:30  
 11:30 - 12  
 12 - 1 pm  
 1 - 1:30  
 1:30 - 3:15

Item	Instructor
Software Training	Paul Cortese
Break	
Advertising	Paul Cortese
Distribution Strategies	David Cox
Lunch Break	
Placing Donation Boxes in the Territory	David Cox
Placing Donation Boxes in the Territory	David Cox

3:15 - 4:30  
4:30

Placing Donation Boxes in the Territory	David Cox
Dismissal	

**FRIDAY**

8:30 - 10  
10 - 10:15  
10:15-12  
12 - 1 pm  
1 - 2:15  
2:30  
5:00

Item	Instructor
Placing Donation Boxes in the Territory	David Cox
Break	
Handling Objections	Steve Conn
Lunch Break	
Handling Objections	Steve Conn
Wrap up/Questions/ Certificates	Entire Staff
Dismissal	

**FAILURE TO COMPLETE INITIAL TRAINING**

If any Trainee fails to satisfactorily complete Initial Training, as reasonably determined by us, we may: (i) at your expense and direction, retrain the Trainee or train another Trainee; or (ii) elect to terminate this Agreement and refund the Initial Franchise Fee and other fees collected under this Agreement to you without interest, less our out-of-pocket costs. (Sections 12.03 and 14.02(b) of the Franchise Agreement.)

**PRE-OPENING ON-SITE TRAINING; (MANDATORY)**

We will make available to you pre-opening, on-site training for a Business Day by our Instructor, in most instances to be conducted at your SWEETS FOR CHANGE Franchise shortly before the opening date. The on-site training program involves a review of required equipment, systems and operations. The Instructor will also observe charity Donation Box placement and oversee the operation. We will pay the expenses of the Instructor. (Section 4.01 of the Franchise Agreement.)

**SUPPLEMENTAL OR ADDITIONAL TRAINING (MANDATORY)**

We may provide refresher training programs, seminars, or advanced management training for you and your employees at our principal training facility in San Diego, California, and must be attended by you or your Operating Partner. Training is not required more often than once a year. However, if you receive an unsatisfactory inspection report from us and fail to promptly remedy the deficiencies, your Operating Partner and designated employees must attend refresher training as soon as reasonably possible. You must pay for all expenses associated with these programs including the then prevailing standard training fee we charge for these programs and all travel, meals and lodging costs of your attendees. (Section 4.01 of the Franchise Agreement.)

#### NEW MANAGER TRAINING (MANDATORY)

If we have permitted the Operating Partner to be an individual other than you, and the Manager fails to satisfy his or her obligations under Sections 4.01 and 4.02 of the Franchise Agreement due to death, disability, termination of employment or for any other reason, you must satisfy these obligations until you designate a new Operating Partner of your SWEETS FOR CHANGE Franchise acceptable to us who has successfully completed Initial Training. You must pay for the expenses associated with Initial Training, including the then prevailing standard training fee we charge for Initial Training. (Section 4.01 of the Franchise Agreement.)

#### EXPERIENCE OF INSTRUCTOR

Mr. David Cox, our President, is responsible for all aspects of training. The Initial Training program will be conducted by members of the training staff who have significant work experience in the charity donation box placement and confectionary business, experience ranging from 5 to 6 years in businesses of the type we are offering you. See ITEM 2 for Mr. Cox's and other staff biographies and training experience.

#### FRANCHISEE ATTENDANCE IN DISCRETIONARY TRAINING PROGRAM.

There is no discretionary training program.

### **ITEM 12 - TERRITORY**

#### EXCLUSIVE TERRITORY

Your Exclusive Territory is defined in Sections 1.04, 2.02 and Schedule A of the Franchise Agreement. The written boundaries of your territory will be defined by designated U. S. Postal Zip Code(s.) During the Term, if you are not in default, we agree not to open a Company-Owned Unit or franchise another SWEETS FOR CHANGE Franchise within your Exclusive Territory. 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 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 in accordance with Section 2.02 of the Franchise Agreement.

You must operate your SWEETS FOR CHANGE Franchise only at the location within your Exclusive Territory described on the cover page, or, if none is stated, the Premises must be designated by you and approved by us and set forth in Schedule A, after you select a site in accordance with Section 2.03 of the Franchise Agreement. The location cannot be changed without our prior written consent and compliance with our relocation procedures. You must not solicit business outside your Exclusive Territory through the use of an 800 number, catalog, direct mail, Internet Web Site or other advertising or solicitation method without our prior written consent.

#### OUR RESERVED RIGHTS

The license of the Intellectual Property granted to you has limited exclusivity and that, in addition to our right to use and grant others the right to use the Intellectual Property inside and outside the Exclusive Territory, all rights not expressly granted in this Agreement to you, concerning the Intellectual Property or other matters, are expressly reserved for us, including the right to sell SWEETS FOR CHANGE Products and services authorized for the SWEETS FOR CHANGE Franchise using our trademarks through dissimilar channels of distribution including National Accounts and under any terms that SWEETS FOR CHANGE deems appropriate within or outside the Exclusive Territory, without offering or providing you the right to participate. (Section 11.03 of the Franchise Agreement.)

We will not compensate you for any sales made within your Exclusive Territory.

We do not have any present intentions to sell similar products and services using either the Proprietary Marks or other trademarks through dissimilar channels of distribution or through a different franchised system.

**MINIMUM PERFORMANCE STANDARD**

The grant of your SWEETS FOR CHANGE Franchise is expressly conditioned upon your successful penetration of the market in the Exclusive Territory. You must promote actively and aggressively the products and services of your SWEETS FOR CHANGE Franchise within the Exclusive Territory. You must maintain minimum Gross Revenues every calendar year during the Term of at least 80% of the "designated average" of Gross Revenues of all franchisees within the System, including you, 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 Revenues 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 Revenues 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. THIS MINIMUM PERFORMANCE STANDARD IS NOT AN EARNINGS CLAIM (SEE ITEM 19) AND DOES NOT INFER THAT YOU WILL EXPERIENCE GROSS REVENUES OF ANY PARTICULAR LEVEL.**

**ITEM 13 - TRADEMARKS**

Article 10 of the SWEETS FOR CHANGE Franchise Agreement grants to you the right to use the Proprietary Property we designate only in the manner we authorize and permit and only for the operation of your SWEETS FOR CHANGE Franchise.

**REGISTRATIONS AND APPLICATIONS**

We derive our right to use and to license others to use the trademark "SWEETS FOR CHANGE" from a trademark assignment agreement with SWEETS FOR CHANGE, Inc. dated September 19, 2005. The following trademark and service mark applications were filed on the principal register of the United States Patent and Trademark Office ("USPTO"):

<b><u>Trademark</u></b>	<b><u>Registration Date</u></b>	<b><u>Registration Number</u></b>
SWEETS FOR CHANGE	May 24, 2005	78/636,280

The Franchise Agreement grants you the right to operate your business under the name SWEETS FOR CHANGE and under any other proprietary marks currently used or that we may use in the future in the operation of your SWEETS FOR CHANGE Franchise.

SWEETS FOR CHANGE has used the Proprietary Marks and has acquired common law rights in the Proprietary Marks as a result of this use.

**PROCEEDINGS**

There are no currently effective material determinations of the USPTO, Trademark Trial and Appeal Board, the Trademark Administrator of any state or any court. There are no currently pending infringement, opposition or cancellation proceedings. There is no currently pending material litigation involving the Proprietary Marks. There are no decided infringement, cancellation or opposition proceedings where we unsuccessfully fought to prevent registration of a trademark in order to protect the Proprietary Marks we sublicense.

#### AGREEMENTS

There are no other agreements currently in effect that limit our rights to use or license the use to you of the Proprietary Mark and other Proprietary Property in any manner material to you.

#### INFRINGEMENT USES

There are no infringing uses or superior prior rights actually known to us that could materially affect your use of the Proprietary Mark. However, our registration of the Proprietary Mark does not prohibit others from using the Proprietary Mark or confusingly similar variations of the Proprietary Mark who may have established prior rights to the use of the Proprietary Mark, or confusingly similar variations of the Proprietary Mark, in the territories where neither we nor our Franchisees have operated or advertised under the Proprietary Mark and that are not within the natural zone of expansion for future Franchised or Company Units, provided others do so in good faith and without actual knowledge of our existence or our Franchisees' use of the Proprietary Mark. We would therefore be unable to prohibit the use of the Proprietary Mark by others who had prior use of the Proprietary Mark or confusingly similar variations of the Proprietary Mark at the time we first used them. If others establish prior rights to the Proprietary Mark in certain territories, we may be restricted in our ability to use the Proprietary Mark when expanding into those territories.

#### YOUR RIGHTS AND OBLIGATIONS WITH RESPECT TO THE PROPRIETARY PROPERTY INCLUDING THE PROPRIETARY MARK

Your rights to use the Proprietary Mark are derived solely from your Franchise Agreement and are limited to the operation of your SWEETS FOR CHANGE Franchise under your Franchise Agreement and all applicable standards, specifications, and operating procedures we require during the Term. Any unauthorized use of the Proprietary Property including the Proprietary Mark is a breach of your Franchise Agreement and an infringement of our rights in and to the Proprietary Mark. Your use of the Proprietary Property and any good will established by your use inures to our exclusive benefit. The SWEETS FOR CHANGE Franchise Agreement does not confer any good will or other interest in the Proprietary Property to you, other than the right to operate an SWEETS FOR CHANGE Franchise in compliance with the SWEETS FOR CHANGE Franchise Agreement. All provisions of the SWEETS FOR CHANGE Franchise Agreement applicable to the Proprietary Mark apply to any other trademarks, service marks, commercial symbols, designs, artwork, and logos that we may adopt, use, authorize and sublicense to you to use during the Term.

You must use the Proprietary Mark as the sole trade identification of your SWEETS FOR CHANGE Franchise, and must identify your SWEETS FOR CHANGE Franchise in the form we require as the independent owner of the SWEETS FOR CHANGE Franchise. You must use all Proprietary Marks and other commercial symbols that we may sublicense in full compliance with rules we enact. You must not use, and are prohibited from using any Proprietary Mark (including any future commercial marks we license) in the sale of any unauthorized product or service or in any manner we have not explicitly authorized. You cannot use the Proprietary Mark as, or part of, your corporate or partnership name. You must follow our instructions in complying with any fictitious, trade or assumed name statutes for the SWEETS FOR CHANGE trade name. You must not use the Proprietary Property as security for any obligation or indebtedness. Without our prior written approval, you must not use the Proprietary Mark as part of any e-mail address, Web Site, domain name or any other electronic media (including use with any prefix, suffix or other modifying words, term designs, or symbols), or in any other manner connected with a Web Site, advertisements on a Web Site, or other similar electronic media.

Upon any claim of infringement, unfair competition or other challenge to your right to use any Proprietary Property, or if you become aware of any use of or claims to any Proprietary Property by persons other than us or our Franchisees, you must notify promptly (within 7 days) us in writing. You must not communicate with anyone except us and our counsel in any infringement, challenge or claim except under judicial process. We have sole discretion as to whether we take any action in any infringement, challenge or claim, and the sole right to control any litigation or other proceeding involving any infringement, challenge or claim of any Proprietary Property. You must sign all instruments and documents, render all assistance, and do all acts that our attorneys deem necessary or advisable in order to protect and maintain our interest in any litigation or proceeding involving the Proprietary Property or otherwise to protect and maintain our interests in the Proprietary Property.

#### YOUR INDEMNIFICATION BY US

We indemnify you against and will reimburse you for all damages that you are held liable in any proceeding involving your use of any Proprietary Property in accordance with the SWEETS FOR CHANGE Franchise Agreement, provided that you: (a) have timely notified us of the claim; (b) have otherwise complied with the SWEETS FOR CHANGE Franchise Agreement; (c) allow us sole control of the defense and settlement of any claim; and (d) cooperate fully with us and our counsel in the defense of the action.

#### MODIFICATION

If we deem it advisable, in our sole discretion, to modify or discontinue the use of the Proprietary Mark and/or use one or more additional or substitute names or marks, including due to the rejection of any pending registration or revocation or cancellation of any existing registration of the Proprietary Mark or the rights of senior users, you must do so at your sole expense within 30 days of our request. We are liable solely to reimburse you for your reasonable direct expenses in modifying or discontinuing the use of a Proprietary Mark and substituting a different Proprietary Mark (these expenses may not include any of your expenditures to promote a modified or substitute Proprietary Mark.)

### **ITEM 14 - PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

#### PATENTS

We do not own any rights in any patents material to the SWEETS FOR CHANGE Franchise.

#### COPYRIGHTS

We claim all common law copyrights covering various materials used in our business and the operation of Company Units and Franchises, including advertising and promotional literature and the Manuals. We do not license our copyrights in these materials to you under the SWEETS FOR CHANGE Franchise Agreement.

There are no agreements currently in effect that significantly limit our rights to use or license the use to you of the copyrights in any manner material to you.

The Manuals are loaned to you as discussed in ITEM 11.

The copyrights have not been registered in the United States Copyright Office but may be at our sole discretion.

There are currently no effective determinations of the United States Copyright Office or any court regarding any of our copyrights, nor are there any currently effective agreements between us and third parties pertaining to our copyrights that will or may significantly limit your use of our copyrighted materials. Upon any infringement of or challenge to your use of any copyrighted work, you must immediately notify us. We have sole discretion to take any action, as we deem appropriate.

If we deem it advisable to modify or discontinue use of any copyrighted work and/or use one or more new or derivative copyrighted work, you must do so and our sole obligation in this event is to reimburse you for your tangible costs (for example, changing equipment) of complying with this obligation.

We are required by the SWEETS FOR CHANGE Franchise Agreement to defend you against any infringement, unfair competition or other claim respecting your use of any copyrighted work. We are obligated to indemnify you against, and to reimburse you for, all damages that you are held liable in any proceeding from the use of any patent or copyrighted work and of all costs you reasonably incur in the defense of any claim, provided that you have notified us of the claim as described in ITEM 13 and have used the copyrighted work in accordance with the SWEETS FOR CHANGE Franchise Agreement.

Under the SWEETS FOR CHANGE Franchise Agreement, you must not contest, directly or indirectly, our ownership, title, right or interest in its copyrights, trade secrets, methods, procedures or any other intellectual property

right that are part of our business or contest our sole right to register, use or license others to use the copyrights, trade secrets, methods, or any other intellectual property right procedures.

There are no infringing uses actually known to us that could materially affect your use of the copyrights in this state or any other state where your SWEETS FOR CHANGE Franchise is to be located.

We intend to arrange for the renewal (common law copyright is only good for 1 year) of the copyright on the Manuals.

Sections 4.05 and 14.02 of the Franchise Agreement prohibits you from copying the Manuals.

#### **CONFIDENTIAL INFORMATION**

The Manuals and other copyrighted materials made available to you contain confidential and proprietary information and are our trade secrets. We possess and will develop and acquire certain confidential and proprietary information and trade secrets consisting of the following categories of information, methods, techniques, procedures and knowledge we or our Franchisees develop (the "Confidential Information") including: (1) our methods, techniques, equipment and installation, specifications, standards, policies, procedures, information, concepts, systems, and knowledge of the experience in our development, operation and franchising; (2) our marketing and promotional programs for SWEETS FOR CHANGE; (3) knowledge of specifications for and knowledge of suppliers of certain materials, equipment, furniture and fixtures for SWEETS FOR CHANGE; and (4) knowledge of our customer lists, operating results and financial performance.

We will disclose to you all parts of the Confidential Information as are required for the operation of the SWEETS FOR CHANGE Franchise during Initial Training, in the Manuals, and in guidance and assistance furnished to you during the Term, and you may learn additional Confidential Information during the Term. You must disclose the Confidential Information to your employees only to the extent reasonably necessary. During and after the Term, you, your owners, independent contractors, agents, and employees must: (i) not use the Confidential Information in any other business or capacity, including any derivative or spin-off of the SWEETS FOR CHANGE concept; (ii) maintain the absolute secrecy and confidentiality of the Confidential Information during and after the Term; (iii) not make unauthorized copies of any portion of the Confidential Information disclosed or recorded in written or other tangible form; and (iv) adopt and implement all procedures that we prescribe to prevent unauthorized use or disclosure of, or access to, the Confidential Information.

All persons, whom you permit to have access to the Manuals or any other Confidential Information, must first sign our form of Confidentiality Agreement. Nothing contained in the SWEETS FOR CHANGE Franchise Agreement will be construed to prohibit you from using the Confidential Information in the operation of your SWEETS FOR CHANGE Franchise under your Franchise Agreement.

#### **ITEM 15 - OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

You are not our employee but are your own boss subject to our rights under your Franchise Agreement. We encourage you to be active in the operation of your SWEETS FOR CHANGE Franchise but we do not require any personal participation on premises by you. We do not require any personal participation of any specific person affiliated with a corporate or partnership Franchisee. Your SWEETS FOR CHANGE Franchise is not a "passive" investment and you must provide day-to-day supervision of the operation of your SWEETS FOR CHANGE business.

Unless we otherwise agree in writing, you must be 1 of the Trainees. Any of the trainees may act as Operating Partner. The Operating Partner must devote his or her best full-time efforts to the management and operation of your SWEETS FOR CHANGE Franchise. You may designate and Operating Partner acceptable to us rather than be the manager but this will increase the cost of operation of your SWEETS FOR CHANGE Franchise and may impair results. Any replacement or additional Operating Partners that you designate must satisfactorily complete Initial Training before managing your SWEETS FOR CHANGE Franchise, unless we otherwise agree in writing. Your Operating partner must have any equity interest in your franchise. You must pay for the expenses of additional Initial Training, including tuition, travel, lodging, meals and salary. Your Managers must sign our form of Noncompetition and Confidentiality Agreement.

before you grant access to the Manuals or any other Confidential Information.

If the Franchise Agreement is signed by 2 or more individuals or by a business entity, you must designate in writing an individual as the Operating Partner upon signing the Franchise Agreement. We have the right to rely solely on instructions of the Operating Partner concerning the operation of the SWEETS FOR CHANGE Franchise until we receive a duly signed written notice changing the designated Operating Partner. The Operating Partner must devote his or her best full-time efforts to the management and operation of your SWEETS FOR CHANGE Franchise.

If we have permitted the manager to be an individual other than the Franchise Owner or Operating Partner, and the Manager fails to satisfy his or her obligations provided in Article 4 of the Franchise Agreement due to death, disability, termination of employment or for any other reason, the Franchise Owner must satisfy these obligations until you designate a new Manager of your SWEETS FOR CHANGE Franchise acceptable to us who has successfully completed Initial Training.

#### ITEM 16 - RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

##### USE OF THE PREMISES

You must use your Premises only for the operation of your SWEETS FOR CHANGE Franchise business. You must keep your SWEETS FOR CHANGE Franchise open for business and in normal operation for the minimum hours and days as we reasonably require in the Manuals or otherwise in writing except as may be limited by local law or the landlord's rules and regulations.

##### APPROVED PRODUCTS AND SERVICES

You must sell or offer for sale only the products and services that meet our reasonable uniform standards of quality and quantity; have been expressly approved for sale in the Manuals or otherwise in writing by us to consumers only from your SWEETS FOR CHANGE Franchise; sell or offer for sale all approved products and services; refrain from any deviation from our standards and specifications for providing or selling the products and services without our written consent; and discontinue selling and offering for sale any products and services that we reasonably disapprove on a System-wide basis in writing at any time;

##### SALES RESTRICTIONS

You are not restricted in the customers to whom you may sell approved products or services, or the prices the products are sold or services are rendered. You must not solicit business outside your Exclusive Territory through the use of an 800 number, catalog, direct mail, Internet Web Site or other advertising or solicitation method without our prior written consent.

#### ITEM 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS FRANCHISE OFFERING CIRCULAR.

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	Section 2.01	The initial term of the Franchise Agreement is 10 years beginning on the Agreement Date.
b. Renewal or extension of the term	Section 15 <sup>1</sup>	You have the right to renew for an unlimited number of additional terms of 10 years each, if you meet the requirements for renewal.
c. Requirements for you to renew or extend	Section 15 <sup>(1)</sup>	1. You must give us written notice of your intention to exercise the option;

Provision	Section in Franchise Agreement	Summary
		<p>2. You must complete to our reasonable satisfaction, all maintenance, refurbishing, renovating and upgrading we require;</p> <p>3. If renovation or maintenance of your SWEETS FOR CHANGE Franchise is not possible or feasible, you must relocate your SWEETS FOR CHANGE Franchise within your Protected Territory but not within the protected territory of a Company Unit or another Franchise Unit;</p> <p>4. You must not be in default of your Franchise Agreement or any other agreement with us;</p> <p>5. You must sign and deliver to us a Successor SWEETS FOR CHANGE Franchise Agreement;</p> <p>6. You must comply with all other requirements we impose under the Successor SWEETS FOR CHANGE Franchise Agreement;</p> <p>7. You must sign a general release of all claims against us and our officers, directors, shareholders, agents and employees; and</p> <p>8. You must be entitled to continue to occupy your Premises for the entire Succeeding Term or must obtain our approval of a new location for your SWEETS FOR CHANGE Franchise within your Protected Territory but not within the protected territory of a Company Unit or another Franchise Unit.</p> <p>We may elect not to enter into a successor SWEETS FOR CHANGE Franchise Agreement if:</p> <p>(i) we provide you with written notice of its intention not to enter into a successor SWEETS FOR CHANGE Franchise Agreement at least 180 days before the end of your Franchise Agreement; (ii) we have no more than one Franchise (excluding Company Units) then operating under the System; and (iii) the refusal to enter into a successor SWEETS FOR CHANGE Franchise Agreement is not for the purpose of converting your Premises to a Company Unit.</p>
d. Termination by you	Section 14.03 and 18.08	If you are in substantial compliance with the SWEETS FOR CHANGE Franchise Agreement and we materially breach the SWEETS FOR CHANGE Franchise Agreement and fail to cure the breach within a reasonable time (at least 30 days), after written notice of breach is delivered to us, you may terminate the SWEETS FOR CHANGE Franchise Agreement. You may also terminate the Franchise Agreement on any grounds available under law.
e. Termination by us without cause	None	None
f. Termination by us with cause <sup>2</sup>	Sections 14.01	We may only terminate your Franchise Agreement with cause.
g. "Cause" defined – defaults which can be cured	Section 14.02	Any default other than those specified in Sections 12.2 and 12.3 of your Franchise Agreement may be cured within 30 days of written notice from us of the default.
h. "Cause" defined – defaults which cannot be	Sections 14.01	The following defaults may not be cured: 1. Violation of environmental laws;

Provision	Section in Franchise Agreement	Summary
cured <sup>3</sup>		2. Insolvency or general assignment for creditors; 3. Filing in bankruptcy; 4. Adjudication of bankruptcy; 5. Filing for appointment of a receiver or custodian; 6. Appointment of a receiver or custodian; 7. Filing for composition with creditors; 8. Judgment of \$25,000 or more remains unsatisfied; 9. Execution of levy; 10. Filing of foreclosure suit; 11. Sale of your assets after levy; 12. Abandonment; 13. Threat to public safety remains uncorrected; 14. Failure to maintain cleanliness or sanitation; 15. Conviction of any offense that might materially adversely affect the System; 16. You deny us our right of inspection or audit; 17. You engage in deleterious conduct; 18. Unauthorized assignment; 19. Breach of confidentiality or noncompetition provisions of your Franchise Agreement; 20. You knowingly maintain false books or records; 21. Failure to timely transfer on your death or incapacity; 22. Uncured default under your lease; 23. You misuse any of the Proprietary Property; and 24. Three or more notices of default for same or similar default during any 12 consecutive months.
i. Your obligations on termination/nonrenewal	ARTICLE 16 <sup>4</sup>	You must: 1. Not compete with us or any of our SWEETS FOR CHANGE Franchisees for 24 months after the end of your Franchise Agreement; 2. Indemnify us from any losses or damages we sustain as a result of your SWEETS FOR CHANGE Franchise; 3. Maintain confidentiality of all our Confidential Information; 4. Cease operating your SWEETS FOR CHANGE Franchise; 5. Pay all amounts you owe to us; 6. Comply with our option to purchase your SWEETS FOR CHANGE Franchise; 7. Distinguish your Premises from any indicia of the System; 8. Avoid unfair competition with us; 9. Return all Proprietary Property to us; 10. Discontinue use of the Proprietary Marks;
j. Assignment of contract by us	Section 13.06	There are no restrictions on our right to assign our interest in your Franchise Agreement.  We have the right to assign this Agreement to any person without your consent provided the transfer is part of a merger or sale of the entire System and the transferee has sufficient business experience, aptitude and financial resources to competently assume our obligations under this Agreement.

Provision	Section in Franchise Agreement	Summary
k. "Transfer" by you definition	Sections 1.04 and 13.01	Transfer means any sale, assignment, transfer, conveyance or gift, whether voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, of any direct or indirect interest in your Franchise Agreement or in your SWEETS FOR CHANGE Franchise. A transfer of less than 25% of the voting rights or ownership interests in the above and a transfer to any other original owner of your SWEETS FOR CHANGE Franchise is not considered a transfer.
l. Our approval of transfer by you	Sections 13.01 and 13.02	We have the right to approve or disapprove of any transfers.
m. Conditions for our approval of transfer	Sections 13.02	<ol style="list-style-type: none"> <li>1. We do not exercise our right of first refusal;</li> <li>2. You are not in default under any agreement you have with us or any Affiliate;</li> <li>3. You must sign a general release of us;</li> <li>4. The transferee may not have any other business that competes with us or any SWEETS FOR CHANGE Franchise;</li> <li>5. The transferee must sign our then-current form of SWEETS FOR CHANGE Franchise Agreement;</li> <li>6. We must interview and approve the transferee;</li> <li>7. The transferee must satisfactorily complete our application procedures;</li> <li>8. The transferee must renovate your SWEETS FOR CHANGE Franchise as we specify;</li> <li>9. The transferee must properly assume all your obligations, including your lease;</li> <li>10. The transferee must successfully complete Initial Training; and</li> <li>11. We must approve of the proposed terms of sale or other factors involved in the transfer.</li> </ol>
n. Our right of first refusal to acquire your business	Section 13.05	We have the option to purchase on the same terms as contained in the Offer. We will give you written notice of election within 30 days after our receipt of the Offer notice and all required information.
o. Our option to purchase your business	Section 13.05 and 16.03	We have the right (but not the duty), exercisable upon written notice to you given within 30 days after termination of the SWEETS FOR CHANGE Franchise Agreement, to purchase for cash any assets of your SWEETS FOR CHANGE Franchise at the fair market value.
p. Your death or disability	Section 1.04 and 13.04	<p>You or your representative must:</p> <ol style="list-style-type: none"> <li>1. Provide a replacement manager satisfactory to us; and</li> <li>2. Upon your death, your SWEETS FOR CHANGE Franchise must be transferred within 9 months of your death in accordance with the transfer provisions of your Franchise Agreement.</li> </ol>
q. Non-competition covenants during the term of the franchise	Subsection 18.19(b) and SCHEDULE E of the Franchise Agreement	<p>You must not:</p> <ol style="list-style-type: none"> <li>1. Influence any Business Associate of us to modify its relationship with us;</li> <li>2. Have any involvement with any Competitive Business; or</li> <li>3. Interfere with our business or any of our other</li> </ol>

Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires <sup>4</sup>	SCHEDULE E of the Franchise Agreement	<p>SWEETS FOR CHANGE Franchisees.</p> <p>You must not, for 24 months after the end of your Franchise Agreement:</p> <ol style="list-style-type: none"> <li>1. Influence any Business Associate of us to modify its relationship with us;</li> <li>2. Have any involvement with any Competitive Business, within 5 miles of any SWEETS FOR CHANGE Franchise then in operation or under construction; or</li> <li>3. Interfere with our business or any of our other SWEETS FOR CHANGE Franchisees.</li> </ol>
s. Modification of the agreement	Sections 6.01, 10.03, 18.06	<p>Your Franchise Agreement must not be modified without the consent of both you and us except:</p> <ol style="list-style-type: none"> <li>1. We may reduce or change your Protected Territory;</li> <li>2. We may change the contents of the Manuals;</li> <li>3. We may modify the System; and</li> <li>4. A court may modify any provision of your Franchise Agreement in accordance with applicable law.</li> </ol>
t. Integration/merger clause	Sections 18.09	<p>Only the terms of the SWEETS FOR CHANGE Franchise Agreement are binding (subject to state law.) Any other promises may not be enforceable.</p>
u. Dispute resolution by arbitration or mediation	Section 18.02 18	<p>All disputes must be resolved first by mediation and, if mediation is not successful, then by arbitration except claims involving:</p> <ol style="list-style-type: none"> <li>1. The Proprietary Property;</li> <li>2. Any lease or sublease of real property;</li> <li>3. Your obligations upon termination or expiration of your Franchise Agreement;</li> <li>4. Any transfers;</li> <li>5. Matters involving claims of danger, health or safety; and</li> <li>6. Requests for restraining orders, injunctions or similar procedures.</li> </ol> <p><b>YOU MUST ALSO WAIVE YOUR RIGHTS TO A JURY TRIAL AND CLAIMS FOR PUNITIVE DAMAGES.</b></p>
v. Choice of forum	Section 18.02	<p>Any action or arbitration proceeding begun for the purpose of enforcing the Franchise Agreement will be filed in the courts and arbitration board where our principal business address is located at the time of the filing of the action. This may be superceded by state law. See Addendum, if any, attached to this Franchise Offering Circular.</p>
w. Choice of law	Section 18.1, 18.02, and 18.17,	<p>Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or the United States Arbitration Act (9 U.S.C. Sections 1 et seq.), the SWEETS FOR CHANGE Franchise Agreement is interpreted under the laws of California. This may be superceded by state law. See Addendum, if any, attached to this Franchise Offering Circular.</p>

<sup>4</sup> **Reinstatements and Extensions.** If any termination or expiration of the Term would violate any

applicable law, we may reinstate or extend the Term for the purpose of complying with the laws, for the duration we provide in written notice to you, without waiving any of our rights under, or otherwise modifying, the SWEETS FOR CHANGE Franchise Agreement.

<sup>2</sup> **Restrictions on Termination or Non-Renewal Under State Law.** These states have statutes that may supersede the Franchise Agreement in your relationship with SWEETS FOR CHANGE including the areas of termination and renewal of your Franchise: ARKANSAS [Ark. Code Sections 4-72-210 to 4-72-210], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e *et seq.*], DELAWARE [Code Sections 2251 to 2556], HAWAII [Rev. Stat. Section 482E-6], ILLINOIS [Chapter 815 ILSC 705/19 AND 705/20], INDIANA [Stat. Sections 23-2.2.7 and 23-2.5-1], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51 to 75-24-61], MISSOURI [Stat. Section 407.400 to 407.410], NEBRASKA [Rev. Stat. Section 87-401 to 87-410], NEW JERSEY [Stat. Section 56:10-1 to 56:10-12], RHODE ISLAND [Stat. Section 19-28.1-14], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574], WASHINGTON [Code Section 19.100.180], and WISCONSIN [Stat. Section 135.01 to 135.07]. These and other states may have court decisions that may supersede the Franchise Agreement in your relationship with SWEETS FOR CHANGE including the areas of termination and renewal of the Franchise.

<sup>3</sup> **Termination on Bankruptcy.** A provision in your SWEETS FOR CHANGE Franchise Agreement that terminates your SWEETS FOR CHANGE Franchise upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101 *et seq.*

<sup>4</sup> **Restrictions on Our Post-Termination Rights.** These states have statutes that limit our ability to restrict your activity after the SWEETS FOR CHANGE Franchise Agreement has ended: California Business and Professions Code Section 16,600, Florida Statutes Section 542.335, Michigan Compiled Laws Section 445.772 *et seq.*, Montana Codes Section 30-14-201, North Dakota Century Code Section 9-08-06, Oklahoma Statutes Section 15-217-19, Washington Code Section 19.86.030. Other states have court decisions limiting our ability to restrict your activity after the SWEETS FOR CHANGE Franchise Agreement has ended.

#### ITEM 18 - PUBLIC FIGURES

We do not use any public figure to promote our SWEETS FOR CHANGE Franchise, but reserve the right to do so in the future.

-or-

#### ITEM 19 - EARNINGS CLAIMS

We do not furnish or authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of your SWEETS FOR CHANGE Franchise. Actual results vary from SWEETS FOR CHANGE Franchise to SWEETS FOR CHANGE Franchise. We cannot estimate the results of any particular SWEETS FOR CHANGE Franchise.

We specifically instruct our sales personnel, agents, employees and officers that they are not permitted to make any claims or statements as to the earnings, sales or profits, or prospects or chances of success, nor are they authorized to represent or estimate dollar figures as to any Franchise Business or Company-Owned Unit.

#### ITEM 20 - LIST OF OUTLETS

### SWEETS FOR CHANGE FRANCHISES STATUS SUMMARY FOR YEARS 2006/2005/2004<sup>1</sup>

STATE*	TRANSFERS	CANCELED OR TERMINATED	NOT RENEWED	REACQUIRED BY SWEETS FOR CHANGE	LEFT THE SYSTEM OTHER	TOTAL <sup>(2)</sup> FROM LEFT COLUMNS	FRANCHISES OPERATING AT YEAR END
CA	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
<b>TOTALS</b>	<b>0/0/0</b>	<b>0/0/0</b>	<b>0/0/0</b>	<b>0/0/0</b>	<b>0/0/0</b>	<b>0/0/0</b>	<b>0/0/0</b>

\* No other states are involved.

<sup>1/</sup> Note: All numbers are as of February 28, 2005 for each category.

<sup>2/</sup> The numbers in the "Total" column may exceed the number of Franchises affected because several events may have affected the same Franchise. For example, the same Franchise may have had multiple owners. **NOT APPLICABLE.**

We do not own or operate company-owned businesses of the type we are offering you.

Our president, David Cox, in addition to other SWEETS FOR CHANGE executives, individually and collectively, have equity interests and operate 2 SWEETS FOR CHANGE businesses of the type we are offering you in California and 30 SWEETS FOR CHANGE businesses of the type we are offering you in Australia and New Zealand: (See ITEM 2 for Mr. Cox's and other staff biographies and business experience.)

#### PROJECTED OPENINGS AS OF JANUARY 1, 2006

STATE <sup>1</sup>	FRANCHISE AGREEMENTS SIGNED BUT UNIT NOT OPEN	PROJECTED NEW FRANCHISES IN THE NEXT FISCAL YEAR	PROJECTED COMPANY OWNED OPENINGS IN NEXT FISCAL YEAR
California	0	4	0
<b>TOTALS</b>	<b>0</b>	<b>4</b>	<b>0</b>

<sup>1</sup> No other states are involved.

Attached as Exhibit D is a complete list of the names, addresses and telephone numbers of all SWEETS FOR CHANGE Franchisees under a SWEETS FOR CHANGE Franchise Agreement with us. **NONE**

The following contains the names, last known home addresses and home telephone numbers of all SWEETS FOR CHANGE Franchisees that have been terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a SWEETS FOR CHANGE Franchise Agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the effective date of this Franchise Offering Circular. **NONE**

#### ITEM 21 - FINANCIAL STATEMENTS

Attached as Exhibit E is our Independent Auditor's Report of audited financial statements for the periods August 25, 2005 to October 31, 2005.

Our next fiscal year ends December 31, 2006.

#### ITEM 22 - CONTRACTS

The following contracts, agreements and other relevant documents are attached as Exhibits to this Franchise