

FRANCHISE DISCLOSURE DOCUMENT

**HAPPY ENDINGS FRANCHISING, INC.
(DBA) BETTER THAN SEX**

A Florida Corporation

531 Truman Avenue

Key West, FL 33040

(305) 817-0977

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franchise@betterthansexdesserts.com



The franchise is for the right to own and operate a BETTER THAN SEX restaurant under the “Better Than Sex” name and other marks. The business is a dine-in, full-service dessert restaurant that features on-premises and carry out dining. Each Better Than Sex location will offer a variety of menu items focusing on specialty desserts and after dinner sweets including chocolates, caramel, and other rimmed beers, wines, and non-alcoholic drinks, confectionaries, and ice creams. BETTER THAN SEX is a concept synthesizing different parts and features of the traditional dessert restaurant into a new and unique food service system – we use fresh, quality ingredients, together with proprietary secret recipes and mixtures to provide our customers with a unique dining experience, environment, and convenience. The estimated total investment necessary to begin operation of a Better Than Sex franchise is \$241,650.00 to \$320,900.00, which includes the \$39,900.00 Franchise fee.

We also offer to qualified persons the right to develop multiple “BETTER THAN SEX” businesses within a specific geographic area under an area development agreement. If you execute an area development agreement you must pay us the Initial Franchisee Fee of \$39,900.00 for your first franchise and a non-refundable deposit of \$19,950.00 for each additional franchise to be developed in addition to a reduced franchise fee of between \$19,950.00 for each franchise that must be paid to the Franchisor or affiliate when the Franchise Agreement is executed for each location. The Area Development Fee depends on the population size and location of your Better Than Sex locations.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or any of its affiliates in connection with the proposed franchise sale or grant. **Note, however, that no governmental agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Don’t rely on the Disclosure Document alone to understand your contract. Read all of these contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “[A Consumer’s Guide to Buying a Franchise](#),” which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state which you need to be aware of, ask your state agencies about them or seek professional advice from a licensed and registered Franchise attorney.

Date of Issuance: February 7, 2018

STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit A for information about the franchisor, or about franchising in your state.

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

Please consider the following Risk Factors before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES THAT MOST DISPUTES BE SUBMITTED TO ARBITRATION IN FLORIDA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN FLORIDA THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT FLORIDA LAW GOVERNS THE AGREEMENT, AND FLORIDA LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR STATE'S LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

The Effective Date of this Franchise Disclosure Document for your state is listed on the page after the state cover pages.

STATE EFFECTIVE DATES

The states listed below may require registration or filing of this Disclosure Document. If this offering is registered in any of these states, the effective date of the registration may differ from the date of issuance of this Disclosure Document as stated below. Some of these states may require different or additional disclosures or revisions to the agreement. The effective date of this Disclosure Document for any state that is not included in this list is as shown on the cover of this Disclosure Document. (See the State Addenda to this Disclosure Document for certain states.)

California	Effective Date: _____
Connecticut	Effective Date: _____
Georgia	Effective Date: _____
Hawaii	Effective Date: _____
Illinois	Effective Date: _____
Indiana	Effective Date: _____
Kentucky	Effective Date: _____
Maine	Effective Date: _____
Maryland	Effective Date: _____
Michigan	Effective Date: _____
Minnesota	Effective Date: _____
Nebraska	Effective Date: _____
New York	Effective Date: _____
North Carolina	Effective Date: _____
North Dakota	Effective Date: _____
Rhode Island	Effective Date: _____
South Carolina	Effective Date: _____
South Dakota	Effective Date: _____
Texas	Effective Date: _____
Utah	Effective Date: _____
Virginia	Effective Date: _____
Washington	Effective Date: _____
Wisconsin	Effective Date: _____

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE</u>
ITEM 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES	7
ITEM 2. BUSINESS EXPERIENCE.....	9
ITEM 3. LITIGATION.....	11
ITEM 4. BANKRUPTCY	11
ITEM 5. INITIAL FEES.....	11
ITEM 6. OTHER FEES	12
ITEM 7. ESTIMATED INITIAL INVESTMENT	20
ITEM 8. RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS.....	22
ITEM 9. FRANCHISEE'S OBLIGATIONS	25
ITEM 10. FINANCING	27
ITEM 11. FRANCHISOR'S ASSISTANCE - ADVERTISING, COMPUTER SYSTEMS AND TRAINING	27
ITEM 12. TERRITORY	32
ITEM 13. TRADEMARKS	37
ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	40
ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS.....	40
ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	41
ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION.....	42
ITEM 18. PUBLIC FIGURES	54
ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS	54
ITEM 20. OUTLETS AND FRANCHISEE INFORMATION	55
ITEM 21. FINANCIAL STATEMENTS	57
ITEM 22. CONTRACTS	58
ITEM 23. RECEIPTS	58

EXHIBITS

- A. LIST OF STATE ADMINISTRATORS
- B. LIST OF STATE AGENTS FOR SERVICE OF PROCESS
- C. FRANCHISE AGREEMENT
- D. TABLE OF CONTENTS OF OPERATIONS MANUAL
- E. AREA DEVELOPMENT AGREEMENT
- F. FINANCIAL STATEMENTS
- G. LIST OF TERMINATED FRANCHISEES AND EXISTING FRANCHISEES
- H. FRANCHISEE DISCLOSURE QUESTIONNAIRE
- I. MULTI-STATE ADDENDA (EXHIBIT 5 TO THE FRANCHISE AGREEMENT)
- J. RECEIPTS

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

To simplify the language in this Disclosure Document, the words “we”, “our”, “us”, and “Better Than Sex” refers to HAPPY ENDINGS FRANCHISING, INC., the Franchisor of this business. “You” and “your” refer to the person who buys the Franchise or the Franchisee, whether you are a person, sole proprietorship, partnership, corporation, limited liability company or other business entity. If you are a corporation, limited liability company or other business entity, certain provisions of this disclosure also apply to your owners and will be noted.

The Franchisor

We were formed in Florida in March of 2017 to offer franchising services for Better Than Sex brand. The first Better Than Sex restaurant was opened in 2008. Our principal business address is 531 Truman Ave, Key West, FL 33040. We do business under our corporate name and the name BETTER THAN SEX and BETTER THAN SEX TOO. We do business under the trademarked name: “BETTER THAN SEX A DESSERT RESTAURANT.” We have offered franchises since the effective date of this Disclosure Document.

We franchise the right to operate a dine-in, full-service dessert restaurant that features on-premises and carry out dining. Each Better Than Sex location will offer a variety of menu items focusing on specialty desserts and after dinner sweets including chocolates, confectionaries, and ice creams. Your Restaurant will feature fresh made-to-order specialty desserts and after dinner sweets. BETTER THAN SEX is a concept synthesizing different parts and features of the traditional dessert restaurant into a new and unique food service system – we use fresh, quality ingredients, together with proprietary secret recipes and mixtures to provide our customers with a unique dining experience, environment, and convenience. BETTER THAN SEX is a restaurant’s concept that takes the successful parts from other traditional dessert restaurants and brings them together to create a unique food serving system. We use fresh high quality products and ingredients in our kitchens, where we create unique and flavorful food with the help of our secret recipes.

BETTER THAN SEX, in contrast with other restaurants, not only offers great quality and taste at a convenient cost, but also provides a remarkable experience thanks to our skilled designers who put together a lively and unique environment for our customers. The Franchise or Franchised business does business under the trade name BETTER THAN SEX, and also uses the other related service marks, trademarks and/or logos (our “Marks”). The Franchise is a service business which will run and operate at a fixed retail location. The Franchise operates using our standards, methods, procedures and specifications, called our “System.”

We also offer an area development agreement (“Area Development Agreement” or “ADA”) for the development of multiple Businesses within a specific geographic area. We do not operate a business of the type being franchised. We are not involved in any other business activities.

Our Parents, Predecessors and Affiliates

We do not have a parent company or predecessors. We do have two affiliate companies, Better Than Sex, Inc., a Florida corporation operating at 531 Truman Ave, Key West, FL 33040, and Better Than Sex Too, Inc., a Florida corporation operating at 1905 North Orange Ave., Orlando, FL 32804. Our affiliate is substantially similar to the Franchise Business offered for sale by us. We and our affiliate are independent entities, and our affiliate does not assume any of our legal or other obligations, or us of theirs. Our affiliate does not offer franchises. Our affiliate does not offer franchises in any other line of business.

General Description of the Market and Competition

BETTER THAN SEX offers an after dinner restaurant that features on-premises dining for a variety of desserts, beers and wines in a very romantic and sexy setting. Each Better Than Sex location will offer a wide variety of menu items, focusing on specialty desserts and after dinner sweets, including chocolates, confectionaries, and ice creams, as well as a variety of beers and wines and other products. The market for these services is part of developing market providing a high potential for growth. Restaurants represent a highly competitive, high-turnover industry competing for a large pool of potential customers. As the owner of a Franchise Business you can expect to compete with a wide variety of other full-service and fast-casual competitors, as well as other kinds of food service businesses, including other dessert restaurants or ice-cream parlors, fast-casual restaurants, mobile food vendors, specialty stores, and various other perishable food vendors. However, we believe we have distinguished our brand due to our individualized, prescribed services, state of the art techniques, and proprietary systems, procedures, and technology. You may additionally have to compete with other unforeseen businesses, including franchised operations, national chains and independently owned companies which may offer similar services in the future. Changes in local and national economic conditions and population density may affect this industry and are generally difficult to predict. You will face other business risks that could have an adverse effect on your business, including pricing policies of competitors, changes to laws or regulations, changes in supply and demand, new technologies and competition from other organizations that provide related services. Our ability to fulfill our obligations under our Franchise Agreement depends in part on our present and future financial condition, and the level of dedication that the Franchisees have. Litigation risks are minimal but do exist, including future litigation that may not be predicted.

The food service market represents a thriving and ever growing industry, increasing along with the growing demographic expansion within the United States. You can expect market conditions to vary widely depending on the geographic location of your Franchised Business – some areas will be highly developed with very high traffic while others may be fairly undeveloped with a smaller pool of customers. The food service industry operates year round and sales are therefore not seasonal. The primary market for BETTER THAN SEX is for diners seeking decadent, unique and interesting desserts.

Your sales are not seasonal. You will be competing with other restaurants, including gourmet restaurants, ice cream parlors, and frozen yogurt bars, casual dining restaurants, fast food restaurants, fast casual restaurants, full service restaurants, grocery stores and specialty stores that offer food and food-related products. These restaurants and similar businesses may be associated with national or regional chains or may be local independent restaurants and other businesses. You also will be competing with other food service outlets that feature products and services that differ from those offered by BETTER THAN SEX Restaurants. Your products and services will be offered to the general public, to individual consumers, for on-site consumption and carry out. The market for BETTER THAN SEX Restaurants is developed in some areas, developing in other areas and undeveloped in other areas.

We offer to qualified applicants the right to enter into an Area Development Agreement to develop multiple Businesses within a specifically described geographic territory (“Development Area”). You will be required to sign our current form of the Area Development Agreement, a copy of which is attached as Exhibit E to this Disclosure Document. Under the Area Development Agreement you must develop, open and operate an agreed upon number of Businesses located in the Development Area in accordance with an agreed upon development schedule (“Development Schedule”). The size of the Development Area will vary depending on local market conditions and the number of Businesses you develop. The Development Area will be determined prior to you signing the Area Development Agreement. For each Business that you develop under the Area Development Agreement, you must sign our then-current form of the Franchise Agreement that we offer to new franchisees (see Item 12). You will sign the Franchise Agreement for your first Business at the same time you execute the Area Development Agreement.

The current form of the Franchise Agreement is attached as Exhibit C to this Disclosure Document. We base our qualifications on whether or not we will also offer you're the opportunity to become an area developer, based on your financial resources, your experience in the industry, your business experience, as well as your marketing and sales plans.

Regulations Specific to the Industry

Most states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your business, including occupational health and safety; labor; licensing and bonding; insurance; and advertising, as well as potential professional or occupational licensing requirements to operate a business of this type. A Food Handlers license and a Beer and Wine license will be required in almost every state or territory. Additionally, most states will have strict food safety standards which apply to the operation of your Franchised Business. Other licenses or federal registrations may be required in the future. You may also need to obtain additional certifications depending on your local or state requirements for businesses of this type. You must investigate and comply with all applicable federal, state, county and city laws and regulations at the local, state and/or federal level. You alone are responsible for complying with all applicable laws and regulations despite any advice or information that we may give you.

Agents for Service of Process

Our agents for service of process are listed on Exhibit B to this Disclosure Document.

ITEM 2. BUSINESS EXPERIENCE

Founder and CEO: Len Johnson

Mr. Len Johnson is the Founder and CEO of the Company since its inception March 2017. Mr. Johnson is also the Co-Founder of our affiliates Better Than Sex, Inc. and Better Than Sex Too, Inc., and has served as the Vice President for both companies since their inception in May 2008 and December 2015 respectively.

Employer	Title	City, State	Start Date (Month/Year)	End Date (Month/Year)
HAPPY ENDINGS FRANCHISING, INC.	Founder and CEO	Key West, FL	March 2017	Current
Better Than Sex Too, Inc.	Co-Founder and Vice President	Orlando, FL	December 2015	Current
Better Than Sex, Inc.	Co-Founder and Vice President	Key West, FL	May 2008	Current

COO: Dani Johnson

Ms. Dani Johnson has been the COO of the Company since its inception in March 2017. Ms. Johnson is also the Co-Founder of our affiliates Better Than Sex, Inc. and Better Than Sex Too, Inc., and has served as the President for both companies since their inception in May 2008 and December 2015 respectively.

Employer	Title	City, State	Start Date (Month/Year)	End Date (Month/Year)

HAPPY ENDINGS FRANCHISING, INC.	COO	Key West, FL	March 2017	Current
Better Than Sex Too, Inc.	Co-Founder and President	Orlando, FL	December 2015	Current
Better Than Sex, Inc.	Co-Founder and President	Key West, FL	May 2008	Current

Director of Operations: Tia Marquinez

Ms. Tia Marquinez has been the Director of Franchise of the Company since its inception in March 2017. Ms. Marquinez was the General Manager of our affiliate Better Than Sex, Inc. from July 2012 until December 2015, and has been the General Manager of our affiliate Better Than Sex Too, Inc. since December 2015.

Employer	Title	City, State	Start Date (Month/Year)	End Date (Month/Year)
HAPPY ENDINGS FRANCHISING, INC.	Director of Franchise Relations	Key West, FL	March 2017	Current
Better Than Sex Too, Inc.	General Manager	Orlando, FL	December 2015	Current
Better Than Sex, Inc.	Trainer/General Manager	Key West, FL	July 2012	December 2015

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item. There are no lawsuits pending against the Company or any affiliates at this time.

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5. INITIAL FEES

Franchise Fee

You pay us a \$39,900.00 lump sum Franchise Fee when you sign the Franchise Agreement for a Better Than Sex franchise. In no event is Franchise Fee refundable in any amount. No other fixed fees are currently assessed, though additional fees related to leasehold improvements, permits & licensing, security deposits, or training may be assessed on an individual basis.

If you sign an ADA and become an area developer ("Area Developer"), you will pay us, the Initial Franchise Fee of \$39,900.00 for your first franchise and a development fee ("Development Fee") based on the number of Businesses to be developed. The number of Businesses required by the Development Schedule will be determined by a number of factors such as: the size of the Development Area, population of the Development Area and your financial capacity and expertise in developing businesses. The Development Fee for each Business that you develop will be \$19,950.00 in

addition to a reduced Franchise Fee of \$19,950.00 when each subsequent Franchise Agreement is signed. You will be required to sign our then-current Franchise Agreement for each Business. The Development Fee is paid in a lump sum at the time the ADA is signed, is not refundable and will not be credited against any other fees paid to us or our affiliates. We base our qualifications on whether or not we will also offer you the opportunity to become an area developer, based on your financial resources, your experience in the food services industry, your business experience, as well as your marketing and sales plans.

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ITEM 6. OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Continuing Service and Royalty Fee	6% of Weekly Gross Revenue	Due weekly by the Thursday of each week for the Gross Revenue from preceding week	“Gross Revenue” as used herein means all revenue from the operation of your store, but excluding sales taxes collected from customers and paid to any taxing authority, and reduced by the amount of any documented refunds, credits, allowances and chargebacks provided in good faith to customers. See Note 1
National Advertising and Development Fund	Currently none, but may be up to 2% of weekly Gross Revenue	Due weekly by the Thursday of the week for the Gross Revenue from preceding week	See Item 11 for a detailed discussion about this Fund. See Note 2
Local Advertising Fee	1.5% of Gross Revenue	As incurred	You must spend this amount on local advertising
Cooperative Advertising Programs	Currently None	As Cooperative Program directs	If we create a Cooperative Advertising program in an area that includes your Shop, you must participate. The amount of any financial contribution will be determined by the members of the Cooperative. See Item

Type of Fee	Amount	Due Date	Remarks
			11 for a detailed discussion on the Cooperative Advertising Program
National Franchise Convention Fee	\$500.00	Annual payment	Payable to us. See Note 3
Owner's Manual Replacement Fee	\$250.00	As Incurred	Payable to us if you lose or destroy the Owners' Manual. See Note 40
Additional Training or Assistance	Currently, we charge \$250 per day plus all additional expenses at our location, and \$250 per day plus expenses for training at your location	When training or assistance begins	We may charge you for training newly-hired personnel; for refresher training courses; for the annual convention; and for additional or special assistance or training you need or request. For all training sessions and conferences, you must pay for your trainees' and representatives' salaries and benefits, and for their travel, lodging and meal expenses. See Note 50
Transfer Fee	The greater of \$7,500.00 or 10% of the current sale price.	Before transfer is completed	No charge if Franchise Agreement transferred to an entity you control. See Note 6
Renewal Fee	\$5,000.00	At time of renewal	See Note 70

Type of Fee	Amount	Due Date	Remarks
Relocation Assistance	Cost of relocation	At time of assistance	If you need our assistance to relocate0
Product and Service Purchases	See Item 8	See item 8	You must buy all products from us, our affiliates, and/or designated and approved vendors whose items meet our standards and specifications. We may permit you to buy from other suppliers to the industry.
Testing of Products or Approval of New Suppliers	Not to exceed \$1,000	When Billed	This covers the costs of testing new products or inspecting new suppliers you propose to us. Costs vary depending on the availability of product samples for testing, shipping costs or travel costs to review the product, the type of product under review, whether the product or supplier has been rated and other similar factors. See Note 8
Audit Fee	Equal to the cost of the Audit or inspection	15 days after billing	Due if you do not provide us reports, supporting records, or other information required under the Franchise Agreement, or if you understate (or if we have reason to believe you understated) required Continuing Support, Royalty payments, or NADF contributions by more than 2%. Costs vary depending on factors, including nature of the complaint, expertise needed and the time involved. You pay our actual costs only. See Note 9

Type of Fee	Amount	Due Date	Remarks
Interest	Lesser of 1.5% per month or the highest commercial contract interest rate Florida law permits	15 days after billing	Due on all overdue amounts. Late fees begin from the date payment was due, but not received, or date of underpayment. See Note 10
Maintenance and Refurbishing of Business	You must reimburse all of our expenses	15 days after billing	If, after we notify you, you do not undertake efforts to correct deficiencies in Store appearance, then we can undertake the repairs and you must reimburse us. See Note 11
iPad Menu Service System (20 iPads)	TBD	Monthly Payment	Paid directly to the Provider.
Music Services	\$100.00	Monthly Payment	Paid directly to Provider.
Fumigation	May vary	Monthly Payment	Paid directly to the Provider.

Type of Fee	Amount	Due Date	Remarks
Zomato Automated Reservation Service	TBD	Monthly Payment	Paid directly to the Provider for automated online reservations.
Linen Cleaning Services	TBD	Monthly Payment	Paid directly to the Provider. Franchisee may elect to install their own laundry machine and perform the services them.
Insurance Fees	You must reimburse our costs	15 days after billing	If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us.
Insufficient Funds Reimbursement Fee	\$75.00	As incurred	Due if you have insufficient funds in your EDTA to cover a payment, or if you pay by check, a check is returned for insufficient funds. See Note 12
Cost of Enforcement Fee	All costs including reasonable attorneys' fees	Upon demand	You must reimburse us for all costs in enforcing obligations if we prevail, under either the Franchise Agreement or the Regional Area Development Agreement. See Note 13

Type of Fee	Amount	Due Date	Remarks
Management Fee	\$250.00 per person per day (plus costs and expenses)	As incurred	Due when we (or a third party) manage your store after your managing owner's death or disability, or after your default, abandonment, or if needed as an emergency fill-in (based on our availability). See Note 14
Indemnification	Will vary	As Incurred	You must reimburse us if we are held liable from your Store's operation. Costs vary depending on factors, including nature of the complaint, expertise needed and the time involved. You pay our actual costs only. See Note 15

We may require that all fees payable to us be paid through an Electronic Depository Transfer Account (“EDTA”). Even if we do not require payment through an EDTA we reserve the right to charge you an additional fee for the use of any other payment instrument. This additional fee will cover our additional expenses from processing a non EDTA payment to us or any third party.

All of the fees noted above are uniform. No other fees or payments are to be paid to us or an affiliate, or a contracted service provider. We mandate several fees for third party services, but it is your duty to pay any such fees, we are not responsible for a Franchisee’s failure to pay fees to any third party. All fees are non-refundable.

NOTES

Note 1: As a Franchisee you are obligated to pay us a percentage of your sales as compensation for your rights as a Franchisee (the “Royalty”). The Royalty rate is currently set at 6% of your Gross Revenues as calculated per calendar week for the entire term of the Franchise Agreement. The Royalty obligation begins immediately on the first week your Business is open for operation. The Royalty is due and payable weekly on the Thursday of each week, to be paid according to our specifications. If your Franchise Agreement is terminated, you will be required to continue Royalty payments for the remaining term of your Franchise Agreement.

Royalty fees shall be payable to us by direct deposit from franchisee’s account. See the Direct Deposit Agreement, attached herein and incorporated as Schedule 1 of the Franchise Agreement. We reserve the right to change the time

and manner of payment at any time upon written notice to you. All Royalty fees are non-refundable. All Royalties are uniformly imposed, belong only to us, are payable only to us, and are collected only by us; you shall not transmit or attempt to transmit any portion of the Royalty fees to any third party whatsoever.

Note 2: You may in the future be required to pay us a National Advertising and Development Fund (the “NADF”) contribution equal to up to 2% of your Gross Revenues as calculated per calendar week for the entire term of the Franchise Agreement. The NADF contribution will be collected by us from all Franchisees, and all NADF contributions will be non-refundable. The payment of the NADF contribution will begin on the first week your Business is open for operation or the first week in which we shall require it if it is not required by the time you open your Franchise for operation (as defined in Note 1) and will be due on the Thursday of each week for the duration of your Franchise term. We may raise, discontinue, or reduce your required contribution at our sole discretion by providing advance written notice to you. You shall pay the NADF contribution at the same time, and on the same terms, as the Royalty Fee described above.

We will place all NADF contributions in a separate bank account dedicated to the NADF. We may use this fund for marketing, local, regional, national, or international advertising, public relations, product and service promotions, surveys, test marketing, research and development, administrative costs related to NADF services (including salaries, accounting, collections, legal fees, and any other costs), media expenses, and any other related costs. We will make the expenditures at our sole discretion in accordance with our judgment and needs. We do not represent that any particular level of expenditure will be made for any particular program, or to benefit particular franchisees or franchised locations; nor are we required to dedicate any amount whatsoever on advertising or marketing in the area where you are located. We will not spend any NADF funds for activities that are principally or solely a solicitation for the sale of additional franchises. Your contribution to the NADF does not create any fiduciary relationship between us and you concerning our expenditure, control, or use of the NADF. All NADF contributions belong only to us, are payable only to us, and are collected only by us; you shall not transmit or attempt to transmit any portion of the NADF contributions to any third party whatsoever. NADF contributions are uniformly imposed on all franchisees at the rates expressed herein. All NADF contributions are non-refundable.

Note 3: All conference fees are collected by us, with the exception of: travel expenses and lodging expenses which are payable to and collected by the relevant third party providers. All conference fees are uniformly imposed, and non-refundable.

Note 4: All fees for replacement of lost owner’s manuals shall occur only upon a franchisee’s request. Manual replacement fees are payable only to us, collected only by us, are non- refundable, and are uniformly imposed upon all franchisees.

Note 5: Training fees may be imposed on you according with our policies. Any and All such training fees are payable only to us, collected only by us, except fees for travel expenses and lodging expenses which are payable to and collected by the relevant third party providers. All training fees are non-refundable and uniformly imposed upon all franchisees.

Note 6: The term transfer means any of the following: the sale of 20% or more of the assets of your franchise; the sale, assignment, or conveyance of 20% or more of your stock, membership interest, membership units, or partnership units of your franchise to any third party; or the placement of your assets, stock, membership interest, partnership units, or membership units of your business into a business trust. Transfer fees are payable only to us, and collected only by us. Transfer fees are non-refundable and are uniformly imposed on all franchisees.

Note 7: Renewal fees are due at the time of renewal of the Franchise Agreement, and shall be valued at \$5,000.00.

Renewal fees are payable only to us and collected only by us. Renewal fees are non-refundable and uniformly imposed on all franchisees.

Note 8: You will be required to obtain our written approval for any product, vendor, supplier, or piece of equipment that you wish to use in the operation of your Business (as described in Item 8,) and you will be charged an assessment fee for the examination of any product, vendor, supplier, or piece of equipment submitted to us for approval. This fee is up to but not in excess of \$1,000 for any single product, vendor, supplier, or piece of equipment you wish to offer, use and/or substitute in your operation of the Business. We may waive these fees at our sole and absolute discretion if the equipment, products, vendors and/or suppliers you select meet our requirements and are added to our approved list of equipment, products, vendors and/or suppliers for all franchise locations. All product, vendor, and equipment testing assessment fees are payable only to us, and collected only by us. Product, vendor and equipment testing fees are non-refundable and are uniformly imposed on all franchisees (Franchise Agreement Section 13.1.2).

Note 9: We will assess Audit fees against you if you fail to provide us reports, supporting records, or any other information we require under the Franchise Agreement; or if you understate (or if we have reason to believe you understated) required Continuing Support, Royalty payments, or NADF contributions by more than 2%. Audit fees are payable to us, collected by us, and are non-refundable. The total amount of the audit fees that you pay us will vary depending on the cost of the audit itself (for which you will be entirely liable), and whether you have any unpaid Continuing Support, Royalties, or NADF for which you may be penalized in accordance with the Franchise Agreement.

Note 10: Interest and late charges begin to accrue from the due date of any payment you owe pursuant to the Franchise Agreement. In addition to any interest and late charges, you must also pay any damages, expenses, collection costs, and/or reasonable attorney fees we may incur when you do not make the required payments, provided no interest charged shall exceed the maximum legal rate of any local, national, or international authority having jurisdiction over your Business activities. All interest and late charges are payable only to us, collected only by us, are non-refundable, and are uniformly imposed on all franchisees.

Note 11: We may charge you certain Maintenance and Refurbishment fees for any work we perform on your behalf to repair or otherwise improve your franchise location, including any such repairs or improvements made on our own initiative if you refuse to complete any requested maintenance or refurbishment. Maintenance and Refurbishing fees are payable to us, collected by us, and are non-refundable. The total amount of the Maintenance and Refurbishing fees that you pay us will vary depending on the labor and material costs of any such maintenance and refurbishing, as well as any associated costs or losses we may incur due to your failure to maintain or refurbish the location in accordance with our requests.

Note 12: We may charge you an Insufficient funds fee if any payment you owe is rejected due to insufficient funds in your EDTA, or if any other payment instrument you are authorized to use is rejected for insufficient funds., Insufficient funds fees are payable to us, collected by us, are non-refundable, and are uniformly imposed on all franchisees.

Note 13: Cost of Enforcing the Franchise Agreement fees will be levied against you if we prevail against you in any dispute arising out of the Franchise Agreement or the Regional Area Development Agreement. Cost of enforcing the Franchise Agreement fees are payable to us, collected by us, and are non-refundable. However, the total amount of any such fees will vary depending on the value of legal fees, expert witness fees, accountant's fees, costs to us or our employees in complying or addressing the dispute, and any travel expenses that we deem necessary to resolve the dispute.

Note 14: Management fees will only be charged when one of our employees, or a third party appointed by us, actively controls the day to day management of your business. Management fees are payable to us, collected by us, and are non-refundable. The total amount of Management fees that you owe will be determined by the number of days that it is necessary for us to manage your business.

Note 15: You must protect, defend, indemnify and hold us harmless against any claims, lawsuits or losses arising out of your operation of the Franchised Business brought by third parties, or any default under the Franchise Agreement. You must pay for any and all damages, legal fees, enforcement or collection costs, and/or any other costs assessed against us in any proceeding related to your Franchised Business to the extent permitted by law, provided that no indemnification fee shall exceed the actual total cost assessed against us. (Franchise Agreement Paragraph 21.3).

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ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee ¹	\$39,900.00	Lump Sum	Upon Signing of the Franchise Agreement	To Us
Travel and Training Expenses ²	\$3,000.00 - \$4,000.00	As Arranged	As Incurred	To Us, transportation Lines, Expenses for Hotels, Restaurants, etc.
Grand Opening Marketing ³	\$6,000.00 - 8,000.00	As Arranged	Upon Signing of the Franchise Agreement	To Approved Vendors
Utility Fees, Real Estate Lease, and Utility Deposits ⁴	\$2,000.00 - \$3,000.00	As Arranged	As Incurred	Third Parties and Providers
Furniture, Fixtures, and Equipment ⁵	\$60,000.00 - \$80,000.00	As Arranged	As Incurred	To an Approved Vendor or Us

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Signage ⁵	\$4,000.00 - \$6,000.00	Lump sum	At Closing	To an Approved Vendor or Us
Other Equipment and Office Supplies (including TVs), Sonos ⁵	\$4,000.00 - \$8,000.00	As Arranged	As Incurred	Approved Vendors
Computers and POS System ⁵	\$5,000.00 - \$7,000.00	As Arranged	As incurred	Approved Vendors
Construction/Leasehold Improvements ⁶	\$90,000.00 - \$125,000.00	As Arranged	As Incurred	Approved Contractors
Inventory and Supplies ⁷	\$10,000.00 - \$12,000.00	As Arranged	As Incurred	Approved Vendors or Us
Licenses Permits, and Food Certifications ⁸	\$3,000.00- \$5,000.00	Varies by State, County, and Municipality	As Incurred	TO Designated Third Parties or Government Agencies
Architecture & Engineering ⁹	\$8,000.00 - \$10,000.00	As Arranged	As Incurred	Approved Firms
Attorneys, Accountants, and Other Professional Consultants ¹⁰	\$750.00 - \$1,500.00	As Arranged	As Incurred	Attorneys, Accountants, and other Consultants
Insurance (For First Three Months) ¹¹	\$1,000.00 - \$1,500.00	As Arranged	Before Opening	To an Approved Insurance Carrier
Additional Funds ¹² (3 months)	\$5,000.00 - \$10,000.00	As Arranged	As Incurred	To employees, suppliers, utilities, lessor, etc.
Total ¹³	<u>\$241,650.00 - \$320,900.00</u>			

NOTES

¹ Franchise Fee. The franchise fee and its refund policy are described in greater detail in ITEM 5.

² Training. Initial Training is always FREE for you and two additional persons, but you are responsible for transportation and expenses for meals and lodging while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose. Before making airline ticket, hotel, rental car or other reservations, you should inquire about the refund policy in the event you need to cancel any reservation. Franchisor may offer housing, as available, in Key West for a fee of \$250 per night.

³ Grand Opening Marketing. This is the minimum you must spend in Grand Opening advertising and promotions before and during the 30 day period following the commencement of operations.

⁴ Utility Fees, Real Estate Lease and Utility Deposits. Including first month's rent, last month's rent and security deposit, as well as Real Estate Fee and Electric Bill. We anticipate that you will rent the business' premises. It is possible that you might choose to buy rather than rent the real estate on which a building suitable for the business is

already constructed or could be constructed. Real estate costs depend on location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying. Because of the numerous variables that affect the value of a particular piece of real estate, this estimated initial investment table does not reflect the potential cost of purchasing real estate.

⁵ Furniture, Fixtures, Signage and Equipment. This will include the required equipment, furniture, fixtures and signage necessary for the operation of a BETTER THAN SEX franchise, and includes all office equipment and furniture, sinks, refrigerators, ovens, display cases, service counters, tableware and miscellaneous other items, many of which may be leased, and all interior and exterior signs that may or may not bear the proprietary marks licensed to you by us. The cost of signs may vary depending on the type, size and location of the signs, and may also be affected by municipal restrictions. Does not include freight or installs, based on where the location is geographically, the number will vary.

⁶ Leasehold Improvements. The cost of leasehold improvements depends upon the condition and size of the leasehold, whether it was previously a restaurant, the local cost of contract work and the location of the Franchise. The estimated figures include remodeling walls, ceilings, floors and other construction including electrical, plumbing and carpentry work. This amount will vary based on the condition of the existing leasehold. Many locations are built in existing structures, while many others are new build-outs. You will incur expenditures in this category if you take over space which was occupied by a prior tenant. It is difficult, if not impossible, to estimate what it might cost to improve existing property. Tenant improvement allowances, if any, paid to you may defray a portion of build-out costs.

⁷ Inventory. Opening inventory of products and supplies will vary based on expected volume of business and size of storage areas in the leasehold. Includes your initial small ware.

⁸ Licenses and Permits. Estimated costs of obtaining required licenses and permits to operate your business. This includes beer and wine license. Some costs may vary depending on location of Franchise.

⁹ Architectural and Engineering. The architect will provide architectural services relating to the Restaurant building.

¹⁰ Legal & Accounting. You will need to hire an attorney, an accountant and other consultants to assist you in establishing your franchised business. These fees may vary from area to area depending on the prevailing rates of local attorneys, accountants and consultants. These fees are typically non-refundable. You should inquire about the refund policy of the attorney, accountant or consultant at or before the time of hiring.

¹¹ Insurance. You must purchase the following types and amounts of insurance, as well as any/all others required in the area(s) you choose to operate your Franchise business:

- (1) “all risk” property insurance coverage for assets of the franchised business in the amount of \$50,000 per month;
- (2) workers’ compensation insurance and employer liability coverage with a minimum limit as required by state law;
- (3) comprehensive general liability insurance with a minimum liability coverage of \$1,000,000 per occurrence, \$2,000,000 in the aggregate or higher if your state law requires;
- (4) business interruption insurance;
- (5) insurance coverage for contractual indemnity

Factors that may affect your cost of insurance include the size and area of the franchised business, value of the renovations and improvements, equipment, inventory, number of employees and other factors. The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase.

¹² Additional Funds. We recommend that you have a minimum amount of money available to cover operating expenses, including fuel, vehicle maintenance, and employees' salaries for the first 3 months that the franchised business is open. We cannot guarantee that our recommendation will be sufficient. Additional working capital may be required if sales are low or operating costs are high. These expenses are typically non-refundable.

¹³ Total. In compiling this chart, we relied on our and our affiliates' industry knowledge and experience in the business of the type being franchised. The amounts shown are estimates only and may vary for many reasons, including: the capabilities of your management team, where you operate your franchised business and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. These figures are estimates only and we cannot guarantee that you will not have additional expenses in starting the franchised business.

Except as described in ITEM 10, we do not offer direct or indirect financing to you for any items.

ITEM 8. RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS

Supplies, Products, Tools, & Equipment

Franchisee must purchase all supplies, products, tools and equipment exclusively from Franchisor or approved vendors, including computer equipment (see ITEM 11) and signage under specifications in the Operations Manual. These specifications include standards and specifications for appearance, quality, price, performance and functionality. These standards and specifications are based on our affiliate's experience in operating a business of the type we are franchising and through research and testing in our affiliate's business. We may communicate our standards and specifications directly to suppliers who wish to supply you with furniture, fixtures, equipment, inventory and signage under specifications. We communicate our standards during training, before you conduct your initial marketing implementation, during on-site opening assistance, during periodic visits to your franchise Premises and through the Operations Manual (including periodic bulletins). We will periodically issue new standards and specifications (if any) through written notices. We have created standards and specifications for the development of your franchised business and you will be required to purchase all of your inventory, tools, equipment, supplies, and marketing resources from us, an affiliate or approved third party vendor. We have not designated any other vendors and suppliers. Neither the Company nor any officer of the franchisor has any ownership or other interest in any third party supplier.

Supplier Rebates:

It is possible that the Company may receive rebates or other benefits from suppliers for your transactions with such suppliers. At the current time, there are no such arrangements with any supplier, but this may be negotiated as between the Company and a supplier at some point in the future.

Warranty Requirements:

Franchisee must attain a Warranty of at least 1 year for all machinery and parts thereof owned or leased by the Franchised Business. Franchisees are responsible for overseeing all regular maintenance as required by the warranty or other operating standards.

Approval Criteria for Non-Approved Goods & Services

If you would like to use any goods or services in establishing and operating the franchised business that we have not approved (for goods and services that must meet our standards, specifications or that require supplier approval), you must first send us sufficient information, specifications and samples for us to determine whether the goods or services comply with our standards and specifications or the supplier meets our approved supplier criteria. You must pay our expenses to evaluate goods, services or suppliers. We will decide within thirty (30) days after receiving the required information whether you may purchase or lease the goods or services from the supplier. Our criteria for approving or revoking approval of suppliers includes: the supplier's ability to provide sufficient quantity of goods; quality of goods or services at competitive prices; production and delivery capability; and dependability and general reputation.

Periodically, we may review our approval of any goods, services or suppliers. We will notify you if we revoke our approval of goods, services or suppliers, and you must immediately stop purchasing disapproved goods or services, or must immediately stop purchasing from a disapproved supplier. Additionally, we may negotiate pricing arrangements, including volume discounts on behalf of our franchisees with our suppliers. Volume discounts may not be available to franchisees located in outlying markets that a particular supplier does not serve in significant volume. Presently, there are no purchase or supply agreements in effect and no purchasing or distribution cooperatives that you must join.

Percentage of Your Costs Due to our Standards & Specifications

We estimate that approximately 70% of your expenditures for leases and purchases in establishing your franchised business will be for goods and services that must be purchased from us, an affiliate, an approved supplier, or from another party according to our standards and specifications. We estimate that approximately 30% of your expenditures on an ongoing basis will be for goods and services that must be purchased either from us, an affiliate, an approved supplier, or otherwise according to our standards and specifications.

Insurance

You are required to obtain the requisite insurance as set forth below:

Type of Insurance	Amount	Comment
General Liability Insurance	\$1,000,000.00	Per Occurrence
	\$2,000,000.00	In the Aggregate
Business Property Insurance	\$50,000.00	Per Month
Flood Insurance	To cover building and property	Not less than Per Occurrence
Wind Insurance	To cover building and property	Not less than Per Occurrence
Business Income/Extra Expense	\$12,500.00	Per Month
Electronic Media and Records	\$10,000.00	Per Occurrence

Money and Securities	\$10,000.00/Inside \$2,500.00/Outside	Per Occurrence
Valuable Papers and Records	\$25,000.00	Per Occurrence
Accounts Receivable	\$25,000.00	Per Occurrence
Workmen's Compensation	As required by law	Per Employee
Comprehensive Crime and Employee Dishonesty Insurance	\$10,000.00	Per Occurrence
Optional: Business Interruption Insurance	\$50,000.00	Not less than Per Month
Commercial Automobile Insurance, Including Liability Coverage (if automobile is owned, non-owned, rented, scheduled or hired by franchisee)	\$1,000,000	Per Person
	\$3,000,000	Per Accident
	\$1,000,000	Per Occurrence

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

Obligation		Section in the Franchise Agreement	Section in the Area Development Agreement	Disclosure Document ITEM
a.	Fees	Sections, 3, 8, 10, 11, 13, 15, 18 and 22	Section 3	ITEMS 5, 6 and 7
b.	Compliance with standards and policies/Operations Manual	Sections 6, 7, 9, 10, and 13	Sections 4 and 6	ITEMS 8, 14 and 16
c.	Trademarks and proprietary information	Sections 6, 7, and 9	Sections 2, 4, 8 and 9	ITEMS 13 and 14
d.	Restrictions on products/services offered	Sections 6, and 13	Sections 2, 4 and 6	ITEMS 8 and 16
e.	Warranty and customer service requirements	Section 013	None	ITEM 16
f.	Territorial development and sales quotas	None	Sections 2 and 4	ITEM 12
g.	Ongoing product/service purchases	Section 013	None	ITEMS 8 and 11
h.	Maintenance, appearance and remodeling requirements	Sections 010 and 013	None	ITEM 6

Obligation		Section in the Franchise Agreement	Section in the Area Development Agreement	Disclosure Document ITEM
i	Insurance	Section 015	None	ITEMS 6, 7 and 8
j	Advertising	Section 011	None	ITEMS 6,7 and 11
k	Indemnification	Section 021	Sections 6, 8 and 9	ITEM 6
l	Owner's participation/management / staffing	Section 013	None	ITEM 15
m	Records and reports	Section 012	None	ITEM 11
n	Inspections and audits	Sections 06 and 012	None	ITEMS 6, 11 and 13
o	Transfer	Section 018 and Exhibits 1 and 5	Section 9	ITEMS 6 and 17
p	Renewal	Section 04 and Exhibits 1 and 5	None	ITEM 17
q	Post-termination obligations	Section 017 and Exhibits 2 and 5	Section 8	ITEM 17

Obligation		Section in the Franchise Agreement	Section in the Area Development Agreement	Disclosure Document ITEM
r	Non-competition covenants	Sections 07 and 017 and Exhibits 2 and 5	Section 10	ITEM 17
s	Dispute resolution	Section 023 and Exhibit 5	Section 10	ITEM 17
t	Other	Not Applicable	Not applicable	Not Applicable

ITEM 10. FINANCING

There are no financing options in place at this time.

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

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

A. Before you open your franchised business, we will:

1. Provide an initial training program. This training does not include any professional licenses, certification or other training you must possess and/or complete before you can operate the franchised business. It does not include training of your employees. (Training assistance is described in detail in Section 8.1 of the Franchise Agreement).

2. Provide to you opening assistance and guidance to assist you with any questions you may have in operating and establishing the franchised Business. (Section 8.2 of the Franchise Agreement)

3. Provide to you, on loan, one copy of the BETTER THAN SEX Operations Manual or provide you with access to an electronic copy of the Operations Manual. The Table of Contents of the Operations Manual, along with number of pages devoted to each section, is included as Exhibit D to this Disclosure Document. (Section 09.1 of the Franchise Agreement). The Operations Manual is Confidential Information which must be returned at the conclusion or termination of the Franchise Term.

4. Annual Meeting/Convention. Franchisor may host an annual meeting and/or convention with its franchisees, to discuss general business topics, state of the industry, new products and developments, and to take franchisee questions. The date of such conventions will be announced once dates have been arranged.

5. Provide to you and aid you in researching, developing, and designing the Business's products and services.

6. Provide assistance and guidance in establishing prices for products and services. The Company's operational manual shall provide you with a list of minimum and maximum prices for the sale of the products and services to be offered by you.

B. After the opening of the franchised business, we will:

1. as requested, we will offer you guidance and/or training. Our guidance is based on our and our affiliate's knowledge and experience. We offer you advice and guidance on a variety of business matters, including sales techniques, operational methods, accounting procedures, as well as marketing and sales strategies. (Section 014.1)

2. make periodic visits to the franchised business to provide you with consultation, assistance and guidance in various aspects of the operation and management of the franchised business. We may prepare written reports suggesting changes or improvements in the operations of the franchised business and detailing deficiencies that become evident as a result of a visit. If we prepare a report, we may provide you with a copy. (Section 014.2)

3. make available to you operations assistance and ongoing training as we think necessary. (Sections 8.1, 8.2 and 018.5) Ongoing training programs are described later in this ITEM and in ITEM 6. (See also ITEM 9.)

4. provide you with modifications to the Operations Manual as they are made available to franchisees. (Section 9.2)

C. Advertising and Promotion

1. Each month, you will be required to spend 1.5% of your gross sales on your local advertising, promotions and public relations in the local area surrounding the franchised business and you may in the future be required to contribute up to 2% of your gross sales to a national advertising fund. (Section 11) The Franchisor may, subject to its sole discretion, allow a Franchisee to directly control elements of the local advertising program; including designing their own materials, using their own materials, or designing an advertising program. In no event does Franchisor grant the Franchisee any control of the advertising without first obtaining the Franchisor's express written permission; such permission not to exceed 15 days without the express written extension of approval by the Franchisor. Franchisor shall have the right to review all marketing materials and must approve such materials prior to their use. (Section 011)

2. The amount of your contribution to the fund is described in ITEM 6 under the heading, "National Advertising Fund Contributions." (Section 11.1.3) We will administer the marketing fund as follows:

(a) We will control the creative concepts and the materials and media to be used, and we will determine the placement and allocation of advertisements. We may use print, television, radio, Internet or other media for advertisements and promotions. We do not guarantee that any particular franchisee will benefit directly or in proportion to their contribution from the placement of advertising by the marketing fund.

(b) Contributions will be used for producing, maintaining, administering and directing consumer advertising (including but not limited to the cost of preparing and conducting television, radio, Internet, magazine, direct mail and newspaper advertising campaigns and other public relations activities; hosting an Internet web page of similar activities; employing advertising agencies to assist therein; providing promotional brochures; conducting market research; and providing other marketing materials to franchisees). We will maintain your contributions in a separate account from our funds and we will not use them for any of our general operating expenses, except for our reasonable administrative costs and overhead related to the administration of the marketing fund. We will not use marketing fund contributions for the direct solicitation of franchise sales.

(c) We expect to use all contributions in the fiscal year they are made. We will use any interest or other earnings of the marketing fund before we use current contributions. We intend for the marketing fund to be perpetual, but we have the right to terminate it if necessary. We will not terminate the marketing fund until all contributions and earnings have been used for advertising and promotional purposes or we have returned your *pro rata* share.

(d) We will have an accounting of the marketing fund prepared each year and we will provide you with a copy if you request it. We may require that the annual accounting be reviewed or audited and reported on by an independent certified public accountant at the marketing fund's expense.

(e) The marketing fund is not a trust and we assume no fiduciary duty in administering the marketing fund.

Except for salaries of marketing personnel employed by BETTER THAN SEX, we do not receive compensation for providing goods or services to the fund. No advertising funds were used for solicitation of new franchisees. See ITEMS 6 and 9 for other advertising information.

4. Although we are not obligated to do so, we may create a cooperative advertising program for the benefit of all BETTER THAN SEX franchises located in a particular region, or a Franchisee Advertising Advisory Council to coordinate national and local advertising between franchisees. We have the right to collect and designate all or a portion of the local advertising for cooperative advertising. We will determine the geographic territory and market areas for each cooperative advertising program. You must participate in any cooperative advertising program established in your region. If cooperative advertising is implemented in a particular region, we may establish an advertising council for franchisees in that region to self-administer the program. If we establish a cooperative advertising program or programs with or without an advertising council, there are no limits on our right to change, dissolve or merge these program(s) and/or council(s) at any time. (Section 11.30; See also ITEM 9.)

5. You are restricted from establishing a presence on, or marketing on the Internet without our written consent. We have an Internet website at the uniform resource locator www.betterthansexdesserts.com that provides information about the System and about BETTER THAN SEX franchises. We will provide you with a page on our home page, where we will have contact information and pricing for your location. All information posted on Better Than Sex website or any linked webpages must be approved by us before it is posted. We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. You may be requested to provide content for our Internet marketing and you must follow our intranet and Internet usage rules, policies and requirements. We retain the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, social media pages and in connection with linking, marketing, co-branding and other arrangements. We retain the sole right to approve any linking to, or other use of, Better Than Sex website. (Section 011). You are not

permitted to use a domain name containing “Better Than Sex” in the URL. Franchisee shall be permitted to post on social media, but Franchisor shall have admin rights thereto.

D. Computer

You must purchase and use any hardware and software programs we designate. (Section 012.5)
Presently, we require you to purchase the following hardware and software:

HARDWARE

3 Touchscreen Monitors (all in one, computer included)
2 Kitchen Printers
2 Laser Printers
2 Credit Card Readers
1 Cash Drawers
3 Terminals (2 POS and 1 Back of the House Terminal)

SOFTWARE

Micros POS System (POS Software)

The approximate cost of the hardware and software ranges from \$5,000.00-\$7,000.00. This cost is included in the category of “Computer System Maintenance and Support Fees” in Your Estimated Initial Investment chart in ITEM 7.

You have to enter into any ongoing maintenance or support agreements for the maintenance of a computer or the various software programs. You may periodically be required to update or upgrade computer hardware and software, if we believe it is necessary. We may introduce new requirements or modify our specifications and requirements for computer and point-of-sale systems. There are no limits on our rights to do so, except as disclosed in ITEM 16. We have the right to independently access all information you collect or compile at any time without first notifying you. (Sections 12.5 and 12.6).

E. Methods Used to Select the target market(s) & sales techniques for your Franchised Business

You will establish a Franchised Business to be run from the Premises, and we will help you decide on the market(s) to target as well as the sales techniques in offering your services.

F. Typical Length of Time Before Operation

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of the franchise is 270 days. In addition we expect you to secure an approved location for the Business within 60 days of the signing of the Franchise Agreement; this includes the requirement of signing a lease or otherwise securing the legal right to occupy the location and obtaining our approval for your selected location. We will generally approve or deny your selected location within 15 days, but we maintain the right to take additional time if circumstances demand it. In addition you must sign a lease, meeting all our stated specifications, within 30 days of our approval of your location. Factors that may affect your beginning operations include ability to secure permits, zoning and local ordinances, weather conditions, acquiring the vehicle, and attending training. You must open your franchised business and be operational within 270 days from executing the Franchise Agreement and completion of the training. (Sections 05.3) The foregoing notwithstanding, we reserve the right to grant extensions to the Time Before Operations period at our sole and absolute discretion, we are in no way obligated to consider such extensions in any case.

G. Training

We provide you all training programs that cover material aspects of the operation of the franchised business. The topics covered are listed in the chart below. This training is offered on an as needed basis at our affiliate location in Key West, Florida; Orlando, Florida; or another franchisor training center we designate. You (and your manager if applicable) must satisfactorily complete the initial training approximately 4 weeks before the opening of the franchised business. Up to 3 employees of your choosing (including yourself) may also attend at your option. The time frames provided in the chart are estimates of the time it will take to complete training. We do not charge for the initial training. You must pay for all travel costs and living expenses for yourself and any of your attendees. These costs are estimated in ITEM 7. If you replace your helper he/she must attend our training program. You will be charged for additional training, as provided for in ITEM 7. This initial training is in addition to the on-site opening assistance we may provide to you. Your franchised business must at all times either be under your day-to-day supervision as the Owner Operator, or by an approved manager who has satisfactorily completed our training program. Additional training shall be at a cost of \$250 per person per day if at our location, or \$250 per person per day if the training is at your location (plus costs of travel, air fare and incidentals).

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Orientation	1 hour	0 hours	Key West, Florida or Orlando, Florida
Training Manuals	3 hours	0 hours	Study
Checklists	1 hour	0 hours	Study
Introduction to Better Than Sex and its Services	1 hour	0 hours	Key West, Florida or Orlando, Florida
New hire Pack	1 hours	0 hours	Key West, Florida or Orlando, Florida
Culture Tour	1 hour	0 hours	Key West, Florida or Orlando, Florida
Service Training	1 hour	28 hours	Key West, Florida or Orlando, Florida
Host Training	1 hour	28 hours	Key West, Florida or Orlando, Florida
Line Training	3 hours	45 hours	Key West, Florida or Orlando, Florida
Prep Training	3 hours	45 hours	Key West, Florida or Orlando, Florida
Systems and Procedures	2 hours	5 hours	Key West, Florida or Orlando, Florida
Advertising	2 hours	3 hours	Key West, Florida or Orlando, Florida
Accounting/Budget	5 hours	5 hours	Key West, Florida or Orlando, Florida
Inventory/Costing	5 hours	5 hours	Key West, Florida or Orlando, Florida
Franchise Reporting Requirements	1 hour	3 hours	Key West, Florida or Orlando, Florida
Cleaning/Safety	1 hour	5 hours	Key West, Florida or Orlando, Florida
Systems Training	2 hours	5 hours	Key West, Florida or Orlando, Florida
Management Procedures	5 hours	10 hours	Key West, Florida or Orlando, Florida
Totals	39 hours	187 hours	

Training will be conducted by our Director of Operations and/or other professionals/trainers experienced in their respective fields.

Franchisor will provide an opening team to be on site 3 days prior and up to 7 days after the “soft” opening to provide support. Grand openings to be done on Saturday or Sunday with a soft open done the Thursday prior. Additional support may be available beyond the 10 days on site at your cost (based on availability).

ITEM 12. TERRITORY

You must operate your Business within the specific location identified in your Franchise Agreement. You are awarded a protected marketing territory (the “Territory”) that will include an exclusive business area that will encompass the lesser of 10 miles or a population of 200,000 people. We reserve the right to grant each franchisee a territory on a case-by-case basis, in order to account for the unique features of each geographic marketplace. You may not conduct business at any other site or sites other than the Territory as described in your Franchise Agreement, or any additional part of the Territory that may be added by an addendum attached to your Franchise Agreement. You may not relocate your business within the Territory without our express written consent. While you must conduct your business at the primary location, you may also conduct additional activities to sell products and/or provide services (for example at promotional events, charity events, etc.), so long as such events are within your Territory. You may conduct business at off-site events in other geographical areas where there is not a Better Than Sex business only after providing notice to us and after obtaining our explicit written approval; however, you cannot perform Target Marketing, as described below, outside of your Territory. You may sell and ship products to customers located outside your Territory if, and only if, such sales of products or services are made within your Territory.

We shall approve or deny any request to conduct off-site events outside of your Territory within 3 business days of receipt of your request, such request and our response to same shall be in writing or by email. If we approve your request to conduct business at off-site events outside the Territory, you must be prepared to immediately lose any accounts or operations you have established in the outside geographical area if and when that area is purchased by any other franchisee, and you shall immediately refrain from conducting any business whatsoever at such off-site events.

We cannot establish either a company-owned Franchise nor license any other person or entity to locate a Franchise within your Territory during the term of the Franchise Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Your licensed Territory is determined by population, competition, traffic patterns, proximity to major roads, demographics of the surrounding area, available parking, market penetration, and/or other conditions important to the successful operation of a Better Than Sex business, as we deem appropriate and as identified in your Franchise Agreement. We retain the right to delineate the exact bounds of your licensed Territory once a primary location is chosen, and such Territory shall not be altered even if there is a population increase or decrease, unless we decide otherwise in our sole and absolute discretion. Your Territory will also not be affected by the number of customers you retain, products or services that you sell, your revenues, or your sales volume. Certain locations, such as major metropolitan areas may have smaller territories due to the relative density of the populated areas. You may not open your primary location in the Territory for your Business until we grant you our explicit written permission. You may not relocate your Business or establish additional locations within your Territory until we grant you our explicit written consent, such consent to be given at our sole and absolute discretion. We will base any such consent on traffic patterns at your proposed new location, a study of the local population, and a review of your lease agreement.

If you want to establish more than one franchise with us, you must submit a separate application for each such proposed franchise. You shall pay a fee for each additional acquisition mentioned in Item 5, and you must further be in compliance with all other terms and conditions of the Franchise Agreement. We must also approve the location of any additional Location as contemplated in Items 11 and 12 above. We will offer you a right of first refusal to acquire

additional franchises, including for locations directly adjacent to your current Territory, or through our area developer program.

The Territory described above will affect where you and other franchisees may solicit business. You are encouraged to directly advertise and market for clients located within your Territory. Regardless of any other rights you may have in the Territory, we maintain the right to service clients and sell services and products to anyone from anywhere at our affiliate's location without compensation to you. You are prohibited from soliciting and/or marketing products and services outside of your respective Territory, specifically including Target Marketing within the territory of another Better Than Sex operation (including competing franchises and/or a company/affiliate owned businesses). Target Marketing means a concerted effort by a franchisee to solicit and obtain clients through any type of advertisement or marketing, directed at all or a portion of another franchisee's territory ("Target Marketing"). We will use commercially reasonable efforts to enforce this requirement regarding Target Marketing if you or any other franchisee violates it.

If you are asked any client or organization to conduct business at off-site events in geographical areas outside your Territory in which there is another Franchise or company-owned business, you must immediately refer that request to Better Than Sex business that is assigned to such outside territory. However, if such other franchisee or affiliated company business gives you explicit permission, you may conduct off-site activities in that outside territory, so long as you also immediately inform us in writing that such permission has been granted. If there is not a Better Than Sex business in that geographical area, then you must submit a written request to conduct business at such off-site event to us and upon our written approval you can proceed. We shall approve or deny your request to conduct business at off-site events in other geographical areas not owned by other franchisees, us or our affiliates, which approval is in our sole discretion, within 3 business days of your written request. Our response to your request will be made by email or any other form of written communication. Approval may be revoked in our sole discretion. However you must be prepared to immediately cease conducting such events in that other geographical area when that unassigned area is no longer unassigned as there is a new franchise location or company owned outlet there.

Your license to the Territory is exclusive as long as you adhere to the terms of the Franchise Agreement. While the Franchise Agreement is in effect, and while you are not in breach thereof, we shall not establish either a company-owned franchise nor license any other person or entity to locate a franchise within your Territory. However, we make no guarantee or promise that you will not face competition from other franchisees in other territories, from other outlets that we may own, or from other channels of distribution or competitive brands that we control. We sell food related products and/or restaurant services through alternative channels of distribution (such as online marketplaces). However, we will not permit other franchisees, or company owned outlets to make sales through alternative channels of distribution in your Territory. We reserve the same right to sell products (including shipping such items) to anyone from anywhere without compensation to you.

In the event that we wish to establish additional locations within a geographic area bordering your Territory, we shall grant you a right of first refusal to develop such new location (except in the event when such location will be Company-owned).

If during the term of the Franchise Agreement you are unable to promptly and properly service any of your customers, you must refer such customer to another franchisee, company-owned business, or directly to us. If you fail to refer off-site events or customers as set forth herein, we will have the right to immediately terminate the Franchise Agreement. For any default of the Franchise Agreement, as an alternative to termination, we may, at our sole and absolute discretion, unilaterally modify or completely eliminate any rights that you may have with respect to the Territory, effective ten days after delivery of written notice to you. In addition we may modify, or eliminate completely, the Territory (Franchise Agreement Section 2.4).

We encourage Better Than Sex businesses, when owned by different individuals or entities, to work out referral relationships and joint advertising strategies or arrangements if they are within close proximity of each other (close proximity to be defined as any two territories which lie within a 25 mile radius of each other). We must be notified in writing of all such arrangements before they go into effect.

We have the exclusive right to negotiate and enter into agreements, or to approve the forms of agreements, to sell services and/or products to any business or organization which owns, manages, controls or otherwise does business in more than one geographic area whose presence is not confined within any one particular franchisee's territory, regardless of the contract amount of the products to be provided or services to be performed (a "National Account"). After we sign a contract with a National Account, we may, at our sole option, directly provide products or perform services to businesses under the National Account contract, even if such sales or services would occur within your Territory, and without compensation to you. At our sole option, we may direct you to provide services and/or products to any National Account and/or direct the National Account to your Franchise for assistance.

We reserve the right to issue binding policies to coordinate marketing councils and/or advertising cooperative programs. For example, we may require that all franchisees within close proximity participate in local advertising programs or cooperatives. We will personally direct and coordinate all online and web advertising for Better Than Sex business brand. All advertising programs, whether local, national, international, online or physical, as well as any accompanying policies are our proprietary trade secrets and you shall make every effort to preserve their confidentiality. Such programs may refer acquired customers to certain Territories or to certain designated franchisees at our discretion.

Any rights not expressly granted to you are reserved to us. Such rights reserved to us include, but are not limited to:

- (1) Advertise, market and sell food related products or restaurant services in your Territory;
- (2) Advertise, offer, and sell food related products and restaurant services through the internet, via mobile app and/or other related venues, no matter where the customer is based, to brand the System and/or fulfill the demand in your Territory;
- (3) Sell, offer or distribute products or services to anyone from anywhere through any alternative or other channel of distribution other than local facilities providing restaurant related services and products under the Marks and System, and on any terms and conditions we deem appropriate. We retain this right whether or not we are using the Marks or System, or are acting inside or outside the Territory designated on your Franchise Agreement;
- (4) Develop, manufacture and/or distribute any labeled food related products or services that have been branded with our Mark or logo, or any different brand of products or equipment through any outlet located anywhere (including, by way of illustration, discount warehouses, retail stores, online marketplaces and/or similar venues) and on any terms and conditions we deem appropriate. If we decide to develop and/or distribute food related products or services, you will receive no compensation from us for such sales inside your Territory, unless we have agreed otherwise in another signed writing;
- (5) Implement advertising cooperative programs which may allow us or others to offer food related products, restaurant services, and/or equipment to anyone from any designated franchise or company owned outlet. We also reserve the right to issue mandatory policies to coordinate such advertising cooperative programs;
- (6) Own and/or operate, or authorize others to own and/or operate, (a) any business located outside the Territory designated in your Franchise Agreement, whether or not such business shall use the Marks and/or System, (b) any business anywhere, whether or not they shall use the Marks and /or System,

which is not substantially similar to the business franchised to you under the Franchise Agreement and/or (c) any business anywhere which does not use the Marks; and

- (7) Acquire, merge, affiliate with, or engage in any transaction with other businesses (whether competitive or not), located anywhere, including arrangements in which we are acquired and/or us or our franchised businesses (including your own Business) are converted to another format, or if we acquire a similar business which will be maintained under the System or otherwise. You will fully participate in any conversion related to merger or acquisition, whether initiated by us or a third party, and we will reimburse you for reasonable costs directly related to such conversion.

We are not responsible for paying any compensation to you concerning the sale of services over the internet or other similar venues, by alternative means of distribution, advertising cooperative programs, outlets, businesses that are or are not substantially similar to the Franchised Business, or any business that does not use the Marks. For clarity, the Franchise Agreement grants you no rights to offer and/or provide services and products, through any alternative channels of distribution (other than our approved list of channels of distribution) without our express permission or share in any of the proceeds from our activities through alternative channels of distribution.

We have not established, and do not presently intend to establish other franchises or company-owned businesses, except as disclosed in Item 1 of this Franchise Disclosure Document, that offer similar services or products under a trade name or trademark different from the Marks.

Area Developers:

Under the Area Development Agreement (the “ADA”), you will develop, open and operate multiple Better Than Sex Businesses within a defined Development Area (the “Development Area”). We determine the Development Area using the same criteria that we use in deciding the Territory for a Business. However the Development Area must be able to support the number of Businesses you intend to establish in that area. As a result, the Development Area generally consists of a portion of a city, county or designated market area. Your Development Area will be described in the ADA before you sign it.

Subject to your compliance with the ADA and all Franchise Agreements, we will not develop or operate, or grant anyone else to develop or operate a Better Than Sex business in your Development Area. The reserved rights and limitations described above regarding what we and our affiliates can and cannot do in a franchisee’s Territory for a single Franchise are generally the same for the Development Area under the ADA. In addition, we and our affiliates have the right to continue to own and operate, and allow others to own and operate, currently operating Better Than Sex businesses existing inside your Development Area as of the date you sign the ADA.

You have no right of first refusal or similar rights to acquire additional franchises or establish additional Businesses that are not in your Development Area. In addition, you will not be entitled to a right of first refusal for any territories that are immediately adjacent to your own which are not in your Development Area. If you wish to obtain an additional location, it must be included in your Development Schedule and you will be required to enter into a separate Franchise Agreement for such location.

Upon expiration or termination of the ADA, we will be entitled to develop and operate, or to franchise to others the right to develop and operate, Better Than Sex Businesses in the Development Area, except within any Territory under any Franchise Agreement between us and you that has not been terminated.

We may terminate the ADA if you: (i) fail to comply with the Development Schedule; (ii) make or attempt to make a transfer or assignment in violation of the ADA; (iii) fail to comply with any terms and conditions of the ADA; (iv) fail to comply with any terms and conditions of any individual Franchise Agreement or any other agreement to which you and we or our affiliates are parties, and do not cure such failure within the applicable cure period (regardless of whether we in fact terminate such Franchise Agreement or any other agreement). For any default of the ADA, as an alternative to termination, we may, at our sole and absolute discretion: (i) modify or completely eliminate any territorial rights that you may have with respect to your Development Area and either operate or grant others to operate businesses within

the Development Area; or (ii) reduce the Development Area and Development Schedule to a size and magnitude that we estimate you are capable of operating otherwise in accordance with the ADA (Area Development Agreement Section 7).

ITEM 13. TRADEMARKS

You receive the right to operate your business under the name, BETTER THAN SEX, which is the primary Mark used to identify our System per the limitations set forth in the Franchise Agreement and/or Operations Manual. You may also use any other current or future Marks to operate your franchised business that we designate, including the logo on the front of this Disclosure Document and the service mark listed below. By “Mark,” we mean any trade name, trademark, service mark or logo used to identify your business. We currently have ownership of the following Marks in the U.S. Patent and Trademark Office (“USPTO”) Principle Register:

Mark	Serial Number	Registration Date	International Class of Goods
	4726686	April 28, 2015	IC 043
Choco-Cab	4517674	April 22, 2014	IC 033
Better Than Sex	4617585	October 7, 2014	IC 025

If our right to use the Mark or any portion of the Mark is challenged or suspended or otherwise rescinded, you may have to change to an alternative trademark which may impose additional expenses on your operations. We make no guarantee that there will be no opposition proceeding involving our attempts to register our Mark or additional related marks.

Currently, we know of no effective material determinations of the USPTO, trademark trial and appeal board, the trademark administrator of the State of Florida or any court; pending infringement, opposition or cancellation; or pending material litigation involving the Marks.

Other than the above, there are no agreements currently in effect that significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

We know of no infringing or prior superior uses that could materially affect the use of the Marks in the State of Florida or any other state in which the franchised business is to be located.

You do not receive any rights to the Marks other than the exclusive right to use them in the operation of your franchised business. You must follow our rules when you use the Marks. You must use the Marks as the sole trade identification of the franchised business. You cannot use a name or Mark as part of a corporate name or domain name, or with modifying words, designs or symbols except for those which we license to you. You may not use any Mark in connection with the sale of any unauthorized services or products, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law. Any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Marks. You must not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You must not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us when you learn about an infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you must not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We will take the action we think appropriate in these situations; we have exclusive control over any settlement or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

While we are not required to defend you against a claim arising from your use of our Marks, we will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any Mark. We will not reimburse you for disputes where we challenge your use of a Mark.

If we require, you must modify or discontinue the use of any Mark and use other trademarks or service marks we designate. We do not have to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. If we adopt and use new or modified Marks, you must add or replace equipment, supplies and fixtures, and you must make other modifications we designate as necessary to adapt your franchised business for the new or modified Marks. You do not have to spend an amount unreasonably disproportionate to your initial investment during the initial term of the Franchise Agreement to conform your franchised business to changes to the Marks and other System modifications. We do not reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the USPTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

You may not advertise on the Internet using, or establish, create or operate an Internet site or website using any domain name containing, the words “Better Than Sex” or any variation thereof without our prior written consent.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents are material to the franchise. We own copyrights in the Operations Manual, our website, our marketing materials, our menu descriptions and menu item names, and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Register of Copyrights. You may use these items only as we specify while operating the franchised business and you must stop using them if we direct you to do so.

We know of no effective determinations of the U.S. Copyright Office or any court regarding any of our copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

We have developed certain trade secrets and other confidential information, including methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a Better Than Sex. We will provide our trade secrets and other confidential information to you during training, in the Operations Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the trade secrets and other confidential information for the purpose of operating your franchised business. You may only divulge trade secrets and/or other confidential information to employees who must have access to it to operate the franchised business. You are responsible for enforcing the confidentiality provisions as to your employees.

Certain individuals with access to trade secrets or other confidential information, including your shareholders (and members of their immediate families and households), officers, directors, partners, members, if you are a corporation, limited liability company or other business entity, and your managers, executives, employees and staff may be required to sign nondisclosure and non-competition agreements in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the right to enforce those agreements.

All ideas, concepts, techniques or materials concerning the franchised business and/or the System, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees, and you agree to assign to us all right, title and interest in any intellectual property so developed without additional compensation to you. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

Your use of the Operations Manual, trade secrets or other confidential information in an unauthorized manner is a default of the Franchise Agreement that may result in automatic termination of the Franchise Agreement. Further information about termination of the Franchise Agreement following a default is included in ITEM 17.

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

The Franchisee has no obligation to be the direct, full-time, day-to-day Owner Operator of the Business. If you do not choose to run the Business on a personal basis you have the responsibility to attain and retain the services of a full time, on-site Manager or Operator. While you have the right to select any Manager or Operator, we retain the right to accept or reject any proposed individual or entity as the Business Manager. You will be responsible for the compensation to any individual or entity you contract to act as the Manager of the Business, you have the sole legal responsibility for any dispute relating to such individual or entity. We maintain the right to require any approved Manager to attend and satisfactorily complete our initial training program before opening the Business. You must keep us informed at all times of the identity of your Manager. If you must replace the Manager, your replacement

Manager must be approved by us within 60 days, such approval not to be unreasonably withheld – we may additionally require such replacement Manager to attend and complete our training program at your expense.

As described in ITEM 14, certain individuals associated with your franchised business, including your owners (and members of their immediate families and households), officers, directors, partners, and your managers, executives, employees and staff may be required to sign nondisclosure and non-competition agreements the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the independent right to enforce the agreements.

If you are a corporation or other business entity, anyone who owns a 5% or greater interest in the entity must personally guarantee the performance of all of your obligations under the Franchise Agreement and agree to be personally liable for your breach of the Franchise Agreement by signing the Unlimited Guaranty and Assumption of Obligations attached to the Franchise Agreement.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell the services and products we specify. You may not sell any services or products that we have not authorized and you must discontinue offering any services or products that we may disapprove of. We may take action, including terminating your franchise if you purchase or sell unapproved products or make purchases from unapproved suppliers. We may periodically change required or authorized services or products. There are no limits on our right to do so, except that your investment required to change required or authorized products or services will not be unreasonably disproportionate to your initial investment.

Periodically, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based on factors, including test marketing, your qualifications, and regional or local differences.

We do not place restrictions on you with respect to who may be a customer of your franchised business.

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

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreement attached to this Disclosure Document. You should refer to your state's-specific addendum, attached to this Disclosure Document for exceptions to this Item 17.

Provision	Section in Franchise or Other Agreement	Summary
a. Length of franchise term	FA: Section 04.1 ADA: Section 5	FA: The initial term is 10 years. ADA: Term is the date the last Location is required to be opened pursuant to the Development Schedule.
b. Renewal or extension of the term	FA Section 04.2 ADA: N/A	FA: You have the right to renew for additional FIVE (5) year terms. You must pay a renewal fee equal to \$5,000.00. If you do not meet the conditions in (c) below, we may refuse to renew or extend the terms of your Franchise Agreement.

Provision	Section in Franchise or Other Agreement	Summary
c. Requirements for franchisee to renew or extend	FA: Section 04.2 ADA: N/A	FA: You may renew the Franchise Agreement if you: have fully complied with the provisions of the Franchise Agreement; have made capital expenditures as necessary to maintain uniformity with the System; have satisfied all monetary obligations owed to us or any of our affiliates; are not in default of any provision of the Franchise Agreement or any other agreement between you and us; have given timely written notice of your intent to renew; sign a current Franchise Agreement, which may have different terms and conditions than your original Franchise Agreement; comply with current qualifications and agree to comply with any training requirements; sign a general release in a form the same as or similar to the General Release attached to the Franchise Agreement and pay a renewal fee of \$5,000.00.
e. Termination by franchisor with cause	FA: Section 016.2 ADA: Section 7	FA: We may terminate the Franchise Agreement only if you default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate. ADA: We may terminate the ADA if you default. If we terminate, you may maintain your Locations if you have opened at least 50% of the Locations required under the Development Schedule. If you have not opened at least 50% of the required Locations, your interest in the franchises will terminate.
f. "Cause" defined-curable defaults	FA: Section 016.2 ADA: Section 7(B)	FA: If a default arises from your failure to comply with a mandatory specification in the Franchise Agreement or Operations Manual, you can avoid termination of the

Provision	Section in Franchise or Other Agreement	Summary
		Franchise Agreement if you cure the default within 30 days of receiving our notice of default, except for the defaults below that require cure in a shorter time and non-curable defaults in (h) below. If a default arises from your failure to maintain insurance, you can avoid termination of the Franchise Agreement if you cure the default within 10 days of receiving our notice of your failure to maintain insurance. If a default arises from your failure to make payments due to us, you can avoid termination of the Franchise Agreement if you cure the default within 5 days of receiving our notice of default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate. ADA: You shall have a 30 day cure period if you are in default of any term of the ADA.
g. "Cause" defined- non-curable defaults	FA: Section 016.2 ADA: Section 7(B)	FA: We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to timely establish, equip and begin operations of the franchised business; fail to have your Owner Operator satisfactorily complete training; fail to maintain all required professional licenses, permits and certifications for more than 5 business days; made a material misrepresentation or omission in the application for the franchise; are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the franchised business; after notice to cure, fail to refrain from activities, behavior or conduct likely to adversely affect either party or the franchised business; use the Operations Manual, trade secrets or other confidential information in an unauthorized manner; if required, fail to have your owners (and

Provision	Section in Franchise or Other Agreement	Summary
		members of their immediate families and households), officers, directors, managers, executives, employees and professional staff, and other individuals having access to trade secrets or other confidential information sign nondisclosure and non-competition agreements or, if requested, fail to provide us with copies of all signed nondisclosure and non-competition agreements; abandon the franchised business for 5 or more consecutive days; surrender or transfer control of the franchised business in an unauthorized manner; fail to maintain the franchised business under the supervision of an Owner Operator following your death or disability; submit reports on 2 or more separate occasions understating any amounts due by more than 3%; are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; misuse or make unauthorized use of the Marks; fail on 2 or more occasions within any 12 months to submit reports or records or to pay any fees due us or any affiliate; violate on 2 or more occasions any health, safety or other laws or operate the franchised business in a manner creating a health or safety hazard to customers, employees or the public; take any action reserved to us; fail to comply with applicable law after notice; repeatedly breach the franchise agreement or comply with specifications; or default under any other agreement with us (or an affiliate) so that we (or the affiliate) have the right to terminate the agreement. ADA: We have the right to terminate the ADA if (i) you become insolvent, commit any affirmative action of insolvency or file any action or petition of insolvency, (ii) a receiver (permanent or temporary) of your property is appointed by a court of competent authority, (iii) you make a general assignment or other similar arrangement for the benefit of your creditors, (iv) a final judgment remains

Provision	Section in Franchise or Other Agreement	Summary
		unsatisfied of record for 30 days or longer (unless supersedes bond is filed), (v) execution is levied against your business or property, (vi) suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within 30 days, or is not in the process of being dismissed, (vii) you fail to meet the development obligations set forth in the Development Schedule attached as Appendix B, (viii) failure to start substantial construction of any of the Locations by the date established in Section 4.C (ix) failure to secure financing for the construction of any of the Locations by the date set forth in Section 4.C (x) you violate the provisions of Section 10.N; (xi) you fail to comply with any other provision of this Agreement and do not correct the failure within 30 days after written notice of that failure is delivered to you, or (xii) we have delivered to you a notice of termination of a Franchise Agreement in accordance with its terms and conditions.
h. Franchisee's obligations on termination/non-renewal	FA: Section 017.1 ADA: Section 8	FA and ADA: If the Franchise Agreement is terminated or not renewed, you must: stop operating the franchised business; stop using any trade secrets, confidential information, the System and the Marks; cancel or assign to us any assumed names; pay all sums owed to us including damages and costs incurred in enforcing the Franchise Agreement; return the Operations Manual, trade secrets and all other confidential information; assign your telephone and facsimile numbers to us; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement.

Provision	Section in Franchise or Other Agreement	Summary
i. Assignment of contract by franchisor	FA: Section 018.1 ADA: Section 9(A)	FA and ADA: There are no restrictions on our right to assign our interest in the Franchise Agreement.
j. “Transfer” by franchisee-definition	FA: Section 018.2 ADA: Section 9(B)	FA: “Transfer” includes transfer of an interest in the franchise, the Franchise Agreement or the franchised business’s assets. ADA: “Transfer” means any sale, assignment, gift, pledge, mortgage or any other encumbrance, transfer by bankruptcy, transfer by judicial order, merger, consolidation, share exchange, transfer by operation of law or otherwise, whether direct or indirect, voluntary or involuntary, of this Agreement or any interest in it, or any rights or obligations arising under it, or of any material portion of your assets, or of any interest in you.
k. Franchisor’s approval of transfer by franchisee	FA: Section 018.2 ADA: Section 9(B)	FA and ADA: You may not transfer your interest in any of the items listed in (k) above without our prior written consent.

Provision	Section in Franchise or Other Agreement	Summary
1. Conditions for franchisor approval of transfer	FA: Section 018.2 ADA: Section 9(E)	FA: We will consent to a transfer if: we have not exercised our right of first refusal; all obligations owed to us are paid; you and the transferee have signed a general release in a form the same as or similar to the General Release attached to the Franchise Agreement; the prospective transferee meets our business and financial standards; the transferee and all persons owning any interest in the transferee sign the then current Franchise Agreement; you provide us with a copy of all contracts and agreements related to the transfer; you or the transferee pay a fee of \$7,500 or 10% of the sale price, whichever is greater; the transferee or the owners of transferee have agreed to be personally bound by all provisions of the Franchise Agreement; you have agreed to guarantee performance by the transferee, if requested by us; the transferee has obtained all necessary consents and approvals of third parties; you or all of your equity owners have signed a non-competition agreement in a form the same as or similar to the Nondisclosure and Non-Competition attached to the Franchise Agreement; and the transferee has agreed that its Owner Operator will complete the initial training program before assuming management of the franchised business. ADA: You may only Transfer your rights and interests under this Agreement if you obtain our prior written consent and you transfer <u>all</u> of your rights and interests under all Franchise Agreements for Locations in the Development Territory and provided the transferee meets the conditions set forth in the ADA, including good moral standing and completion of the initial training.

Provision	Section in Franchise or Other Agreement	Summary
m. Franchisor's right of first refusal to acquire franchisee's franchised business	FA: Section 019 ADA: 8(F) and 9(C)	FA: We may match an offer for your franchised business or an ownership interest you propose to sell. ADA: We have the option to purchase from you at book value all the assets used in the Locations that have been developed prior to the termination of this Agreement.
n. Franchisor's option to purchase franchisee's franchised business	FA: Section 017.4 ADA: 8(F)	FA: Except as described in (m) above, we do not have the right to purchase your franchised business; however, during the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the franchised business for book value. ADA: In the event of termination of the ADA, and provided that you have not developed at least 50% of the required Locations pursuant to the Development Schedule, we have the right to purchase all of your Locations at book value.
o. Death or disability of franchisee	FA: Section 018.6 ADA: Section 9(D)	FA: After the death or incapacity of an owner of the franchise, his or her representative must transfer, subject to the terms of the Franchise Agreement, the individual's interest in the franchise within 180 days of death or incapacity or we may terminate the Franchise Agreement. ADA: After the death or incapacity of an owner of the developer, his or her representative must transfer, subject to the terms of the ADA, the individual's interest in the ADA within 6 months of death or incapacity.

Provision	Section in Franchise or Other Agreement	Summary
p. Non-competition covenants during the term of the franchise	FA: Section 07.3 ADA: Section 6(B) and 10(P)	FA: You, your owners (and members of their families and households) and your officers, directors, executives, managers, professional staff and employees are prohibited from: attempting to divert any business or customer of the franchised business to a competitive business or causing injury or prejudice to the Marks or the System; owning or working for a competitive business. ADA: You, your owners (and members of their families and households) and your officers, directors, executives, managers, professional staff and employees are required to sign a separate non-compete, which shall prohibit you from: attempting to divert any business or customer of the franchised business to a competitive business or causing injury or prejudice to the Marks or the System; owning or working for a competitive business.

Provision	Section in Franchise or Other Agreement	Summary
q. Non-competition covenants after the franchise is terminated or expires	FA: Section 017.2 ADA: Section 6(B) AND 10(P)	FA: For 5 years after the termination or expiration of the Franchise Agreement, you, your owners (and members of their families and households) and your officers, directors, executives, managers or professional staff are prohibited from: owning or working for a competitive business operating within 25 miles of any other BETTER THAN SEX Business, or planned expansion thereof, or of any other Franchisor owned business ; or soliciting or influencing any of our customers, employees or business associates to compete with us or terminate their relationship with us. ADA: Pursuant to a separate agreement, For 5 years after the termination or expiration of the Franchise Agreement, you, your owners (and members of their families and households) and your officers, directors, executives, managers or professional staff are prohibited from: owning or working for a competitive business operating within 25 miles of any other BETTER THAN SEX Business, or planned expansion thereof, or of any other Franchisor owned business ; or soliciting or influencing any of our customers, employees or business associates to compete with us or terminate their relationship with us.
r. Modification of the agreement	FA: Sections 9.20, 22.7 and 22.80 ADA: Section 10 (E)	FA: The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Operations Manual without your consent if the modification does not materially alter your fundamental rights. ADA: The ADA can be modified only by written agreement between you and us.

Provision	Section in Franchise or Other Agreement	Summary
s. Integration/merger clause	FA: Section 022.7 ADA: N/A	FA: Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document, the Operations Manual and/or Franchise Agreement may not be enforceable.
t. Dispute resolution by arbitration or mediation	FA: Section 023.7 ADA: 10(M)	FA: Except for claims relating to the Marks, confidential information, trade secrets and covenants not to compete, and subject to state law, all disputes must be arbitrated in Monroe County, Florida. ADA: Except for claims relating to the Marks, confidential information, trade secrets and covenants not to compete, and subject to state law, all disputes must be arbitrated in Monroe County, Florida.
u. Choice of forum	FA: Section 023.2 ADA: 10(M)	FA: Subject to state law, any litigation must be pursued in courts located in Monroe County, Florida. ADA: Subject to state law, any litigation or arbitration must be pursued in Monroe County, Florida.
v. Choice of law	FA: Section 023.1 ADA: Section 10(F)(1)	FA and ADA: Subject to state law, Florida law applies, except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.) and disputes over copyrights will be governed by federal copyright laws of the United States.

FA: Franchise Agreements ADA: Area Development Agreement

ITEM 18. PUBLIC FIGURES

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

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

The tables below present gross revenues, net profit, and adjusted net profit for the fiscal years ending on December 31, 2016 and December 31, 2017, for the Affiliate owned Better Than Sex Businesses that were open and in operation for the entire fiscal year. These figures were obtained from the unaudited gross sales reports generated for the two reporting affiliate locations. These Better Than Sex Business offer similar products and services to the public and have a similar store size compared to the proposed franchise operation. The affiliate locations did not receive any services not generally available to our franchisees, except that these are affiliate locations and have thus been closely managed by our CEO as set forth in more detail in Item 2. Our Affiliate-owned Better Than Sex Businesses do not pay any royalties.

Year	Location	Gross Revenues	Net Profit	Adjusted Net Profit
2016	Key West	\$1,422,293.11	\$215,581.62	\$229,207.33
	Orlando	\$742,022.88	\$59,789.03	\$128,142.34
2017	Key West	\$1,082,832.00	-\$1,319.84	\$85,968.45
	Orlando	\$754,173.17	\$52,201.12	\$75,442.19

2017 - ORLANDO	
Gross Revenues:	\$754,173.17
Net Profit:	\$52,201.12
<i>Advertising Expense</i>	\$9,356.45
<i>Repairs Expense</i>	\$2,258.28
<i>Travel Expense</i>	\$1,532.96
<i>Officer Salaries</i>	\$50,000.08
<i>Amortization Expense</i>	\$3,453.00
<i>Bank Charges</i>	\$248.00
<i>Charitable Contributions Exp</i>	\$392.40
<i>Depreciation Expense</i>	\$14,195.01
<i>Meals and Entertainment Exp</i>	\$67.88
Total Non-Franchisee Expenses:	\$81,504.06
<i>Royalties (6%)</i>	\$45,250.39
<i>Music (\$100)</i>	\$1,200.00

2017 - KEY WEST	
Gross Revenues:	\$1,082,832.00
Net Profit:	-\$1,319.84
<i>Advertising Expense</i>	\$23,134.17
<i>Repairs Expense</i>	\$2,794.23
<i>Travel Expense</i>	\$1,552.00
<i>Officer Salaries</i>	\$49,038.54
<i>Amortization Expense</i>	\$2,884.24
<i>Accounting Expense</i>	\$13,670.00
<i>Bank Charges</i>	\$422.50
<i>Charitable Contributions Exp</i>	\$90.00
<i>Depreciation Expense</i>	\$89,470.68
<i>Meals and Entertainment Exp</i>	\$814.33
Total Non-Franchisee Expenses:	\$183,870.69
<i>Royalties (6%)</i>	\$64,969.92

<i>Local Advertising Fee (1.5%)</i>	\$11,312.60
<i>Nat'l Franchise Convention</i>	\$500.00
Total Franchisee Expenses:	\$58,262.99
Adjusted Net Profit:	\$75,442.19

<i>Music (\$100)</i>	\$1,200.00
<i>Local Advertising Fee (1.5%)</i>	\$16,242.48
<i>Nat'l Franchise Convention</i>	\$500.00
Total Franchisee Expenses:	\$82,912.40
Adjusted Net Profit:	\$99,638.45

2016 - ORLANDO	
Gross Revenues:	\$742,022.88
Net Profit:	\$59,789.03
<i>Advertising Expense</i>	\$16,618.19
<i>Repairs Expense</i>	\$5,088.93
<i>Travel Expense</i>	\$1,000.00
<i>Officer Salaries</i>	\$48,077.00
<i>Amortization Expense</i>	\$3,453.00
<i>Bank Charges</i>	\$178.00
<i>Charitable Contributions Exp</i>	\$392.40
<i>Depreciation Expense</i>	\$50,817.00
<i>Meals and Entertainment Exp</i>	\$80.51
Total Non-Franchisee Expenses:	\$125,705.03
<i>Royalties (6%)</i>	\$44,521.37
<i>Music (\$100)</i>	\$1,200.00
<i>Local Advertising Fee (1.5%)</i>	\$11,130.34
<i>Nat'l Franchise Convention</i>	\$500.00
Total Franchisee Expenses:	\$57,351.72
Adjusted Net Profit:	\$128,142.34

2016 - KEY WEST	
Gross Revenues:	\$1,422,293.11
Net Profit:	\$215,581.62
<i>Advertising Expense</i>	\$20,368.22
<i>Repairs Expense</i>	\$7,111.49
<i>Travel Expense</i>	\$9,673.55
<i>Officer Salaries</i>	\$51,923.16
<i>Amortization Expense</i>	\$3,106.47
<i>Gifts Expense</i>	\$1,874.28
<i>Charitable Contributions Exp</i>	\$80.00
<i>Depreciation Expense</i>	\$27,543.70
<i>Meals and Entertainment Exp</i>	\$316.82
Total Non-Franchisee Expenses:	\$121,997.69
<i>Royalties (6%)</i>	\$85,337.59
<i>Music (\$100)</i>	\$1,200.00
<i>Local Advertising Fee (1.5%)</i>	\$21,334.40
<i>Nat'l Franchise Convention</i>	\$500.00
Total Franchisee Expenses:	\$108,371.98
Adjusted Net Profit:	\$229,207.33

“Gross Revenues” are defined as total sales income, minus refunds.

“Net Profit” is defined as Gross Revenues minus all ordinary and recurring operating expenses, interest, income taxes, depreciation and amortization.

“Adjusted Net Profit” is defined as Net Profit plus operating expenses that Franchisee will not incur in the operation of a franchise outlet, minus expenses Franchisee must incur per the Franchise Agreement (including Royalty Fee, National Advertising Fund Fee, National Franchise Convention Fee, and other expenses listed that may be incurred in the start-up of the franchise outlet as estimated by Franchisor in this Disclosure Document.

Total Expenses that Franchisee will not incur have been added back into the Net Profit to reflect an approximation of the Net Profit Franchisee will generate.

The Orlando, Florida location is open only 5 days per week and is a smaller store with 1,500 square feet of space and 42 seats only, compared to the Key West, Florida location which is open 6 days per week and is 2,100 square feet with 62 seats.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting us at Len Johnson at 531 Truman Avenue, Key West, FL 33040, and 305-393-1049, the Federal Trade Commission, and any appropriate state regulatory agencies.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
System wide Outlet Summary for Years 2015 to 2017

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the end of the Year	Net Change
Franchised	2015	0	0	0
	2016	0	0	0
	2017	0	0	0
Affiliates	2015	1	2	1
	2016	2	2	0
	2017	2	2	0
Total	2015	1	2	1
	2016	2	2	0
	2017	2	2	0

TABLE 2
TRANSFERS OF OUTLETS FROM FRANCHSEES TO NEW OWNERS FOR YEARS 2015-2017

State	Year	Number of Transfers
All States	2015	0
	2016	0
	2017	0
Total	2015	0

	2016	0
	2017	0

TABLE 3
Status of Franchised Outlets for Years 2015 to 2017

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
All States	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Total	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0

TABLE 4
Status of Company-Owned Outlets for Years 2015 to 2017

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
All States	2015	1	1	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Total	2015	1	1	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2

TABLE 5
Projected Openings As of December 31, 2017

State	Franchise Agreements Signed but Outlet not Opened	Projected New Franchise Outlet in the Next Fiscal Year	Projected New Company- Owned Outlet in the Next Fiscal Year
Florida	0	2	0
Georgia	1	1	0
New York	0	1	0
California	0	1	0
Illinois	0	1	0
Maryland	0	1	0
Total	0	7	0

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit E are our audited financial statements as of December 31, 2017 and as of August 10, 2017.

Our fiscal year end is December 31.

ITEM 22. CONTRACTS

HAPPY ENDINGS FRANCHISING, INC. Franchise Agreement (with exhibits) is attached to this Disclosure Document as Exhibit C.

HAPPY ENDINGS FRANCHISING, INC. General Release is attached to the Franchise Agreement as Exhibit 1.

HAPPY ENDINGS FRANCHISING, INC. Nondisclosure and Non-Competition Agreement is attached to the Franchise Agreement as Exhibit 2.

HAPPY ENDINGS FRANCHISING, INC. Unlimited Guaranty and Assumption of Obligations is attached to the Franchise Agreement as Exhibit 3.

HAPPY ENDINGS FRANCHISING, INC. Collateral Assignment of Lease attached to the Franchise Agreement as Exhibit 4.

HAPPY ENDINGS FRANCHISING, INC. Agreement is attached to the Franchise Agreement as Exhibit 5.

HAPPY ENDINGS FRANCHISING, INC. Holders of Beneficial Interest of Franchisee is attached to the Franchise Agreement as Exhibit 6.

HAPPY ENDINGS FRANCHISING, INC. Multi State Addenda is attached to the Franchise Agreement as Exhibit 6.

HAPPY ENDINGS FRANCHISING, INC. Area Development Agreement attached hereto as Exhibit E.

We provide no other contracts or agreements for your signature.

ITEM 23. RECEIPTS

Our copy and your copy of the Disclosure Document Receipts are located on the last 2 pages of this Disclosure Document.

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EXHIBIT A TO THE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS

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

California

Department of Corporations
71 Stevenson Street, Suite 2100
San Francisco, California 94105

Commissioner of Corporations
320 W. 4th Street, Suite 750
Los Angeles, California 90013

Commissioner of Corporations
1515 K. Street, Suite 200
Sacramento, California 95814
(866) 275-2677 Toll Free

Connecticut

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

Florida

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

Hawaii

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

Illinois

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

Indiana

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

Kentucky

Office of the Attorney General
Consumer Protection Division
Attn: Business Opportunity
1024 Capital Center Drive

Frankfort, Kentucky 40601-8204

Maine

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

Maryland

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

Michigan

Department of the Attorney General
Consumer Protection Division, Franchise Unit
525 Ottawa Street
G. Mennen Williams Building, 6th Floor
Lansing, Michigan 48909

Minnesota

Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101

Nebraska

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

New York

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

North Carolina

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

North Dakota

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

Rhode Island

Department of Business Regulation
John O. Pastore Complex
1511 Pontiac Avenue
Building 69, 1st floor
Cranston, Rhode Island 02920

South Carolina

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

South Dakota

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

Texas

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

Utah

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

Virginia

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

Washington

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

Wisconsin

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

EXHIBIT B TO THE DISCLOSURE DOCUMENT

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

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

California

Department of Corporations
71 Stevenson Street, Suite 2100
San Francisco, California 94105

Commissioner of Corporations
320 W. 4th Street, Suite 750
Los Angeles, California 90013

Commissioner of Corporations
1515 K St., Suite 200
Sacramento, California 95814
(866) 275-2677

Connecticut

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

Florida

Antonio Regojo
12550 Biscayne Blvd Ste 110
Miami, Florida 33181

Hawaii

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

Illinois

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana

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

Maryland

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

Michigan

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

Minnesota

Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101

New York

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

North Dakota

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

Rhode Island

Director, Department of Business Regulation
John O. Pastore Complex
1511 Pontiac Avenue
Building 69, 1st floor
Cranston, Rhode Island 02920

South Dakota

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

Virginia

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

Washington

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

Wisconsin

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

HAPPY ENDINGS FRANCHISING, INC.

d/b/a

BETTER THAN SEX

FRANCHISE AGREEMENT

EXHIBIT C TO THE DISCLOSURE DOCUMENT

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
1. DEFINITIONS	3
2. GRANT OF FRANCHISE; APPROVED FRANCHISED BUSINESS	6
3. FEES	11
4. TERM AND RENEWAL.....	12
5. FRANCHISED BUSINESS.....	13
6. PROPRIETARY MARKS	15
7. TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION.....	16
8. TRAINING AND ASSISTANCE.....	18
9. OPERATIONS MANUAL	19
10. FRANCHISE SYSTEM.....	20
11. ADVERTISING AND PROMOTIONAL ACTIVITIES.....	20
12. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS.....	22
13. STANDARDS OF OPERATION	24
14. FRANCHISOR’S ADDITIONAL OPERATIONS ASSISTANCE.....	27
15. INSURANCE	27
16. DEFAULT AND TERMINATION	29
17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION	32
18. TRANSFERABILITY OF INTEREST.....	34
19. RIGHT OF FIRST REFUSAL	38
20. BENEFICIAL OWNERS OF FRANCHISEE	38
21. RELATIONSHIP AND INDEMNIFICATION	39
22. GENERAL CONDITIONS AND PROVISIONS	40
23. DISPUTE RESOLUTION	43
24. ACKNOWLEDGMENTS.....	44

EXHIBITS

1. GENERAL RELEASE
2. NONDISCLOSURE AND NON-COMPETITION AGREEMENT
3. UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS
4. COLLATERAL ASSIGNMENT OF LEASE
5. ACH AGREEMENT
6. HOLDERS OF LEGAL OR BENEFICIAL INTEREST IN FRANCHISEE; OFFICERS; DIRECTORS
7. MULTI-STATE ADDENDA
8. PROMISSORY NOTE

HAPPY ENDINGS FRANCHISING, INC.

FRANCHISE AGREEMENT

This Franchise Agreement made this ____ day in the month of _____, 20____, is by and between HAPPY ENDINGS FRANCHISING, INC. a Florida limited liability company d/b/a BETTER THAN SEX, having its principal place of business at 531 Truman Avenue, Key West, FL 33040 ("Franchisor"), and _____ an individual/partnership/corporation/limited liability company established in the State of _____ and whose principal address is _____ ("Franchisee").

WITNESSETH:

WHEREAS, Franchisor has developed, and is in the process of further developing, a System identified by the service mark "BETTER THAN SEX" and relating to the establishment and operation of a restaurant, focused on serving a variety of desserts, wine, beer and beverages prepared under a unique proprietary service system; and

WHEREAS, in addition to the service mark "BETTER THAN SEX" and certain other Marks, the distinguishing characteristics of the System include: uniform standards and procedures for efficient business operations; procedures and strategies for marketing, advertising and promotion; customer service and development techniques; other strategies and techniques; and Trade Secrets and other Confidential Information; and the Operations Manual; and

WHEREAS, Franchisor grants to qualified persons and business entities the right to own and operate a Better Than Sex Business using the System and the Marks; and

WHEREAS, Franchisee desires to operate a BETTER THAN SEX business, has applied for the Franchise and such application has been approved by Franchisor in reliance upon all of the representations made herein and therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations and service and the necessity of operating the Franchised Business in strict conformity with Franchisor's System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

1. DEFINITIONS

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

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

"Agreement" means this agreement entitled "HAPPY ENDINGS FRANCHISING, INC. Franchise Agreement" and all instruments supplemental hereto or in amendment or confirmation hereof;

"Approved Supplier(s)" has the meaning given to such term in Section 13.10;

“Competitive Business” means any business that offers a restaurant, focused on serving a variety of foods and beverages prepared under any service system, or any other mass market dining experience, or other services the same as or similar to those provided by BETTER THAN SEX or in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate or its other franchisees; provided, however, that the term “Competitive Business” shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest;

“Confidential Information” means technical and non-technical information used in or related to BETTER THAN SEX and not commonly known by or available to the public, including, without limitation, Trade Secrets, recipes, cooking and baking methods and products, customer services techniques and other techniques and methodologies not generally known to the industry or public, and any other information identified or labeled as confidential when delivered by Franchisor. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information;

“Cooperative Advertising” means the combined advertising program of two (2) or more franchisees established within a common market that Franchisor may require for BETTER THAN SEX within a particular region;

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

“Electronic Depository Transfer Account” means an account established at a national banking institution approved by Franchisor and providing Franchisor with access to electronically withdraw any funds due Franchisor;

“Franchise” means the right granted to Franchisee by Franchisor to use the System and the Marks;

“Franchise Fee” has the meaning given to such term in 3.1.0;

“Franchised Business” means BETTER THAN SEX business to be established and operated by Franchisee pursuant to this Agreement;

“Franchisee” means the individual or entity defined as “Franchisee” in the introductory paragraph of this Agreement;

“Franchisor” means HAPPY ENDINGS FRANCHISING, INC., a Florida limited liability company;

“Franchisor Indemnities” has the meaning given to such term in Section 21.3.0;

“GAAP” means the generally accepted accounting principles, standards, conventions and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements;

“Gross Sales” means the aggregate of all revenue from the sale of services and products from all sources in connection with the Franchised Business, whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding (a) all refunds made in good faith, (b) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, (c) the value of any allowance issued or granted to any customer of the Franchised Business that is credited by Franchisee in full or partial satisfaction of the price of any products and services offered in connection with the Franchised Business, and (d) any rebate received by Franchisee from a manufacturer or supplier;

“Gross Sales Reports” has the meaning give to such term in Section 012.2;

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

“Internet” means any one (1) or more local or global interactive communications media that is now available, or that may become available, including sites and domain names on the World Wide Web;

“Internet Advertising Program” has the meaning given to such term in Section 110;

“Internet Advertising Program Fee” has the meaning given to such term in Section 011;

“Local Advertising” has the meaning given to such term in Section 011.1;

“Marketing Fund” has the meaning given to such term in Section 11.2;

“Marketing Fund Contribution” has the meaning given to such term in Section 11.2;

“Marks” means the service mark “BETTER THAN SEX” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with BETTER THAN SEX;

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

“Royalty Fee” has the meaning given to such term in Section 3.2.

“System” means the uniform standards, methods, procedures and specifications developed by Franchisor and as may be added to, changed, modified, withdrawn or otherwise revised by Franchisor for the operation of BETTER THAN SEX;

“Trade Secrets” means information in any form (including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in BETTER THAN SEX that is not commonly known by or available to the public and that information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper

means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy; and

2. GRANT OF FRANCHISE; APPROVED FRANCHISED BUSINESS

2.1 Grant

Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained and subject to this Agreement, the right, license, and privilege to operate a BETTER THAN SEX business, and Franchisee hereby accepts a franchise under the terms and conditions set forth herein to operate a Business that has been assigned a protected territory as set forth in Section 2.4 (referred to as the “Territory”). Along with the right to use solely in connection therewith the Franchisor’s Names and Mark, Services, Products, its advertising and merchandising methods, and Franchisor’s System, as they may be changed or improved and/or further developed from time to time, only at the accepted location of the Franchisee’s Business as set forth in Section 2.2, and provided the Franchisee shall adhere to the terms and conditions hereof.

It is understood and agreed that, except as expressly provided herein or in any other executed agreement, this franchise includes no right of Franchisee to sub franchise.

Except as provided in this Agreement, Franchisee shall be free to use the materials provided by Franchisor in the manner that Franchisee, in Franchisee’s sole and absolute discretion, deems most appropriate for the operation of a Better Than Sex Franchise, provided that Franchisee shall not violate any applicable law, regulation or provision of this Agreement in exercising such discretion.

2.2 Franchised Business

2.2.1 The street address or geographical description of the area for the Franchised Business (the “Accepted Location”) is:

2.3 Sub-franchising/Agents

Franchisee shall not sublicense the use of the System or Marks to any person or entity. Except as permitted in Section 018, Franchisee shall not grant any person or entity the right to perform any part of Franchisee’s rights or obligations licensed hereunder.

2.4 Territory

The exclusive territory which is hereby granted to Franchisee shall be _____, at _____ (the “Territory”). Franchisee shall be prohibited from operating a franchise outside of the Territory without the prior written consent of Franchisor.

(a) If the Parties do not select a Territory prior to the signing of this Franchise Agreement, then they shall agree to it at a later date as contemplated under the terms of this Agreement. Franchisor shall accept or reject any Territory location within 15 days from presentment thereof by Franchisee. Failure to agree on a Territory within

sixty (60) days of execution of this Agreement, and/or failure of Franchisee to open the Facility within two hundred and seventy (270) (or other such date as provided in the Area Development Agreement) days after the execution of this Agreement (or other such dates as provided in the Area Development Agreement, if applicable) shall permit Franchisor to terminate this Agreement, as provided in Section 16. We reserve the right to grant a Territory that is larger than the territory described above, in order to account for more densely or sparsely populated areas. Franchisee may not conduct business at any other location or locations other than the Accepted Location identified above, however Franchisee may conduct business at off-site events (for example at transportation expos, travel expos, promotional events, charity events, etc.) to sell Services and/or Products as long as such events are within Franchisee's Territory.

(b) The size of the Territory shall be the lesser of 10 miles or a land area containing 200,000 people. The location will be determined by the number of factors, including the, population base, demographics of the surrounding area, traffic patterns, proximity to major roads, available parking, competition, availability of appropriate sites, customer demographics, adequate square footage, reasonable rent, or other conditions important to the successful operation of a Franchised Business as we deem appropriate. The Territory is determined once a location is chosen and approved by us, and will not be altered even if there is a population increase or decrease during the term of this Agreement. The Territory is not dependent upon achievement of certain revenues, number of customers, customers Franchisee retains, market penetration or any other contingency. In the event that Franchisor seeks to open a new location which borders Franchisee's Territory, Franchisee shall have the right of first refusal to acquire the rights to such location, except in the event that such location will be a Franchisor owned unit.

(c) Franchisee shall not relocate a Better Than Sex Business that has been assigned a Territory, without the express prior written consent of Franchisor. During the term of this Agreement, Franchisor shall not establish, nor license another party or entity to establish, a Better Than Sex Business within the Territory. If Franchisee decides to open additional Facilities and buys the rights to additional Franchises, such sale and purchase to be at our sole and absolute discretion, then those separate franchise agreement(s) will dictate the terms of the applicable territory (a separate Franchise Agreement is required for each additional Facility).

(d) Franchisee must operate its Facility within the specific Territory as identified in this Section 2.4. Franchisee may conduct business at off-site events in other geographical areas where there is no existing Better Than Sex business only after providing notice to us and after obtaining our written approval; however, Franchisee cannot perform Target Marketing outside the Territory as further described in section 2.4 (e) below. We shall approve or deny your request in writing or by email, such approval to be in our sole and absolute discretion, within 3 business days of receipt of your written request to conduct business at off-site events in other geographical areas (outside your Territory) that have not been sold to one or more Franchisee(s). If Franchisor later agrees to sell or assign such outside territory to any other franchisee, Franchisor must immediately relinquish and cease all business activities within the outside geographical area. Franchisee may sell and ship products to customers located outside the Territory only if such sales are arranged or otherwise take place within the Territory.

(e) Franchisee cannot perform any Target Marketing in any other territory of any other Better Than Sex franchisee, or of any business owned by an affiliate of the Franchisor. The term Target Marketing means a concerted effort by Franchisee to solicit customers or market products within another franchisee's territory or in any territory operated directly by the Franchisor ("Target Marketing"). Franchisor shall use commercially reasonable efforts to deal with any franchisee that violates this policy. Franchisee is prohibited from selling food related products and conducting restaurant services through any alternative channels of distribution (such as Websites as defined below) without our written approval.

(f) If Franchisee is asked by a third party to conduct business outside of the Territory (such as at expos,

promotional events, charity events, etc.) in geographical areas in which there is another franchisee or Franchisor affiliate owned business, Franchisee must immediately refer that request to that Better Than Sex business which is located in that outside territory, or directly to Franchisor. Except that, if the other franchisee or Franchisor affiliate owned business gives Franchisee permission to conduct business at the off-site event within the outside territory, then that Franchisee may do so if, and only if, Franchisee immediately informs Franchisor of such permission in writing. If there is not a Better Than Sex business located in the outside territory, then then Franchisee must submit a request to Franchisor for permission to conduct business within the outside territory, Franchisee can proceed. However Franchisee must be prepared to immediately cease conducting such events in that other geographical area when that unassigned area is purchased by a new Better Than Sex franchisee as applicable. Franchisor shall approve or deny Franchisee's request to conduct business at off-site events in other geographical areas not owned by other franchisees, Franchisor or its affiliates; which approval is in Franchisor's sole discretion, within three (3) days of Franchisee's written request.

(g) If during the term of this Agreement, Franchisee is unable to promptly and properly provide customers services or products due to excessive work or for any other cause, Franchisee must refer that customer to another franchisee, Franchisor affiliate owned business, or to Franchisor.

(h) If Franchisee fails to: (i) refrain from Target Marketing, or (ii) refer businesses or off-site opportunities to other franchisees as described herein, Franchisor will have the right to terminate this Agreement immediately without fault, as described in section 16.2.1.21 and 16.2.1.22 of this Agreement. For any default of this Agreement which triggers Franchisor's ability to terminate, as an alternative to termination, Franchisor will have the right, in its sole discretion, to modify or completely eliminate any rights Franchisee may have with respect to the Territory, effective ten (10) days after delivery of written notice to Franchisee.

We encourage Better Than Sex businesses when owned by different individuals, to work out a referral and advertising strategy and/or arrangement for both businesses, if they are within close proximity of each other (defined as being within a ten (10) mile radius of each other). We must be notified in writing of and consent to all such arrangements.

(i) Franchisor shall have the exclusive right to negotiate and enter into agreements or approve forms of agreements to sell services and products to any business including, but not limited to, large businesses, national organizations, or non-profit organizations with outlets located in multiple territories, or government agencies who on their own behalf or through agents, franchisees, or other third parties owns, manages, controls or otherwise has responsibility for products, buildings, or common-services in more than one location whose presence is not confined within any one particular franchisee's territory (a "National Account"). Franchisor may, at its sole discretion, give Franchisee the option to provide services and products to businesses under the National Account contract, including businesses that would otherwise fall outside the Territory. If we choose, then we may direct the National Account to seek such services, products, equipment, and products from you in your Territory. The National Account program is defined as follows:

(i) The term "National Account" means a special class of customers which may include but are not limited to large businesses, national organizations or non-profit organizations with outlets located in multiple territories and government agencies who on their own behalf or through agents, franchisees or other third parties owns, manages, controls or otherwise has responsibility for products, buildings or common-services in more than one location whose presence is not confined within any one particular franchisee's Territory regardless of the aggregate contract amount of Services and/or Products the Franchisee performs or provides. Any dispute as to whether a particular account is a National Account shall be determined by Franchisor in its sole and absolute discretion, and Franchisor's determination shall be final and binding;

(ii) If Franchisor chooses to grant Franchisee the right to sell services or products to any businesses falling under the National Account, such sales and services shall be provided on the terms and conditions as

determined by the Franchisor in its sole and absolute discretion. Franchisee shall have no right to modify the terms or conditions of any of any service or sales to any business under a National Account, even if such business should give any indication of consent to such modification. shall have the exclusive right, unless otherwise specified in writing, on behalf of itself, Franchisee and/or any other franchisees utilizing the Marks, to negotiate and enter into agreements or approve forms of agreement to offer Services and Products to National Account customers, including any affiliate, company owned or franchised locations within the Territory;

a) Following the execution of a contract with or the acceptance of a bid by a National Account which contemplates the provision of Services or Products to one or more National Account locations within the Territory, Franchisor will, if we choose provide Franchisee the option to perform Services and/or offer Products pursuant to the terms and conditions of the National Account contract or on such terms and conditions as we in our sole discretion determine;

(iii) If Franchisee elects not to provide Services and/or Products to a National Account or a business under such National Account in conformity with the terms and conditions as communicated by Franchisor, or fails to make an election within the time specified by Franchisor, then Franchisor shall have the right, exercisable in its sole discretion, to:

(1). Provide directly, or through any other affiliate utilizing our Mark, Services and/or Products, to a National Account location(s) within the Territory on the terms and conditions contained in the National Account bid or contract; and/or

(2). Contract with another party to provide Services and/or Products to a National Account business located anywhere within the Territory, on the terms and conditions contained in the National Account bid or contract between Franchisor and the National Account Member, utilizing Franchisor's Marks or any trademarks, service marks or trade names.

(iv) Neither the direct provision by Franchisor (or an affiliate or agent of Franchisor) of Services or Products to National Account customers as authorized in (1) above, nor if Franchisor contracts with another party to provide Services or Products as authorized in (2) above, shall constitute a violation of Section 2.4 of this Agreement relating to the Franchisee's Territory, even if such Services and/or Products are performed or offered from a location within the Territory. Franchisee disclaims any compensation for Services performed or Products provided by others in the Territory pursuant to this section.

(j) Franchisee's rights in the Territory are solely as expressly set forth in this Section 2.4. Except as expressly provided in this Agreement, Franchisee has no right to exclude, control, or impose conditions on the location, operation, or other management of present or future Better Than Sex (or any other brand) franchises or Franchisor owned store units or distribution channels of any type, franchised or company-owned, regardless of their location or proximity to the Territory and whether the offer competing services which may affect Franchisee's operations. Franchisee does not have any rights with respect to other and/or related businesses, services, and/or products, in which Franchisor or any Franchisor-related persons or entities may be involved, now or in the future.

(k) Any territorial rights not expressly granted to the Franchisee are reserved to the Franchisor, whether or not such rights impact the Territory. Such rights reserved to the Franchisor in the Territory include but are not limited to the following:

(i) The right to advertise, market, and sell food related products and conduct restaurant services in your Territory;

(ii) The right to advertise, offer, and sell food related products online or through other electronic venues no matter where the customer is based;

(iii) The right to sell, offer, or distribute products or services to anyone from anywhere through any alternative or other channel of distribution, other than through local businesses providing such products under the Marks and System and on any terms and conditions Franchisor deems appropriate. Franchisor maintains this right whether or not the Marks or System used, and regardless of whether Franchisor is acting inside or outside the Territory;

(iv) The right to develop, manufacture, and/or distribute any services or products that have been branded with the Mark, or any separate brand of products or equipment through any outlet located anywhere (including, by way of illustration, discount warehouses, retail stores, online sales and/or similar venues). If Franchisor decides to develop and distribute food related products or conduct restaurant services within the Territory, Franchisee will receive no compensation from Franchisor for such sales, unless agreed otherwise by the parties in writing;

(v) Implement advertising cooperative programs which may allow us or others to offer food related products, conduct restaurant services, equipment and/or products to anyone from that franchised or company owned outlet. We also reserve the right to issue mandatory policies to coordinate such advertising cooperative programs;

(vi) Own and/or operate ourselves or authorize others to own and/or operate (a) any business located outside the Territory as designated on your Franchise Agreement, whether or not using the Marks and/or System, (b) any business anywhere, whether using the Marks and /or System or not, which is not substantially similar to the business franchised to you under the Franchise Agreement and/or (c) any business anywhere which does not use the Marks; and

(vii) Acquire, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with businesses located anywhere, including arrangements in which we are acquired, and/or company-owned, franchised or other businesses (including your own Business) are converted to another format or we acquire a similar business which will be maintained under the System or otherwise. You will fully participate in any conversion subject to any person/entity merging with, or acquiring us or when we acquire, reimbursing you for reasonable costs directly related to the conversion.

We are not responsible for paying any compensation to you concerning the sale or providing of services over the Internet, World Wide Web, other similar venues, by alternative means of distribution, advertising cooperative programs, outlets, businesses that are or are not substantially similar to the Franchised Business or any business that does not use the Marks. For clarity, the Franchise Agreement grants you no rights to offer and provide services and/or products through any alternative channels of distribution (other than our approved list of channels of distribution) without our permission or share in any of the proceeds from our activities through alternative channels of distribution.

(l) Franchisee's Territory may be altered during the initial term, but only by: (i) mutual consent of the parties as demonstrated in a writing signed by both parties; (ii) at the time of transfer or renewal as a condition to transfer or renew; or (iii) for any default of this Agreement which triggers Franchisor's ability to terminate as described above.

3. FEES

3.1 Franchise Fee

Upon execution of this Agreement, Franchisee shall pay a fee ("Franchise Fee") to Franchisor of THIRTY NINE THOUSAND NINE HUNDRED DOLLARS (\$39,900.00). The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is non-refundable, except under certain conditions set forth under

Sections 5.2 0 and 8.30. The Franchise Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting and other professional fees.

3.2 Weekly Royalty Fee

(a) By the Thursday of every week for so long as this Agreement shall be in effect, Franchisee shall pay to Franchisor without offset, credit or deduction of any nature, a weekly fee ("Royalty Fee") equal to SIX percent (6%) of Gross Sales for the previous week period. The Royalty Fee is due on Thursday of each week (for the prior week) and begins on the first (1st) week after the Business is open for operation and continues for the duration the term of this Agreement. The Royalty Fee is uniform as to all persons and entities currently acquiring a Better Than Sex Franchise, and is nonrefundable. If the Franchise Agreement is terminated, Franchisee may be required to continue such Royalty payments to the Franchisor. The Franchisee will provide to Franchisor a Gross Sales Report, as required by Section 012.2, for each month during the operation of the Franchise. If Franchisor requires Franchisee to pay Royalty Fees through electronic transfer as set forth in Section 03.5, such reports shall instead be submitted to Franchisor via facsimile transmission, e-mail or intranet system.

(b) As used in this Agreement, "Gross Revenue" means all business revenue which the Franchisee accrues during the operation of the Franchise, but excluding taxes collected from customers and paid to any taxing authority, and reduced by the amount of any documented refunds, credits, allowances, and chargebacks given in good faith to customers.

(c) Any payment or report not actually received by the Franchisor on or before the specified submission date shall be deemed overdue. If any payment or report is overdue, in addition to the right to exercise all rights and remedies available to it under this Agreement, Franchisor shall be entitled to interest on such amount from the date it was due until paid at the rate of 1.5% percent per month or the maximum rate allowed by the laws of the State in which Franchisee's Business is located or any successor or substitute law (referred to as the "Default Rate"), until paid in full.

3.3 Administrative and Support Fee

INTENTIONALLY DELETED.

3.4 Taxes

Franchisee shall pay its own taxes as related to the Business.

3.5 Electronic Transfer

Franchisor shall require all Royalty Fees, Internet Advertising Program Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor and other amounts due to Franchisor to be paid through an Electronic Depository Transfer Account. At Franchisor's request, Franchisee shall open and maintain an Electronic Depository Transfer Account, and shall provide Franchisor with continuous access to such account for the purpose of receiving any payments due to Franchisor. Franchisee shall make deposits to the account sufficient to cover amounts owed to Franchisor prior to the date such amounts are due. Franchisee shall execute any documents Franchisor's or Franchisee's bank requires to establish and implement the Electronic Depository Transfer Account. Once established, Franchisee shall not close the Electronic Depository Transfer Account without Franchisor's written consent.

3.6 Late Fees

All Royalty Fees, Internet Advertising Program Fees, Marketing Fund Contributions, amounts due from purchases by Franchisee from Franchisor and other amounts not received by Franchisor within five (5) days after the due date shall incur late fees at the rate of one and one-half percent (1.5%) per month (or the highest rate allowed by the law of the state where Franchisee is located, whichever is lower) from the date payment is due to the date payment is received by Franchisor. Franchisee shall pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and past due Royalty Fees, Advertising Program Fees, Marketing Fund Contributions or any other amounts due Franchisor, including reasonable accounting and legal fees. This Section shall not constitute an agreement by Franchisor to accept any payments after the due date or a commitment by Franchisor to extend credit to or otherwise finance Franchisee.

3.7 Application of Payments

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

4. TERM AND RENEWAL

4.1 Initial Term

This Agreement shall be effective and binding for an initial term of TEN (10) years from the Effective Date, unless sooner terminated pursuant to Section 016.

4.2 Successor Terms

Subject to the conditions below, Franchisee has the right to obtain a successor franchise at the expiration of the term of this Agreement by entering into a new franchise agreement with Franchisor. Franchisee's right to a successor franchise is limited to terms of FIVE (5) years. To qualify for a successor franchise, each of the following pre-conditions shall have been fulfilled and remain true as of the last day of the term of this Agreement:

4.2.1 Franchisee has, during the entire term of this Agreement, fully complied with all material provisions of this Agreement;

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

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

4.2.4 Franchisee is not in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor;

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

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

4.2.7 Franchisee has complied with Franchisor's then-current qualifications for a new franchisee and has agreed to comply with any training requirements; and

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

4.2.9 Franchisee has paid the renewal fee, which shall be \$5,000.00 at the time of each renewal.

5. FRANCHISED BUSINESS

5.1 Operation of Franchised Business

Franchisee shall operate the Franchised Business within the Territory from a fixed location (the "Premises"). Franchisee shall manage and administer the Franchised Business from the Premises, and shall maintain and store the books and records of the Franchised Business at its headquarters.

5.2 Failure to Develop Franchised Business

Should Franchisee fail to develop the Franchised Business, in accordance with the other provisions of this Section 5 and within 270 days after the Effective Date, Franchisor has the right to terminate this Agreement and retain all fees paid to Franchisor by Franchisee.

5.3 Opening

5.3.1 Before opening the Franchised Business and commencing business, Franchisee must:

5.3.1.1 fulfill all of the obligations of Franchisee pursuant to the other provisions of this Section 5;

5.3.1.2 furnish Franchisor with copies of all insurance policies required by this Agreement, or by the lease, or such other evidence of insurance coverage and payment of premiums as Franchisor may request;

5.3.1.3 complete initial training to the satisfaction of Franchisor;

5.3.1.4 possess all required state, county, city and local professional licenses and certifications;

5.3.1.5 obtain all necessary state, county, city and local permits and licenses, including any zoning permits needed to operate the Franchised Business from the principal residence of either Franchisee or the Owner Operator;

5.3.1.6 pay in full all amounts due to Franchisor.

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

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

5.3.2 Franchisee shall comply with these conditions and be prepared to open and continuously operate the Franchised Business within 270 days after the Effective Date. Time is of the essence.

5.4 Failure to Open

Should Franchisee fail to commence operations of the Franchised Business within 270 days after the Effective Date, Franchisor has the right to terminate this Agreement. Franchisee must secure a location within 60 days. Franchisor shall have a period of 15 days to approve such location, and Franchisee must sign the lease within 30 days following our approval of such location. If this Agreement is terminated pursuant to this Section 5.40, Franchisor shall retain the entire Franchise Fee paid by Franchisee. The Franchise Fee retained shall be specifically understood and agreed by the parties to be in consideration of the services provided, time expended, work performed, and other efforts of Franchisor up to the date of Franchisee's failure to timely commence operations of the Franchised Business and shall not be construed as nor considered to be a penalty.

6. PROPRIETARY MARKS

6.1 Ownership

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

6.2 Limitations on Use

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service

mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Franchised Business. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee. Franchisee shall include on its letterhead, forms, cards and other such identification, a prominent notice stating that the Franchised Business is an “Independently Owned and Operated BETTER THAN SEX Franchise” of Franchisee.

6.3 Notification of Infringements and Claims

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

6.4 Indemnification for Use of Marks

Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee’s authorized use of any Mark, provided that Franchisee has complied with the provisions of Section 6.3 and has complied with this Agreement and Franchisor’s directions in responding to such proceeding. At Franchisor’s option, Franchisor or its designee may defend and control the defense of any proceeding arising directly from Franchisee’s use of any Mark. This indemnification shall not include the expense to Franchisee of removing signage or discontinuance of the use of the Marks. This indemnification shall not apply to litigation between Franchisor and Franchisee wherein Franchisee’s use of the Marks is disputed or challenged by Franchisor. This indemnification shall not apply to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee’s use of the Marks.

6.5 Discontinuance of Use

If Franchisor deems it necessary for Franchisee to modify or discontinue use of any of the Marks, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor’s directions within ten (10) business days after notice to Franchisee by Franchisor and subject to the limitations in Section 10.2. Franchisor shall not be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark.

6.6 Right to Inspect

To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Business, Franchisor reserves the right to inspect the Franchised Business at any time without advanced notice.

6.7 Franchisor’s Sole Right to Domain Name

Franchisee shall NOT advertise on the Internet using, or establish, create or operate an Internet site or website using a domain name or uniform resource locator containing, the Marks or the words “BETTER THAN SEX” or “BETTER THAN SEX DESERTS”, or “CHOCO-CAB”, or any variation thereof without Franchisor’s written approval. Franchisor is the sole owner of a right, title and interest in and to such domain names. Franchisor shall grant Franchisee a page on its website, www.betterthansexdesserts.com that will provide contact information and pricing for your Franchised Business. Franchisee may conduct social media activities, but must grant Franchisor administrative rights to same. Additionally, Franchisee shall limit social media posts to topics related to food, and shall avoid controversial topics such as race, religion, politics, world events, sexually suggestive postings or any other posting which may be deemed offensive by Franchisor.

7. TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION

7.1 Confidentiality of Trade Secrets and Other Confidential Information

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

7.2 Additional Developments

All ideas, concepts, techniques or materials concerning the System or developed, in whole or in part, using Trade Secrets or other Confidential Information, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, shall be promptly disclosed to Franchisor and shall be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation shall be due to Franchisee or its owners or employees therefore, and Franchisee hereby agrees to assign to Franchisor all right, title and interest in any intellectual property so developed. Franchisor has the right to incorporate such items into the System. To the extent any item does not qualify as a “work made-for-hire” for Franchisor, Franchisee shall assign, and by this Agreement, does assign, ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor requests to assist Franchisor in obtaining or preserving intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor’s efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

7.3 Exclusive Relationship

Franchisee acknowledges that Franchisor would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among BETTER THAN SEX franchisees if owners of BETTER THAN SEX and members of their immediate families or households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement and for a FIVE (5) year period following termination hereof, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee (or any member of their immediate families or households), nor any officer, director, executive, manager or member of the professional staff of Franchisee, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall:

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

7.3.2 Own an interest in, manage, operate, or perform services for any Competitive Business within a 25 mile radius from any BETTER THAN SEX franchise or affiliate owned location.

7.4 Nondisclosure and Non-Competition Agreements with Certain Individuals

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

7.5 Reasonableness of Restrictions

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

8. TRAINING AND ASSISTANCE

8.1 Initial Training

Franchisor shall make an initial training program available to a total of 3 employees of Franchisee (if applicable). Approximately FOUR (4) weeks prior to the opening of the Franchised Business, the designated persons must attend and successfully complete, to Franchisor's satisfaction, an initial training program pertaining to the operation and administration of the Franchised Business including, but not limited to, sales and marketing methods;

financial controls; maintenance of quality standards; customer service techniques; record keeping; and reporting procedures and other operational issues. Initial training will be comprised of **three weeks** at the corporate, followed by on the field training at the franchisee's territory for 10 days in length. Franchisor shall conduct the initial training program at its headquarters or at another designated location. Franchisor shall not charge tuition or similar fees for initial training, however, all expenses incurred by Franchisee in attending such program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee. Franchisee shall be responsible for training its management and other employees.

8.2 Opening Assistance

In conjunction with the beginning of operation of the Franchised Business, Franchisor shall make available to Franchisee, at Franchisor's expense, one (1) of Franchisor's representatives, experienced in the System, for the purpose of familiarizing Franchisee's staff with the BETTER THAN SEX business techniques and for the purpose of providing general assistance and guidance in connection with the opening of the Franchised Business. Franchisor will provide up to one week of opening assistance. If Franchisee requests additional assistance with respect to the opening or continued operation of the Franchised Business, and should Franchisor deem it necessary and appropriate to comply with such request, Franchisee shall pay Franchisor's then-current standard rates, plus expenses, for such additional assistance.

8.3 Failure to Complete Initial Training Program

If Franchisor determines that the Franchisee is unable to satisfactorily complete the training program described above, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 08.3, Franchisor shall return to Franchisee fifty percent (50%) of the Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities). If Franchisee is a business entity and the Manager fails to complete the initial training program to Franchisor's reasonable satisfaction, Franchisee may be permitted to select a substitute manager and such substitute manager must complete the initial training to Franchisor's satisfaction. Franchisee will be required to pay Franchisor's then-current rates for additional training or \$250 per day per person, whichever is greater, for providing the substitute manager an initial training program at our location, or our then-current rates for additional training or \$250 per day per person, whichever is greater, for training at Franchisee's location (plus hotel, air fare and other expenses incurred by our trainer).

8.4 Ongoing Training

From time to time, Franchisor may provide and if it does, has the right to require that the Franchisee to attend ongoing training programs or seminars during the term of this Agreement, at Franchisee's expense of \$250 per person per day if ongoing training is at our location, or \$250 per person per day (plus hotel, air fare and other expenses incurred by our trainer) if ongoing training is at Franchisee's location. Franchisor shall not require the Franchisee to attend more than two (2) sessions in any calendar year. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with its attendance at such training.

9. OPERATIONS MANUAL

9.1 Loan by Franchisor

While this Agreement is in effect, Franchisor shall lend to Franchisee one (1) copy of the Operations Manual or grant Franchisee access to an electronic copy of the Operations Manual. Franchisee shall conduct the

Franchised Business in strict accordance with the provisions set forth in the Operations Manual. The Operations Manual may consist of one (1) or more separate manuals and other materials as designated by Franchisor and may be in written or electronic form. The Operations Manual shall, at all times, remain the sole property of Franchisor and shall promptly be returned to Franchisor upon expiration or termination of this Agreement. If the Operations Manual is lost or destroyed, the replacement fee for such Operating Manual shall be \$250.

9.2 Revisions

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

9.3 Confidentiality

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

10. FRANCHISE SYSTEM

10.1 Uniformity

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

10.2 Modification of the System

Franchisee recognizes that from time to time, Franchisor may introduce, as part of the System, other methods or technology which require certain System modifications including, without limitation, the adoption and use of modified or substitute Marks, new computer hardware and software, equipment or signs. Franchisee agrees to make all required upgrades and modifications at its expense as may be required by Franchisor; provided, however, that Franchisee shall not be required to make any expenditures during the first year of the initial term or any expenditures which are unreasonably disproportionate to Franchisee's initial investment to establish the Franchised Business during the initial term. If such additional investment is required to be made in the last year of the initial term, Franchisee may avoid making the investment by providing notice of intent not to renew the Franchise unless the investment is in connection with a modification to the System required by law or court order. Franchisee acknowledges that any

required expenditures for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 013.2 of this Agreement. Notwithstanding the foregoing, Franchisee shall be required to make any and all improvements or modifications whenever such are required by law, regulation, agency decision or court order

10.3 Refurbishment of the Equipment

Upon the renewal of this Agreement (approximately every fifth (5th) year after execution of this Agreement), Franchisee, upon Franchisor's request shall expend a minimum of FIFTEEN THOUSAND DOLLARS (\$15,000.00) for purposes of updating Franchisee's equipment and premises. Franchisor shall provide Franchisee with specifications and assistance in such refurbishment. The obligations described herein are exclusive of the obligations described in Section 010.2.

10.4 Variance

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

11. ADVERTISING AND PROMOTIONAL ACTIVITIES

11.1 Local Advertising

11.1.1 Franchisee shall contribute each month the total of ONE AND A HALF PERCENT (1.5%) of gross sales from the previous month into local advertising (such advertising to be approved by Franchisor prior to use thereof). Franchisee shall continuously and consistently promote the Franchised Business. Every month, Franchisee shall participate in a variety of marketing and promotions such as door mailings, public relations, online or mobile advertisement, or any other form of marketing within the immediate locality surrounding the Franchisee Business, as well as direct sales support when requested by Franchisor.

11.1.2 Franchisor shall oversee all local advertising/marketing programs, with sole control over creative concepts, materials and media used in such programs, and the placement and allocation thereof. Franchisor does not warrant that any particular franchisee will benefit directly or *pro rata* from expenditures by the its local advertising. Franchisor does not warrant the success or effectiveness of any particular advertising/marketing program.

11.1.3 Opening Day Advertising. Franchisee shall pay to Franchisor the amount of \$8,000.00 for grand opening advertising upon execution of this Agreement. Franchisor shall have wide discretion in allocating such funds for the benefit of Franchisee, to best promote its grand opening.

11.2 National Advertising Fund

Franchisee shall contribute each week to a System-wide marketing, advertising, and promotion fund to assist in Franchisor's regional and national advertising ("Marketing Fund"). Franchisee shall be required to contribute weekly to the Marketing Fund in an amount of 2% of gross receipts for the previous week for the Marketing Fund as specified by Franchisor, and which Franchisor shall have the authority to adjust from time to time, including the authority to require future contributions to any national marketing fund ("Marketing Fund Contribution"). Marketing Fund

Contributions shall be made at the time and in the manner provided for Royalty Fees in Section 3.2. Franchisor shall notify Franchisee at least thirty (30) days before changing Marketing Fund Contribution requirements. The Marketing Fund shall be maintained and administered by Franchisor or its designee as follows:

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

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

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

11.2.4 Each BETTER THAN SEX Business operated by Franchisor or an Affiliate shall make Marketing Fund Contributions at the same rate as BETTER THAN SEX franchisees.

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

11.2.6 Franchisee acknowledges that the Marketing Fund is not a trust and Franchisor assumes no fiduciary duty in administering the Marketing Fund.

11.3 Cooperative Advertising

Franchisor has the right, but not the obligation, to create a Cooperative Advertising program for the benefit of BETTER THAN SEX located within a particular region. Franchisor has the right to collect and designate all or a portion of the Local Advertising to payments or contributions to Franchisor for the funding of a Cooperative Advertising program. Franchisor has the right to determine the composition of all geographic territories and market areas for the implementation of each Cooperative Advertising program and to require that Franchisee participate in such Cooperative Advertising programs when established within Franchisee's region. If a Cooperative Advertising program is implemented in a particular region, Franchisor has the right to establish an advertising council to self-administer the Cooperative Advertising program. Franchisee shall participate in the council according to the council's rules and procedures and Franchisee shall abide by the council's decisions. Should Franchisor establish a Cooperative Advertising

program or programs with or without an advertising council, Franchisor has the right, but not the obligation, to change, dissolve or merge such program(s) and/or council(s) at any time. Additionally, Franchisor has the right, but not the obligation, to host a national franchise convention for all franchisees. In such event, Franchisee shall pay a \$500 fee to cover the costs of the national franchise convention (the "National Franchise Convention Fee").

12. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS

12.1 Records

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

12.2 Gross Sales Reports

Franchisee shall maintain an accurate record of Gross Sales and shall deliver to Franchisor electronically a signed and verified statement of Gross Sales ("Gross Sales Report") for the month ending each month by the 5th day of each month in a form that Franchisor approves or provides in the Operations Manual. The Gross Sales Report for the preceding month must be provided to Franchisor by the close of business on the 5th of each month as provided in Section 3.2.

12.3 Financial Statements

Franchisee shall supply to Franchisor on or before the fifth (5th) day of each month, in a form approved by Franchisor, a balance sheet as of the end of the last day of the preceding month and an income statement for the preceding month and the fiscal year-to-date. Franchisee shall, at its expense, submit to Franchisor within ninety (90) days after the end of each calendar year, an income statement for the calendar year just ended and a balance sheet as of the last day of the calendar year. Such financial statements shall be prepared in accordance with GAAP, applied on a consistent basis. If required by Franchisor, such financial statements shall be reviewed or audited by a certified public accountant. Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Operations Manual or otherwise in writing.

12.4 Other Reports

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

12.5 Computer Equipment

Franchisor reserves the right to require Franchisee to purchase, install and use computer equipment consisting of hardware and software in accordance with Franchisor's specifications. Franchisor shall have full access to the entirety of Franchisee's computer, data and electronic systems, and all related information by means of direct access, either in person or by telephone, modem or Internet to permit Franchisor to verify Franchisee's compliance with its obligations under this Agreement. To commence, Franchisee shall purchase a laptop computer conforming to the current standards required by the Franchisor a laptop computer, a laser print, and any additional electronic computer equipment the Franchisor may currently require, all with the requisite specifications set forth in the Operations Manual.

12.6 Right To Inspect

Franchisor or its designee has the right, during normal business hours without notice, to examine, copy, and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of one and one-half percent (1.5%) per month (or the rate legally allowed by the law of the state where Franchisee is located, whichever is lower). Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

12.7 Release of Records

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

13. STANDARDS OF OPERATION

13.1 Authorized Products, Services and Suppliers

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality products and services to its customers. Accordingly, Franchisee shall provide or offer for sale or use at the Franchised Business only those services, with the greatest diligence and care by Franchisee, that Franchisor approves (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such items or services shall be purchased only from Franchisor. Franchisee shall NOT offer for sale, sell or provide through the Franchised Business or from the Franchised Business any products or services that Franchisor has not approved. Furthermore Franchisee must offer for sale all services and products currently offered by Franchisor or which will be offered by the Franchisor in the future.

13.1.2 Notwithstanding anything contrary in this Agreement, Franchisor has the right to review from time to time its approval of any items or suppliers. Franchisor may revoke its approval of any item, service or supplier at any time by notifying Franchisee and/or the supplier. Franchisee shall, at its own expense, promptly cease

using, selling or providing any items or services disapproved by Franchisor. The cost to review a new product or service as proposed by Franchisee shall not exceed \$1,000.00 per product or service.

13.1.3 Franchisor has the right to designate certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Franchisor has the right to give its consent to one (1) or more franchisees to provide certain products or services not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 10.4.0 and shall not create any rights in Franchisee to provide the same products or services.

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

13.1.5 Franchisor shall provide Franchisee, in the Operations Manual or other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, furniture, fixtures, inventory, equipment and other approved or specified items and services, and Franchisor may from time to time issue revisions to such list. If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or its Affiliate. If Franchisee desires to utilize any products, services or new technology that Franchisor has not approved (for products and services that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and samples for Franchisor to determine whether the service or product complies with its standards and specifications or whether the supplier meets its Approved Supplier criteria. Franchisee shall bear all expenses incurred by Franchisor in connection with determining whether it shall approve an item, service or supplier, not to exceed \$1,000.00. Franchisor will decide within a reasonable time (usually thirty [30] days) after receiving the required information whether Franchisee may purchase or lease such items or services or from such supplier. Approval of a supplier may be conditioned on the supplier's ability to provide sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and dependability and general reputation. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor deems confidential.

13.2 Appearance and Condition of the Franchised Business

Franchisee shall maintain the service equipment, Premises and signage of the Franchised Business in "like new" condition, and shall repair or replace service equipment, the Premises and signage as necessary to comply with the health and safety standards and specifications of Franchisor and any applicable laws or regulations. The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications, as described in Section 010.2.

13.3 Ownership and Management

The Franchised Business shall, at all times, be under the direct supervision of Franchisee or its approved manager. Franchisee and/or its manager shall devote sufficient efforts to the management of the day-to-day operation of the Franchised Business, but not less than forty (40) hours per week, not excluding vacation, sick leave and similar absences. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its manager. Franchisee must not engage in any business or other activities that will conflict with its obligations under this Agreement.

13.4 Days of Operation

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

13.5 Contributions and Donations

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

13.6 Licenses and Permits

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

13.7 Notification of Proceedings

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

13.8 Compliance with Good Business Practices

Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created and licenses granted hereby. Therefore, Franchisee shall endeavor to maintain high standards of quality and service in the operation of the Franchised Business, including operating in **strict** compliance with all applicable rules and regulations. Franchisee shall at all times give prompt, courteous and efficient service to customers of the Franchised Business. The Franchised Business shall in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle a customer complaint or has operated outside of applicable rules and regulations, Franchisor has the right to intervene and satisfy the customer. Franchisor has the right to terminate this Agreement for violation of this Section. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in servicing a customer of the Franchised Business pursuant to this Section.

13.9 Uniforms

Franchisee shall abide by all uniform and dress code requirements stated in the Operations Manual or otherwise. Uniforms must be purchased from an Approved Supplier, if such is designated, or if none, then a supplier who meets Franchisor's specifications and quality standards for uniforms.

13.10 Credit Cards

Franchisee shall, at its expense, lease or purchase the necessary equipment and/or software through approved vendors and shall have arrangements in place with Visa, MasterCard, American Express and such other credit card issuers as Franchisor may designate, from time to time, to enable the Franchised Business to accept such methods of payment from its customers.

13.11 E-Mail

Franchisee shall, at all times and at Franchisee's expense, maintain an e-mail address and account for communicating with Franchisor. Franchisee may change its e-mail address by giving written notice of such change of address to Franchisor. Alternatively and at Franchisor's election, Franchisor may set up an email address for Franchisee's benefit, using Franchisor's information, methods and trade name. Franchisor may charge a maintenance fee which fee shall be communicated contemporaneous of Franchisor's initiation of the alternative email as mentioned in this section.

13.12 Best Efforts

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

14. FRANCHISOR'S ADDITIONAL OPERATIONS ASSISTANCE

14.1 General Advice and Guidance

Franchisor shall be available to render advice, discuss problems and offer general guidance to Franchisee by telephone and/or electronic correspondence, with respect to planning and operating the Franchised Business. Franchisor shall not charge for this service. Franchisor's advice or guidance to Franchisee relative to prices for products and services that, in Franchisor's judgment, constitutes good business practice is based upon the experience of Franchisor and its franchisees in operating BETTER THAN SEX and an analysis of costs and prices charged for competitive products and services. Within range, Franchisee shall have the right to change/determine the price to be charged for a particular service by the Franchised Business at the time of sale (if necessary). Notwithstanding, Franchisee acknowledges and agrees that Franchisor shall not be held liable for such advice; any decisions made by Franchisee, whether on its own accord or through suggestion from Franchisor is Franchisee's sole and absolute responsibility.

14.2 Periodic Visits

Franchisor or Franchisor's representative shall make periodic visits, which may be announced or unannounced, to the Franchised Business for the purposes of consultation, assistance and guidance with respect to various

aspects of the operation and management of the Franchised Business. Franchisor may also accompany Franchisee and/or Franchisee's employees along any job site visits, in order to monitor all business practices and better render any advice or opinions. Franchisor and Franchisor's representatives who visit the Franchised Business or accompany Franchisee and/or Franchisee's employees along job site visits may prepare, for the benefit of both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the Franchised Business. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements as required by Franchisor with time being of the essence.

15. INSURANCE

15.1 Types and Amounts of Coverage

At its sole expense, Franchisee shall procure within ten (10) days of the Effective Date, and maintain in full force and effect during the term of this Agreement, the types of insurance listed below, and/or requested by law in their territory/city(s) of operation. All policies (except any workers' compensation insurance) shall expressly name Franchisor as an additional insured or loss payee and all shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns. In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:

15.1.1 "all risk" property insurance coverage on all assets including inventory, products, equipment, supplies and other property used in the operation of the Franchised Business. Franchisee's property insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost, but not less than \$50,000.00;

15.1.2 workers' compensation insurance that complies with the statutory requirements of the state in which the Franchised Business is located and employer liability coverage no less the statutory minimum limit as required by state law;

15.1.3 comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Business, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence and TWO MILLION DOLLARS (\$2,000,000.00) in the aggregate or, if higher, the statutory minimum limit required by state law;

15.1.4 business interruption insurance in amounts and with terms acceptable to Franchisor, but no less than \$50,000.00 per month (optional for Franchisee);

15.1.5 Flood insurance in sufficient quantity to cover the Premises building and property;

15.1.6 such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 021.3.

15.1.7 Wind insurance in sufficient quantity to cover the Premises building and property in the event of wind damage or destruction;

15.1.8 Business Income/Extra Expenses insurance in the amount of \$12,500.00 per month;

15.1.9 Electronic Media and Records insurance in the amount of \$10,000.00 per occurrence;

15.1.10 Valuable Papers and Records insurance in the amount of \$25,000.00 per occurrence;

15.1.11 Accounts Receivable insurance in the amount of \$25,000.00 per occurrence;

15.1.12 Comprehensive Crime and Employee Dishonesty Insurance in the amount of \$10,000.00 per occurrence;

15.1.13 Commercial Automobile Insurance, including liability insurance (if automobile is owned, rented, leased, or hired by the Franchisee) in the amount of ONE MILLION DOLLARS (\$1,000,000.00) per person, THREE MILLION DOLLARS (\$3,000,000.00) per accident, and ONE MILLION DOLLARS (\$1,000,000.00) per occurrence;

15.1.14 Money and Securities Insurance in the amount of \$10,000.00 for inside coverage, and \$2,500.00 for outside coverage; and

15.1.15 Business Property Insurance in the amount of \$50,000.00 per occurrence.

15.2 Future Increases

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

15.3 Carrier Standards

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

15.4 Evidence of Coverage

Franchisee's obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 021.3. Upon issuance of a policy and renewal of said policy, Franchisee shall provide to Franchisor, certificates of insurance showing compliance with the foregoing requirements within fifteen (15) days of Franchisee's receipt of such certificates. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days' prior written notice to Franchisor and shall reflect proof of payment of premiums.

15.5 Failure to Maintain Coverage

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

16. DEFAULT AND TERMINATION

16.1 Termination by Franchisee

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

16.2 Termination by Franchisor

16.2.1 Franchisor has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee:

16.2.1.1 fails to timely establish, equip and commence operations of the Franchised Business pursuant to Section 5;

16.2.1.2 fails to have its Owner Operator satisfactorily complete any training program pursuant to Section 08;

16.2.1.3 fails to maintain all required professional licenses, permits and certifications for a period exceeding five (5) business days;

16.2.1.4 made any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement;

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

16.2.1.6 after notice to cure, fails to refrain from activities, behavior or conduct likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

16.2.1.7 discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Operations Manual, Trade Secrets or any other Confidential Information;

16.2.1.8 if required by Franchisor, fails to have any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of Franchisee, execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit 2, upon execution of this Agreement or prior to each such person's affiliation with Franchisee or fails to provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to Section 7.4 0 if requested by Franchisor;

16.2.1.9 abandons, fails or refuses to actively operate the Franchised Business for five (5) or more consecutive days (unless the Franchised Business has not been operational for a purpose approved

by Franchisor), or, if first approved by Franchisor, fails to promptly relocate the Franchised Business or any other event rendering the Premises unusable;

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

16.2.1.11 fails to maintain the Franchised Business under the primary supervision of an approved manager during the one hundred eighty (180) days following the death or Incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee pursuant to Section 018.6;

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

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

16.2.1.14 misuses or makes an unauthorized use of any of the Marks or commits any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;

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

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

16.2.1.17 engages in any activity exclusively reserved to Franchisor;

16.2.1.18 fails to comply with any applicable law or regulation within ten (10) days after being given notice of noncompliance;

16.2.1.19 repeatedly breaches this Agreement and/or repeatedly fails to comply with mandatory specifications, customer service standards or operating procedures prescribed in the Operations Manual, whether or not previous breaches or failures are cured; or

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

16.2.1.21 Performs Targeted Marketing in any geographic location outside of the Territory, whether or not such geographic local falls within another franchisee's territory or the territory of any other Franchisor controlled business.

16.2.1.22 Fails to refer business opportunities or offers received by third parties, if such business opportunities or offers are would take place in any geographic local which falls under the territory of other franchisees, Franchisor's associated businesses, or which are directly controlled by the Franchisor.

16.2.2 Except as otherwise provided in Section 16.2.10, Franchisor has the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or failure (or by providing proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period:

16.2.2.1 within five (5) days of receiving notice of Franchisee's failure to pay any amounts due to Franchisor;

16.2.2.2 within ten (10) days of receiving notice of Franchisee's failure to maintain insurance as specified in Section 015 of this Agreement; or

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

16.2.3 For any default of this Agreement which triggers Franchisor's ability to terminate, Franchisor may as an alternative to termination at its sole and absolute discretion, modify or completely eliminate any rights Franchisee may have with respect to the Territory, effective ten (10) days after delivery of written notice to Franchisee.

16.3 Reinstatement and Extension

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

16.4 Right of Franchisor to Discontinue Services to Franchisee

If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers to Franchisee a notice of termination pursuant to Section 016.2.2, Franchisor has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any products or services for which Franchisor is an Approved Supplier to Franchisee, until such time as Franchisee corrects the breach.

16.5 Right of Franchisor to Operate Franchised Business

The parties want to prevent any interruption of the Franchise that would cause harm to the Franchise and to our franchise system and lessen their value. Therefore, you authorize us to step in to operate the Franchise for as long as we believe necessary and practical in our exclusive judgment. We may do so without waiving any other rights or remedies that we may have. Cause for interruption may include our reasonable determination that: you are incapable of operating the Franchise; you are absent or incapacitated because of illness or death; you have failed to pay when due any real property, equipment rent or lease payments, suppliers, or inventory payments; you have failed to pay to us when due any franchise, royalty, advertising, or other fee; you have failed to pay when due any taxes or assessments against the Franchise or property used in the Franchise; you have failed to pay when due any liens or encumbrances placed upon or against your business property; or we decide that significant operational problems require us to operate the Franchise for a time. We may exercise our step-in rights if you are ill or disabled, you, your lender, or the SBA requests our assistance or agrees to our proffered support and supervision, directly or indirectly or through its contract agents.

All Revenue from our operation of the Franchise will be for your exclusive account. We will pay from that Revenue all expenses, debts and liabilities we incur during our operation of the Franchise. This will include our personnel and administrative costs, plus 15 percent to cover our overhead expenses. In addition, we will have the option, but not the obligation, to pay for you any claims owed by you to any creditor or employee of the Franchise. You will reimburse us upon demand, including at the rate set forth above for overdue amounts.

We will keep in a separate account all Revenue generated by the operation of the Franchise, less the expenses of operation.

We will have no obligation to retain any employee of the Franchise, nor to honor any contractual employment commitments you previously made. If we elect to retain any employee, employment will be pursuant to a new employment agreement between us and the employee. Employment will commence on the first business day on which we carry on business through the Franchise. Any claim by an employee for unpaid salary, vacation pay, or other benefits will be your responsibility.

Upon our exercise of these Step-In Rights, you agree to hold us harmless for all of your acts, omissions, damages, or liabilities arising during our operation of the franchise.

Our operation of the Franchise will not operate as an assignment to us of any lease or sublease of franchise property. We will have no responsibility for payment of any rent or other charges owing on any lease for franchise property, except as the charges relate to the period of our operation of the Franchise.

In addition to our right to step-in or to terminate this Agreement, and not in lieu of that right or any other rights against you, in the event that you will not have cured a default under this Agreement within the 30 days after receipt of the written "Notice to Cure" from us, we may, at our option, enter upon the Franchise Premises and exercise complete authority with respect to the operation of the business until we determine that your default has been cured and that there is compliance with the requirements of this Agreement. You specifically agree that a designated representative of ours may take over, control, and operate the business. You will pay us a service fee of not less than \$250 per day plus all travel expenses, room and board and other expenses reasonably incurred by our representative so long as it will be required by the representative to enforce compliance. In addition, if you breach any provision of this Agreement that is curable and we give you notice of the breach, in addition to curing the breach you must pay us a Cure Fee of \$1,000 to help defray our administrative and corporate costs related to the breach and remedy.

You agree to pay our reasonable legal and accounting fees and costs we incur because of our exercise of these Step-In Rights.

17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

17.1 Actions to be Taken

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

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

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

17.1.3 take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "BETTER THAN SEX" or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

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

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

17.1.6 immediately return to Franchisor the Operations Manual, Trade Secrets and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property);

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

17.1.8 comply with all other applicable provisions of this Agreement.

17.2 Post-Termination Covenant Not to Compete

17.2.1 Franchisee acknowledges that the restrictive covenants contained in this Section and in Section 017 are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

17.2.1.1 to protect the Trade Secrets and other Confidential Information of Franchisor;

17.2.1.2 to induce Franchisor to grant a Franchise to Franchisee; and

17.2.1.3 to protect Franchisor against its costs in training Franchisee and its officers, directors, executives, professional staff and Owner Operators.

17.2.2 Except as otherwise approved in writing by Franchisor, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, shall, for a period of five (5) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

17.2.2.1 own an interest in, manage, operate or provide services to any Competitive Business located or operating (a) within a twenty-five (25) mile radius of the Franchised Business, or (b) within a twenty-five (25) mile radius of the Franchised Business or any other BETTER THAN SEX Business or planned expansion in existence at the time of termination or expiration, or (c) any other business owned or operated by the Franchisor in existence at the time of termination or expansion;

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

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

17.3 Unfair Competition

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with Franchisor. This Section is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict Sections 017, 17.10 or 017.2. Franchisee shall make such modifications or alterations to the Franchised Business (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Franchised Business. Franchisee shall make such specific additional changes to the Franchised Business as Franchisor may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Franchised Business for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

17.4 Franchisor's Option to Purchase Certain Business Assets

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

17.5 Survival of Certain Provisions

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

18. TRANSFERABILITY OF INTEREST

18.1 Transfer by Franchisor

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

18.2 Transfer by Franchisee to a Third Party

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

18.2.1 Franchisee has complied with the requirements set forth in Section 019;

18.2.2 all obligations owed to Franchisor, and all other outstanding obligations relating to the Franchised Business, are fully paid and satisfied;

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

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

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

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

18.2.7 Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

18.2.8 Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount of the greater of \$7,500.00 Dollars or 10% of the sale price if the Franchise is being sold, transferred, or assigned to a third party);

18.2.9 the transferee, or all holders of a legal or beneficial interest in the transferee, has agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of its term by executing a personal guaranty in such form as prepared by Franchisor;

18.2.10 Franchisee has agreed to be bound to the obligations of the new franchise agreement and to guarantee the full performance thereof by the transferee, if required by Franchisor;

18.2.11 the transferee has obtained all necessary consents and approvals by third parties and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

18.2.12 Franchisee has, and if Franchisee is an entity, all of the holders of a legal and beneficial interest in Franchisee have executed and delivered to Franchisor a nondisclosure and non-competition agreement in a form satisfactory to Franchisor and in substance the same as the nondisclosure and non-competition covenants contained in Sections 0 7 and 017; and

18.2.13 the transferee agrees that its Owner Operator shall complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Section 08.1 prior to assuming the management of the day-to-day operation of the Franchised Business.

18.3 Transfer to a Controlled Entity

18.3.1 If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by Franchisee ("Controlled

Entity”), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, Franchisor’s consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

18.3.1.1 the Controlled Entity is newly organized and its charter or articles of formation provides that its activities are confined exclusively to the operation of the Franchised Business;

18.3.1.2 Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

18.3.1.3 all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee as required pursuant to Section 018.2.8;

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

18.3.1.5 all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity’s obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

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

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

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

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

18.4 Franchisor’s Disclosure to Transferee

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

any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchised Business by an intended transferee identified by Franchisee.

18.5 For-Sale Advertising

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

18.6 Transfer by Death or Incapacity

18.6.1 Upon the death or Incapacity of Franchisee (if Franchisee is an individual) or any holder of a legal or beneficial interest in Franchisee (if Franchisee is a business entity), the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding one hundred eighty (180) days following such event, transfer such individual's interest in the Franchised Business or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless prohibited by the laws of the state wherein Franchisee resided, with such choice of law provision being applicable only for this Section 018.6. During such one hundred eighty (180) day period, the Franchised Business must remain at all times under the primary management of an Owner Operator who otherwise meets Franchisor's management qualifications.

18.6.2 Following such a death or Incapacity of such person as described in this Section 018.6, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume operation of the Franchised Business until the deceased or incapacitated owner's interest is transferred to a third party approved by Franchisor. Franchisor shall be given access to the Franchised Business, even if located within Franchisee's or its Owner Operator's principal residence, and shall not be held liable for trespass or any related tort. Franchisor may charge a management fee as stated in the Operations Manual from time to time, currently equal to TWO HUNDRED AND FIFTY DOLLARS (\$250.00) per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business.

19. RIGHT OF FIRST REFUSAL

19.1 Submission of Offer

If Franchisee, or any of its owners, proposes to sell or otherwise transfer (including a transfer by death or Incapacity pursuant to Section 018.6) the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor, except with regards to a sale or transfer to a family member. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

19.2 Franchisor's Right to Purchase

Franchisor shall, for thirty (30) days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least

equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty (60) days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

19.3 Non-Exercise of Right of First Refusal

If Franchisor does not exercise its right of first refusal within thirty (30) days from the date of delivery of all such documents, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 018.2. Should the sale fail to close within one hundred twenty (120) days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section.

19.4 Sales or Transfers to Family Excepted

If Franchisee proposes to sell or otherwise transfer the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder to a member of Franchisee's (or its owners') family, then the terms and conditions of this Section 0 shall be inapplicable. Nothing in this Section 019.4 shall be construed to relieve Franchisee from full compliance with the terms and conditions of Section 018.2 prior to a sale or transfer to family pursuant to this Section.

20. BENEFICIAL OWNERS OF FRANCHISEE

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

21. RELATIONSHIP AND INDEMNIFICATION

21.1 Relationship

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

21.2 Standard of Care

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

21.3 Indemnification

Franchisee shall hold harmless and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively "Franchisor Indemnities") from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon Franchisee's (a) ownership or operation of the Franchised Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or an Affiliate); (d) defamation of Franchisor or the System; (e) acts, errors or omissions committed or incurred in connection with the Franchised Business; or (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Trade Secrets or other Confidential Information. The obligations of this Section 21.3 shall expressly survive the termination of this Agreement.

21.4 Right to Retain Counsel

Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation, or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnity. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee. Franchisee agrees to not be a party to class action suit against HAPPY ENDINGS FRANCHISING, INC. or any of its Affiliates under any circumstances.

22. GENERAL CONDITIONS AND PROVISIONS

22.1 No Waiver

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent

default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

22.2 Injunctive Relief

As any breach by Franchisee of any of the restrictions contained in Sections 06, 07 and 170 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated, without the necessity of posting security or bond and Franchisee shall be responsible for Franchisor's reasonable attorneys' fees incurred in pursuing the same. Franchisor's right to seek injunctive relief will not affect the parties' waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 023.7. Franchisor's rights herein shall include pursuing injunctive relief through arbitration or in a state or federal court.

22.3 Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by Registered Mail, return receipt requested. Either party may change its address by a written notice sent in accordance with this Section 022.3. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address, or at such other address as Franchisor may provide:

HAPPY ENDINGS FRANCHISING, INC.
Attn: Len Johnson
531 Truman Avenue
Key West, FL 33040

22.4 Cost of Enforcement or Defense

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

22.5 Unlimited Guaranty and Assumption of Obligations

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

22.6 Approvals

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

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

22.7 Entire Agreement

This Agreement, its exhibits and the documents referred to herein shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof and shall supersede all prior agreements. No other representation, oral or otherwise, has induced Franchisee to execute this Agreement, and there are no representations (other than those within Franchisor's Disclosure Document), inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with respect to the matters set forth in or contemplated by this Agreement or otherwise. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties.

22.8 Severability and Modification

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

22.8.2 Notwithstanding the above, each of the covenants contained in Sections 07 and 017 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Trade Secrets or other Confidential Information or on competition to the maximum extent provided or permitted by law.

22.9 Construction

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

22.10 Force Majeure

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

22.11 Timing

Time is of the essence. Except as set forth in Section 022.10, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

22.12 Withholding Payments

Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to an Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

22.13 Further Assurances

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

22.14 Third-Party Beneficiaries

Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

22.15 Multiple Originals

Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

23. DISPUTE RESOLUTION

23.1 Choice of Law

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

23.2 Consent to Jurisdiction

Any action brought by either party except those claims required to be submitted to arbitration, shall only be brought in the appropriate state or Federal courts located in or serving Monroe County, Florida, under the laws of the state of Florida. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Claims for injunctive relief may be brought by Franchisor where Franchisee is located. This

exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

23.3 Cumulative Rights and Remedies

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

23.4 Limitations of Claims

Any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an action for a claim is commenced within one (1) year from the date on which Franchisee or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

23.5 Limitation of Damages

Franchisee waives, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against Franchisor and agrees that if there is a dispute with Franchisor, Franchisee will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in Section 22.4. Franchisee waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement. In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Franchise Fee and Royalty Fees.

23.6 Waiver of Jury Trial

FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM. FRANCHISEE FURTHER WAIVES ITS RIGHTS TO JOIN OR INITIATE A CLASS-ACTION LAWSUIT BASED ON THIS AGREEMENT, THE FRANCHISE DISCLOSURE DOCUMENT OR THE OPERATION OF A FRANCHISE.

23.7 Arbitration

This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained herein. Except for controversies or claims relating to intellectual property rights, including, but not limited to, Franchisor's Marks, copyrights or the unauthorized use or disclosure of Franchisor's Confidential Information, covenants against competition and other claims for injunctive relief, all disputes arising out of or relating to this Agreement or to any other agreements between the parties, or with regard to interpretation, formation or breach of this or any other agreement between the parties, shall be settled by binding arbitration conducted in Monroe County, Florida, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The proceedings will be held by a single arbitrator agreed upon by the parties or otherwise appointed by the Circuit Court for the State of Florida and located in Monroe County, Florida. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

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

24. ACKNOWLEDGMENTS

24.1 Receipt of this Agreement and the Franchise Disclosure Document

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

24.2 Consultation by Franchisee

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

24.3 True and Accurate Information

Franchisee represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

24.4 Risk

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

24.5 No Guarantee of Success

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

24.6 No Violation of Other Agreements

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

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

HAPPY ENDINGS FRANCHISING, INC.:

By: _____

Name printed: _____

Title: _____

FRANCHISEE: _____
(type/print name)

By: _____

Name: _____

Title: _____

[or, if an individual]

Signed: _____

Name printed: _____

EXHIBIT 1 TO THE FRANCHISE AGREEMENT

GENERAL RELEASE

THIS GENERAL RELEASE is made and given on this ____ day of _____, 20____ by _____, ("RELEASOR") an individual/corporation/limited liability company/partnership with a principal address of _____, in consideration of:

_____ the execution by HAPPY ENDINGS FRANCHISING, INC., a Florida limited liability company d/b/a BETTER THAN SEX ("RELEASEE"), of a successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise") granted to RELEASOR by RELEASEE pursuant to that certain Franchise Agreement (the "Franchise Agreement") between RELEASOR and RELEASEE; or

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

_____ RELEASEE'S consent to RELEASOR'S assumption of rights and duties under the Franchise Agreement;

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

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

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

RELEASOR: _____
(type/print name)

By: _____

Name: _____

Title: _____
(or, if an individual)

Signed: _____

Name printed: _____

EXHIBIT 2 TO THE FRANCHISE AGREEMENT

NONDISCLOSURE AND NON-COMPETITION AGREEMENT

This "Agreement" made as of the ____ day of _____, 201____, is by and between _____, ("Franchisee") and _____ ("Individual").

WITNESSETH:

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated _____, 20____ ("Franchise Agreement") by and between Franchisee and the Franchisor, HAPPY ENDINGS FRANCHISING, INC. d/b/a BETTER THAN SEX ("Company"); and

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

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

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

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

1. Trade Secrets and Confidential Information

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

a) For the purposes of this Agreement, a "Trade Secret" is information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, patterns, recipes compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in BETTER THAN SEX that is not commonly known by or available to the public and that information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

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

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

2. Confidentiality/Non-Disclosure

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

b) Individual’s obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Individual’s relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual’s obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in a BETTER THAN SEX Business.

3. Non-Competition

a) During the term of Individual’s relationship with Franchisee and for a period of five (5) years after the expiration or termination of Individual’s relationship with Franchisee, regardless of the cause of expiration or termination, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, divert or attempt to divert any business or customer of Franchisee or the Company to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Company’s service mark “BETTER THAN SEX” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as the Company designates to be used in connection with BETTER THAN SEX or the Company’s uniform standards, methods, procedures and specifications for the establishment and operation of BETTER THAN SEX.

b) During the term of Individual’s relationship with Franchisee and for a period of five (5) years thereafter, regardless of the cause of termination, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business anywhere within a TWENTY FIVE (25) mile radius of any BETTER THAN SEX location without the express written consent of Franchisee and the Company.

c) During the term of Individual’s relationship with Franchisee and for a period of five (5) years thereafter, regardless of the cause of termination, Individual shall not, directly or indirectly, solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisee, Company or any other BETTER THAN SEX Business to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisee, Company or any other BETTER THAN SEX Business.

4. Reasonableness of Restrictions

Individual acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee, Company, and Company’s Trade Secrets and other Confidential Information, the Company’s business system, network of franchises and trade and service marks, and Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under

applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

5. Relief for Breaches of Confidentiality, Non-Solicitation and Non-Competition

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

6. Miscellaneous

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

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

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

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

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

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

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

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

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

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

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

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

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

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

WITNESS:

FRANCHISEE:

By:_____

Its:_____

INDIVIDUAL:

Signature:_____

Name Printed:_____

EXHIBIT 3 TO THE FRANCHISE AGREEMENT

UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____ day of _____, 20____, by _____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement dated _____ herewith ("Agreement") by HAPPY ENDINGS FRANCHISING, INC. d/b/a BETTER THAN SEX ("Franchisor"), each of the undersigned hereby personally and unconditionally guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____

_____ ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement. Each of the undersigned shall be personally bound by, and personally liable for, Franchisee's breach of any provision in the Agreement, including those relating to monetary obligations and obligations to take or refrain from taking specific actions or engaging in specific activities, such as those contemplated by Sections 06, 70 and 170 of the Agreement. Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (d) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (a) its direct and immediate liability under this Guaranty shall be joint and several; (b) it shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (c) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person or entity; and (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement.

This Guaranty represents the entire agreement and understanding of these parties concerning the subject matter hereof, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

Successors and Assigns; Death of Guarantor. This Guaranty shall be binding upon Guarantor and his or her heirs, executors, administrators, successors and assigns and shall inure to the benefit of Franchisor and its successors, endorsees, transferees and assigns. Without limiting any other provision hereof, Guarantor expressly agrees that Guarantor's death shall not serve as a revocation of or otherwise affect the guaranty made hereunder and that Guarantor's estate and heirs shall continue to be liable hereunder with respect to any Guaranteed Obligations created or arising after Guarantor's death.

The validity, interpretation and enforcement of this Guaranty and any dispute arising out of the relationship between Guarantor and Franchisor, whether in contract, tort, equity, or otherwise, shall be governed by the internal laws of the State of Florida (without giving effect to principles of conflicts of law).

Guarantor hereby irrevocably consents and submits to the non-exclusive jurisdiction of the Courts of the State of Florida and the United States District Court located in or serving Monroe County, Florida and waives any objection based on venue or forum non convenient with respect to any action instituted therein arising under this Guaranty or any

of the other Franchising Agreements or in any way connected with or related or incidental to the dealings of Guarantor and Franchisor in respect of this Guaranty or any of the other Franchising Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising and whether in contract, tort, equity or otherwise, and agrees that any dispute arising out of the relationship between Guarantor or Franchisee and Franchisor or the conduct of any such persons in connection with this Guaranty, the other Franchising Agreements or otherwise shall be heard only in the courts described above (except that Franchisor shall have the right to bring any action or proceeding against Guarantor or his or her property in the courts of any other jurisdiction which Franchisor deems necessary or appropriate in order to realize on any collateral at any time granted by Franchisee or Guarantor to Franchisor or to otherwise enforce its rights against Guarantor or his or her property).

IN WITNESS WHEREOF, this Guaranty has been entered into the day and year first before written.

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP

IN FRANCHISEE: _____%

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP

IN FRANCHISEE: _____%

EXHIBIT 4
COLLATERAL ASSIGNMENT OF LEASE

LEASE ADDENDUM

Option to Assume Lease _____

1. If _____ (“Tenant”) defaults under the Lease dated _____, (“Lease”) by and between _____ (“Landlord”) and Tenant for the premises located at _____ (the “Premises”), or if HAPPY ENDINGS FRANCHISING, INC. (“Franchisor”) terminates the Tenant’s franchise agreement covering the Premises, Landlord and Tenant acknowledge and agree that Franchisor will have the option to assume the Lease pursuant to Paragraph 3 below.
2. Landlord agrees to give Franchisor written notice specifying all default(s) of Tenant under the Lease. Franchisor agrees to give written notice to Landlord if Franchisor terminates Tenant’s franchise agreement and, in such notice, will request that Landlord provide Franchisor with a copy of the Lease and specify any of the Tenant’s defaults thereunder. All notices will be by nationally recognized overnight courier (with tracking capability).
3. Franchisor (or one of its real estate affiliates) may, within 30 days from (i) receipt of notice from Landlord that Tenant has defaulted under the Lease and failed to cure such default(s) as required or permitted by the terms of the Lease, or (ii) sending of notice to Landlord that has terminated Tenant’s franchise agreement covering the Premises, notify Landlord of Franchisor’s decision to assume the Lease. If Franchisor exercises its right to assume the Lease by sending Landlord the required notice as provided in the prior sentence, (i) Landlord will deliver possession of the Premises to Franchisor; and (ii) Franchisor will, immediately upon such delivery, cure all of Tenant’s monetary defaults under the Lease and execute an agreement pursuant to which Franchisor agrees to assume all of Tenant’s rights and obligations under the Lease, subject to the next paragraph.
4. If Franchisor exercises its right to assume the Lease pursuant to Paragraph 3 above, Landlord agrees that Franchisor (i) may, without Landlord’s consent, sublet the Premises to or assign the Lease to, an approved franchisee of Franchisor, provided in either instance that Franchisor remains liable for the payment of rent and the performance of Tenant’s duties under the Lease, (ii) may assign, without recourse, its rights under the Lease upon receiving Landlord’s prior written consent, such consent not to be unreasonably withheld, conditioned or delayed, and subject to the terms of the Lease, (iii) will not be bound by the terms of any amendment to the Lease executed by Tenant without obtaining Franchisor’s prior written approval, (iv) will not be subject to any provision of the Lease that requires Tenant to continuously operate a business in the Premises during any period that the Premises is closed for remodeling or while Franchisor is seeking to obtain and train a new franchisee, provided however, that such period of closure will not exceed 60 days in each instance; and (v) may, if it subleases the Premises to a franchisee as provided above, retain all rent or other consideration payable under such sublease.
5. If Franchisor exercises its right to assume the Lease pursuant to Paragraph 3 above, within 10 days after written demand, Tenant agrees to assign all of its right, title and interest in the Lease to Franchisor and, if Tenant does not do so, Tenant appoints Franchisor as its agent to execute all documents that may be necessary for Franchisor to take assignment of the Lease. Notwithstanding anything to the contrary contained herein Tenant shall remain liable to Landlord for all of its obligations under the Lease and to Franchisor for all amounts that Franchisor pays to Landlord to cure Tenant’s defaults under the Lease, including interest, reasonable collection costs and de-identification costs (the parties acknowledging that Franchisor may enter the Premises without being guilty of trespass or tort to de-identify the Premises). Franchisor may assign this Option and its rights hereunder to any affiliate, subsidiary, parent, successor or assign of Franchisor provided the conditions herein as to assignment are met. The assignee must be an approved licensed franchisee of Franchisor. This Option may be signed in any number of counterparts by facsimile or otherwise, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. A facsimile signature may be used for any purpose in lieu of an original signature.

LANDLORD:

By: _____

Name: _____

Title: _____

Date: _____

TENANT:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT 5 TO THE FRANCHISE AGREEMENT
ACH PAYMENT AGREEMENT

ACH AGREEMENT

ACCOUNT NAME: _____
CUSTOMER NUMBER: _____
FRANCHISE NAME: _____

AUTHORIZATION AGREEMENT FOR ACH Payments

(I/we) do hereby authorize HAPPY ENDINGS FRANCHISING, INC., hereinafter named the "Franchisor", to initiate (debit or credit) entries to (my/our) (Checking Account / Savings Account) as indicated and named below as the depository financial institution, hereafter named FINANCIAL INSTITUTION pursuant to the terms of the Franchise Agreement by and between us and the Franchisor.

(I/we) acknowledge that the origination of ACH transactions to my (my/our) account must comply with the provisions of U.S. law. Furthermore, if any such debit(s) should be returned NSF, (I/we) authorize the Franchisor to collect such debit(s) by electronic debit and subsequently collect a returned debit NSF fee of \$75.00 per item by electronic debit from my account identified below. In the event all funds and interests are not received by Franchisor within 15 days from presentment and intended withdrawal from our account by Franchisor, then we will be deemed in default of the Franchise Agreement. We further agree to pay all reasonable costs of collection including but not limited to reasonable attorney's fees and court costs incurred by Franchisor. I am a duly authorized check signer on the financial institution account identified below, and authorize all of the above as evidenced by my signature below.

CHECK (ACH) INFORMATION ROUTING NUMBER: _____
ACCOUNT NUMBER: _____
DEPOSITORY NAME: _____
BRANCH: _____
CITY: _____ STATE: _____ ZIP: _____

COMPANY NAME: _____
FIRST NAME/LAST NAME: _____
BILLING ADDRESS: _____
CITY _____ STATE _____ ZIP _____
PHONE NUMBER: _____
CUSTOMER NUMBER: _____
SIGNATURE ON FILE: _____
PHONE OR EMAIL APPROVAL AUTHORIZATION NUMBER: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT 6 TO THE FRANCHISE AGREEMENT

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

Holders of Legal or Beneficial Interest:

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Percentage of ownership: _____%

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Percentage of ownership: _____%

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Percentage of ownership: _____%

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Percentage of ownership _____%

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Percentage of ownership _____%

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Percentage of ownership _____%

Officers and Directors:

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

EXHIBIT 7 TO THE FRANCHISE AGREEMENT

MULTI-STATE ADDENDA

**ADDENDUM TO THE FRANCHISE AGREEMENT
HAPPY ENDINGS FRANCHISING, INC.**

FOR THE STATE OF CALIFORNIA

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20____, is by and between HAPPY ENDINGS FRANCHISING, INC. and _____.

1. New Section 17.6 is inserted into the Franchise Agreement and states as follows:

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

2. In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000-31516 and the California Franchise Relations Act, Cal. Bus. And Prof. Code §§20000-20043, the Franchise Agreement for HAPPY ENDINGS FRANCHISING, INC. is amended as follows:

- The California Franchise Relations Act provides rights to Franchisee concerning termination or non-renewal of the Franchise Agreement, which may supersede provisions in the Franchise Agreement, specifically Sections 0 4.2 and 016.
- Section 016.2.1.13, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).
- Section 017.2 contains a covenant not to compete that extends beyond the expiration or termination of the Agreement; this covenant may not be enforceable under California Law.
- Paragraph 1 of this Addendum contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- Section 023.7 requires binding arbitration. The arbitration will occur at the forum indicated in Section 023.7, with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside of the State of California.

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

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

HAPPY ENDINGS FRANCHISING, INC.:

Franchisee: _____

By: _____

By: _____

Title: _____

Title: _____

FOR THE STATE OF CONNECTICUT

This Addendum to the Franchise Agreement is agreed to this _____ day of _____, _____, between. HAPPY ENDINGS FRANCHISING, INC. and _____ (“Franchisee”) to amend and revise said Franchise Agreement as follows:

1. Section 03.1, “Franchise Fee,” is amended to delete the following:

- The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is non-refundable, except under certain conditions set forth under Sections 05.2 and 08.3.

2. Section 8, “Training and Assistance,” is amended by the addition of the following language to the original language that appears therein:

- “The required training shall commence no more than sixty (60) days after execution of this Agreement.”

3. The “Training and Assistance” Section is amended by the deletion of the following language from the original language that appears therein:

- Franchisor shall return to Franchisee fifty percent (50%) of the Franchise Fee paid by Franchisee upon Franchisor’s receipt of a general release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities).

4. Section 09 “Operations Manual,” is amended by the addition of the following language to the original language that appears therein:

- “Franchisor shall provide the Operations Manual to the Franchisee no later than thirty (30) days after execution of this Agreement.”

5. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Connecticut Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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

HAPPY ENDINGS FRANCHISING, INC.:

Franchisee:_____

By: _____

By:_____

Title:_____

Title:_____

FOR THE STATE OF HAWAII

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20 ____, is by and between
and _____
_____.

1. In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E *et seq.*, the Franchise Agreement for HAPPY ENDINGS FRANCHISING, INC. is amended as follows:

■ The Hawaii Franchise Investment Law provides rights to Franchisee concerning non-renewal, termination and transfer of the Franchise Agreement. If the Agreement, and more specifically Sections 04.2, 016 and 018.2 contain a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.

■ Sections 04.2.8, 018.2.3 and 018.2.6 require Franchisee to sign a general release as a condition of renewal or transfer of the Franchise and Sections 05.2 and 08.3 require Franchisee to sign a general release as a condition to receiving a refund of a portion of the Franchise Fee following a termination of the Franchise; such release shall exclude claims arising under the Hawaii Franchise Investment Law.

■ Section 016.2.1.13, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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

HAPPY ENDINGS FRANCHISING, INC.:

Franchisee: _____

By: _____

By: _____

Title: _____

Title: _____

FOR THE STATE OF ILLINOIS

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20____, is by and between HAPPY ENDINGS FRANCHISING, INC. and _____.

1. In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Franchise Agreement for HAPPY ENDINGS FRANCHISING, INC. is amended as follows:

- Sections 4.2.8, 5.2, 8.3, 18.2.3 and 18.2.60 are amended to add:

No general release shall be required as a condition of renewal or transfer or as a condition to receiving a refund of a portion of the Franchise Fee following a termination of the Franchise that is intended to require Franchisee to waive compliance with the Illinois Franchise Disclosure Act, 815 ILCS 705.

- Sections 16, 17 and 23 are amended to add:

The conditions under which the Franchise Agreement can be terminated and Franchisee's rights upon termination or non-renewal, as well as the application by which Franchisee must bring any claims, may be governed by the Illinois Franchise Disclosure Act, 815 ILCS 705/19 and 705/20.

- Sections 23.1 and 23.2 are amended to add:

The Franchise Agreement shall be governed by Illinois law. Jurisdiction and venue for court litigations shall be in Illinois. Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside the State is void, provided that a Franchise Agreement may provide for arbitration in a forum outside of Illinois.

- Section 023.4 is amended to add:

No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after Franchisee becomes aware of facts or circumstances reasonably indicating that the Franchisee may have a claim for relief in respect to conduct governed by the Act, or ninety (90) days after delivery to Franchisee of a written notice disclosing the violation, whichever shall first expire.

- Section 023.6 is deleted in its entirety.

2. Any condition, stipulation, or provision purporting to bind any person acquiring any Franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

3. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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

HAPPY ENDINGS FRANCHISING, INC.:

Franchisee: _____

By: _____

By: _____

Title: _____

Title: _____

FOR THE STATE OF INDIANA

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20____, is by and between
HAPPY ENDINGS FRANCHISING, INC. and _____
_____.

1. In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, IC 23-2.2.7 and the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement for HAPPY ENDINGS FRANCHISING, INC. is amended as follows:

■ Sections 4.2.8, 5.2, 8.3, 18.2.3 and 18.2.6 do not provide for a prospective general release of claims against Franchisor that may be subject to the Indiana Deceptive Franchise Practices Law or the Indiana Franchise Disclosure Law.

■ Section 016 is amended to prohibit unlawful unilateral termination of a Franchise unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

■ Section 017.2 is amended subject to Indiana Code 23-2-2.7-1(9) to provide that post-term non-competitor covenants shall have a geographical limitation of the territory granted to Franchisee.

■ Section 021.3 is amended to provide that Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee's reliance upon or use of procedures or products which were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.

■ Section 023.1 is amended to provide that, in the event of a conflict of law, the Indiana Franchise Disclosure Law, IC 23-2-2.5, and the Indiana Deceptive Franchise Practices Law will prevail.

■ Section 023.2 is amended to provide that Franchisee may commence litigation in Indiana for any cause of action under Indiana law.

■ Section 023.7 is amended to provide that arbitration between Franchisor and Franchisee, shall be conducted at a mutually agreed upon location.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Indiana Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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

HAPPY ENDINGS FRANCHISING, INC.:

Franchisee:_____

By: _____

By: _____

Title: _____

Title: _____

FOR THE STATE OF MARYLAND

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20____, is by and between
HAPPY ENDINGS FRANCHISING, INC. and _____
_____.

1. In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. §§14-201-14-233, the Franchise Agreement for HAPPY ENDINGS FRANCHISING, INC. is amended as follows:

- Sections 4.2.8, 18.2.3 and 18.2.60 require Franchisee to sign a general release as a condition of renewal or transfer of the Franchise and Sections 5.20 and 8.30 require Franchisee to sign a general release as a condition to receiving a refund of a portion of the Franchise Fee following a termination of the Franchise; such release shall exclude claims arising under the Maryland Franchise Registration and Disclosure Law.
- Section 016.2.1.13, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).
- Section 023.1 requires that the Franchise be governed by the laws of the State of Florida however, in the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, the laws of the State of Maryland shall prevail.
- Sections 023.2 and 23.70 require litigation or arbitration to be conducted in the State of Florida; the requirement shall not limit any rights Franchisee may have under the Maryland Franchise Registration and Disclosure Law to bring suit in the State of Maryland.
- Any Section of the Franchise Agreement requiring Franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing the Franchise are not intended to, nor shall they act as a, release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
- Section 023.4 is amended to the extent that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.

2. Any portion of the Franchise Agreement which requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts would constitute a violation of the Maryland Franchise Registration and Disclosure Law. Any such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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

HAPPY ENDINGS FRANCHISING, INC.:

Franchisee: _____

By: _____

By: _____

Title: _____

Title: _____

FOR THE STATE OF MINNESOTA

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20____, is by and between
HAPPY ENDINGS FRANCHISING, INC. and _____

1. In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the parties to the attached Franchise Agreement agree as follows:

■ Sections 04 and 0 16 are amended to add that with respect to Franchises governed by Minnesota Law, Franchisor will comply with the Minnesota Franchise Law that requires, except in certain specified cases, that Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Agreement.

■ Sections 4.2.8, 5.2, 8.3, 18.2.3 and 18.2.6 do not provide for a prospective general release of any claims against Franchisor that may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.

■ Section 06 is amended to add that as required by Minnesota Franchise Act, HAPPY ENDINGS FRANCHISING, INC. will reimburse you for any costs incurred by you in the defense of your right to use the Marks, so long as you were using the Marks in the manner authorized by HAPPY ENDINGS FRANCHISING, INC., and so long as HAPPY ENDINGS FRANCHISING, INC. is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

■ Section 023.4 is amended to state that any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an arbitration or an action for a claim that cannot be the subject of arbitration is commenced within three (3) years from the date on which Franchisee or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to or the claim.

■ Section 023.5 is deleted in its entirety.

■ Section 023.6 is deleted in its entirety.

■ Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. However, Franchisor may seek such relief through the court system with or without a bond as determined by a court. Minn. Rule Part 2860.4400J prohibits Franchisee from waiving its rights to a jury trial or waiving your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. To the extent that the Franchise Agreement requires Franchisee to waive these rights, the Franchise Agreement will be considered amended to the extent necessary to comply with the Minnesota Rule.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota Franchise Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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

HAPPY ENDINGS FRANCHISING, INC.:

Franchisee: _____

By: _____

By: _____

Title: _____

Title: _____

FOR THE STATE OF NEW YORK

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20 ____, is by and between HAPPY ENDINGS FRANCHISING, INC. and _____.

1. In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§ 680 through 695, the Franchise Agreement for HAPPY ENDINGS FRANCHISING, INC. is amended as follows:

- Sections 0 4.2.8, 5.2, 8.3, 18.2.3 and 18.2.6 require Franchisee to sign a general release as a condition of renewal, transfer, or receiving a refund of a portion of the Franchise Fee following termination of the Franchise; such release shall exclude claims arising under the General Business Laws.
- Under Section 018.1, Franchisor shall not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform Franchisor's obligations under the Franchise Agreement, in Franchisor's good faith judgment, so long as it remains subject to the General Business Laws of the State of New York.
- Section 021.3 is amended to provide that Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee's reliance upon or use of procedures or products that were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.
- Section 023.1 requires that the Franchise be governed by the laws of the state Franchisor's principal business is then located, such a requirement will not be considered a waiver of any right conferred upon Franchisee by Article 33 of the General Business Laws.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the New York Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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

HAPPY ENDINGS FRANCHISING, INC.:

Franchisee: _____

By: _____

By: _____

Title: _____

Title: _____

FOR THE STATE OF NORTH DAKOTA

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20____, is by and between HAPPY ENDINGS FRANCHISING, INC. and _____

1. The North Dakota Securities Commission requires that certain provisions contained in the Agreement be amended to be consistent with North Dakota Law, including the North Dakota Franchise Investment Law, North Dakota Century Code Addendum, Chapter 51-19, Sections 51-19-01 *et seq.* Such provisions in the Agreement are hereby amended as follows:

- Under Sections 4.2.8, 5.2, 8.3, 18.2.3 and 18.2.60, the execution of a general release upon renewal, transfer, or as a condition of receipt of a refund of a portion of the Franchise Fee following termination, shall be inapplicable to Franchises operating under the North Dakota Franchise Investment Law to the extent that such a release excludes claims arising under the North Dakota Franchise Investment Law.

- Section 07 is amended to add that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorneys' fees.

- Sections 017.1.4 and 017.1.5 are amended to state:

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

- Section 017.2 is amended to add that covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

- Section 023.1 is amended to state that in the event of a conflict of laws, North Dakota Law shall prevail.

- Section 023.2 is amended to add that any action may be brought in the appropriate state or federal court in North Dakota with respect to claims under North Dakota Law.

- Section 023.4 is amended to state that the statute of limitations under North Dakota Law shall apply.

- Sections 023.5 and 023.6 are deleted in their entireties.

- Section 023.7 is amended to state that arbitration involving a Franchise purchased in North Dakota must be held either in a location mutually agreed upon prior to the arbitration, or if the parties cannot agree on a location, the arbitrator will determine the location.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the North Dakota Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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

HAPPY ENDINGS FRANCHISING, INC.:

By: _____

Title: _____

Franchisee: _____

By: _____

Title: _____

FOR THE STATE OF RHODE ISLAND

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20____, is by and between
HAPPY ENDINGS FRANCHISING, INC. and _____
_____.

1. In recognition of the requirements of The Rhode Island Franchise Investment Act §19-28.1-14, the Franchise Agreement for HAPPY ENDINGS FRANCHISING, INC. is amended as follows:

- Sections 4.2.8, 5.2, 8.3, 18.2.3 and 18.2.6 require Franchisee to sign a general release as a condition of renewal, transfer, or receipt of a refund of a portion of the Franchise Fee following termination of the Franchise; such release shall exclude claims arising under The Rhode Island Franchise Investment Act.
- Sections 23.1, 23.2, 23.7 are amended to state that restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under The Rhode Island Franchise Investment Act.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Rhode Island Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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

HAPPY ENDINGS FRANCHISING, INC.:

Franchisee: _____

By: _____

By: _____

Title: _____

Title: _____

FOR THE COMMONWEALTH OF VIRGINIA

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20____, is by and between HAPPY ENDINGS FRANCHISING, INC. and _____
_____ to amend and revise said Franchise Agreement as follows:

- Section 016.2.1.13, which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).
- Section 016.2.1.20 of the Franchise Agreement will not be applicable to the Franchise Agreement signed by the Virginia franchisee entering into the attached agreement.

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

HAPPY ENDINGS FRANCHISING, INC.:

Franchisee: _____

By: _____

By: _____

Title: _____

Title: _____

FOR THE STATE OF WASHINGTON

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20____, is by and between HAPPY ENDINGS FRANCHISING, INC. and _____.

1. In recognition of the requirements of the Washington Franchise Investment Protection Act, Washington Rev. Code §§19.100.010 – 19.100.940, the Franchise Agreement for HAPPY ENDINGS FRANCHISING, INC. is amended as follows:

- The Washington Franchise Investment Protection Act provides rights to Franchisee concerning non-renewal and termination of the Franchise Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act shall control.
- Sections 4.2.8, 5.2, 8.3, 18.2.3 and 18.2.6 require Franchisee to sign a general release as a condition of renewal, transfer, or receipt of a refund of a portion of the Franchise Fee following termination of the Franchise; such release shall exclude claims arising under the Washington Franchise Investment Protection Act.
- Section 023.1 requires that the Franchise be governed by the laws of the State of Florida; such a requirement may be unenforceable in the event of a conflict with the Washington Franchise Investment Protection Act. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
- Sections 023.2 and 023.7 require litigation or arbitration to be conducted in the State of Florida; the requirement shall not limit any rights Franchisee may have under the Washington Franchise Investment Protection Act to bring suit in the State of Washington.
- Provisions such as those that unreasonably restrict or limit the statute of limitations period for claims under the Act, or restrict or limit rights or remedies available to a franchisee under the Act, such as a waiver of the right to a jury trial, may not be enforceable.
- Transfer fees are collectable to the extent that they reflect Franchisor's reasonable estimated or actual costs in effecting a transfer.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Washington Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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

HAPPY ENDINGS FRANCHISING, INC.:

By: _____

Title: _____

Franchisee: _____

By: _____

Title: _____

FOR THE STATE OF WISCONSIN

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20 __, is by and between
HAPPY ENDINGS FRANCHISING, INC. and _____
_____ to amend and revise said Franchise Agreement as follows:

1. The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Sec. 135.01-135.07 shall supersede any conflicting terms of the Franchise Agreement.

2. This provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Wisconsin Fair Dealership Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

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

HAPPY ENDINGS FRANCHISING, INC.:

Franchisee: _____

By: _____

By: _____

Title: _____

Title: _____

HAPPY ENDINGS FRANCHISING, INC.

**TABLE OF CONTENTS
OF OPERATIONS MANUAL**

EXHIBIT D TO THE DISCLOSURE DOCUMENT

Table of Contents

Chapter 1: Introduction	1
Chapter 2: Standards and Site Visitation	3
Chapter 3: Pre-opening Timeline and Preparation	4
Chapter 4: Training	12
Chapter 5: Staffing	14
Chapter 6: Company Policies	24
Chapter 7: Store Operations and Maintenance	46
Chapter 8: Accounting and Numbers	66
Chapter 9: Basic POS Functions	70
Chapter 10: Reports Audits and Inspections	73
Chapter 11: Cleaning and Sanitation	74
Chapter 12: Safety and Security	80

HAPPY ENDINGS FRANCHISING, INC.

AREA DEVELOPMENT AGREEMENT

EXHIBIT E TO THE DISCLOSURE DOCUMENT

HAPPY ENDINGS FRANCHISING, INC.

Area Development Agreement

Developer

Effective Date:

TABLE OF CONTENTS

SECTION

RECITALS PAGE 3

1.
 DEFINITIONS PAGE 3
2.
 GRANT OF DEVELOPMENT RIGHTS PAGE 4
3.
 DEVELOPMENT FEE PAGE 5
4.
 DEVELOPMENT SCHEDULE PAGE 6
5.
 TERM PAGE 8
6.
 YOUR DUTIES PAGE 8
7.
 DEFAULT AND TERMINATION PAGE 10
8.
 RIGHTS AND DUTIES OF PARTIES UPON TERMINATION OR EXPIRATION PAGE 10
9.
 TRANSFER PAGE 11
10.
 MISCELLANEOUS PAGE 13

APPENDICES

- A. DEVELOPMENT TERRITORY
 - B. DEVELOPMENT SCHEDULE
 - C. GUARANTEE
 - D. BENEFICIAL OWNERS
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HAPPY ENDINGS FRANCHISING, INC.
AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (this “Agreement”) is made this ____ day of _____, 20____ by and between **HAPPY ENDINGS FRANCHISING, INC.**, a Florida limited liability company d/b/a **BETTER THAN SEX** with its principal business located at 531 Truman Avenue, Key West, FL 33040 (“we” or “us”) and _____, a(n) _____ whose principal business address is _____ (“developer” or “you”). If the developer is a corporation, partnership or limited liability company, certain provisions of the Agreement also apply to your owners and will be noted.

RECITALS

A. We have developed a unique system for operating a dessert, wine and beer restaurant, as well as providing other food and beverage products using certain standards and specifications;

B. Many of the services and products are prepared and undertaken according to specified procedures or made with proprietary formulas, techniques and mixes;

C. We own the rights to the USPTO Marks “BETTER THAN SEX”, “CHOCO-CAB” and “BETTER THAN SEX A DESSERT RESTAURANT” Trademark and other trademarks used in connection with the Operation of a Better Than Sex business;

D. We have decided to sublicense the right to develop and operate Better Than Sex Locations;

E. You desire to develop and operate several Better Than Sex locations and we, in reliance on your representations, have approved your franchise application to do so in accordance with this Agreement.

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows:

DEFINITIONS

1. For purposes of this Agreement, the terms below have the following definitions:

A. “Locations” means Better Than Sex locations you develop and operate pursuant to this Agreement.

B. “Products” means the specific services and products set forth in our franchise information packet, or as we may modify, add, or change them from time to time.

C. “Principal Owner” means any person who directly or indirectly owns a 10% or greater interest in the developer when the developer is a corporation, limited liability company, a partnership, or a similar entity. However, if we are entering into this Agreement totally or partially based on the

financial qualifications, experience, skills or managerial qualifications of any person or entity who directly or indirectly owns less than a 10% interest in the developer, that person or entity may, in our sole discretion, be considered a Principal Owner for all purposes under this Agreement, including, but not limited to, the execution of the personal guaranty referenced in Section 10.J below. In addition, if the developer is a partnership entity, then each general partner is a Principal Owner, regardless of the percentage ownership interest. If the developer is one or more individuals, each individual is a Principal Owner of the developer. You must have at least one Principal Owner.

D. “System” means Better Than Sex, which consists of distinctive products and services prepared according to special and confidential processes and formulas with unique preparation, service and delivery procedures and techniques, offered in a setting of distinctive exterior and interior layout, design and color scheme, signage, furnishings and materials and using certain distinctive types of facilities, equipment, supplies, business techniques, methods and procedures together with sales promotion programs, all of which we may modify and change from time to time.

E. “Trademarks” means Better Than Sex Trademark and Service Mark and other marks as owned by us that are with the United States Patent and Trademark Office and the trademarks, service marks and trade names set forth in each Franchise Agreement, as we may modify and change from time to time, and the trade dress and other commercial symbols used in the Locations. Trade dress includes the designs, color schemes and image we authorize you to use in the operation of the Locations from time to time.

GRANT OF DEVELOPMENT RIGHTS

2. The following provisions control with respect to the rights granted hereunder:

A. We grant to you, under the terms and conditions of this Agreement, the right to develop and operate **NUMBER (#)** Better Than Sex locations (each a “Location”, and collectively, the “Locations”) within the territory described on **Appendix A** (“Development Territory”).

B. You are bound by the Development Schedule set forth in **Appendix B** (“Development Schedule”). Time is of the essence for the development of each Location in accordance with the Development Schedule. Each Location must be developed and operated pursuant to a separate Franchise Agreement that you enter into with us pursuant to Section 4.B below.

C. If you are in compliance with the Development Schedule set forth on Appendix B, we will not develop or operate or grant anyone else a franchise to develop and operate a Better Than Sex Location business in the Development Territory prior to the earlier of (i) the expiration or termination of this Agreement; (ii) the date on which you must execute the Franchise Agreement for your last Location pursuant to the terms of the Development Schedule or (iii) the date on which the Designated Area for your final Location under this Agreement is determined, except (a) for the Special Sites defined in Section 2.D below; (b) in the event that the Development Territory covers more than one city, county or designated market area, the protection for each particular city, county or designated market area shall expire upon the earliest of (1) any of the foregoing events or (2) the

date when the Designated Area for your final Location to be developed in such city, county or designated market area under this Agreement is determined; or (c) as otherwise provided in this Agreement. Notwithstanding anything in this Agreement, upon the earliest occurrence of any of the foregoing events (i) the Development Territory shall expire and (ii) we will be entitled to develop and operate, or to franchise others to develop and operate, BETTER THAN SEX Locations in the Development Territory, except as may be otherwise provided under any Franchise Agreement that has been executed between us and you and that has not been terminated. At the time you execute your final Franchise Agreement under the Development Schedule, you must have an Authorized Location for your final Location.

D. The rights granted under this Agreement are limited to the right to develop and operate Locations located in the Development Territory, and do not include (i) any right to sell Products and services identified by the Trademarks at any location or through any other channels or methods of distribution, including the internet (or any other existing or future form of electronic commerce), other than at Locations within the Development Territory, (ii) any right to sell Products and services identified by the Trademarks to any person or entity for resale or further distribution, or (iii) any right to exclude, control or impose conditions on our development or operation of franchised, company or affiliate owned Locations at any time or at any location outside of the Development Territory. You may not use any of the words BETTER THAN SEX or any of the other Trademarks as part of the name of your corporation, partnership, limited liability company or other similar entity.

You acknowledge and agree that (i) we and our affiliates have the right to operate or franchise within the Designated Area one or more facilities selling all or some of the Products, using the Trademarks or any other trademarks, service marks or trade names, without compensation to any franchisee, provided however, that such facilities shall not be mobile facilities but rather from a fixed location if it is confined to your Designated Area; (ii) we and our affiliates have the right outside of the Development Territory to grant other franchises or operate company or affiliate owned BETTER THAN SEX Locations and offer, sell or distribute any products or services associated with the System (now or in the future) under the Trademarks or any other trademarks, service marks or trade names or through any distribution channel or method, all without compensation to any developer; and (iii) we and our affiliates have the right to operate and franchise others to operate Locations or any other business within and outside the Development Territory under trademarks other than THE BETTER THAN SEX Trademarks, without compensation to any developer, except that our operation of, or association or affiliation with, Locations (through franchising or otherwise) in the Development Territory that compete with BETTER THAN SEX Locations in the service oriented Location segment will only occur through some form of merger or acquisition with an existing Location chain.

In addition, we and our affiliates have the right to offer, sell or distribute, within the Development Territory, any Products or services associated with the System (now or in the future) or identified by the Trademarks, or any other trademarks, service marks or trade names, except for Prohibited Items (as defined below), through any distribution channels or methods, without compensation to any developer. The distribution channels or methods include, without limitation, grocery stores, club stores, convenience stores, wholesale, hospitals, clinics, health care facilities,

business or industry locations (e.g. manufacturing site, office building), military installations, military commissaries or the internet (or any other existing or future form of electronic commerce). The Prohibited Items are the following items that we will not sell in the Development Territory through other distribution channels or methods: NONE.

Further, you acknowledge that certain locations within the Development Territory are by their nature unique and separate in character from sites generally developed as BETTER THAN SEX Locations. As a result, you agree that the following locations ("Special Sites") are excluded from the Development Territory and we have the right, subject to our then-current Special Sites Impact Policy, to develop or franchise such locations: (1) military bases; (2) public transportation facilities; (3) sports facilities, including race tracks; (4) student unions or other similar buildings on college or university campuses; (5) amusement and theme parks; and (6) community and special events.

E. This Agreement is not a Franchise Agreement and you have no right to use in any manner the Trademarks by virtue of this Agreement. You have no right under this Agreement to sublicense or sub-franchise others to operate a business or Location or use the System or the Trademarks.

DEVELOPMENT FEE

3. You must pay a Development Fee as described below:

A. As consideration for the rights granted in this Agreement, you must pay us a "Development Fee" of $\$19,950.00 \times \# \text{ of Locations}$, representing one-half of the Initial Franchise Fee for each Location to be developed under this Agreement. The Initial Franchise Fee for the first Location is \$39,900.00. The Initial Franchise Fee for the second Location and for each subsequent Location is \$39,900.00 less \$19,950.00 paid as Development Fee, which is \$19,950.00.

The Development Fee is consideration for this Agreement and not consideration for any Franchise Agreement, is fully earned by us upon execution of this Agreement and is non-refundable. The part of the Initial Franchise Fee that is included in the Development Fee is credited against the Initial Franchise Fee payable upon the signing of each individual Franchise Agreement. The balance of the Initial Franchise Fee for the first Location must be paid at the time of execution of this Agreement, together with the execution by you of the Franchise Agreement for the first Location. The total amount to be paid by you at the time of execution of this Agreement pursuant to this Section, including both the Development Fee and the balance of the Initial Franchise Fee for your first Location is \$39,900.00. The balance of the Initial Franchise Fee for each subsequent Location is due as specified in Section 3.B.

B. You must submit a separate application for each Location to be established by you within the Development Territory as further described in Section 4. Upon our consent to the site of your Location, a separate Franchise Agreement must be executed for each such Location, at which time the balance of the Initial Franchise Fee for that Location is due and owing. Such payment represents the balance of the appropriate Initial Franchise Fee, as described above in Section 3.A. Upon the

execution of each Franchise Agreement, the terms and conditions of the Franchise Agreement control the establishment and operation of such Location.

DEVELOPMENT SCHEDULE

4. The following provisions control with respect to your development rights and obligations:

A. You are bound by and strictly must follow the Development Schedule. By the dates set forth under the Development Schedule, you must enter into Franchise Agreements with us pursuant to this Agreement for the number of Locations described under the Development Schedule. You also must comply with the Development Schedule requirements regarding (i) the Location type to be developed and the opening date for each Location and (ii) the cumulative number of Locations to be open and continuously operating for business in the Development Territory. If you fail to either execute a Franchise Agreement or to open a Location according to the dates set forth in the Franchise Agreement, we, in our sole discretion, may (i) require that you hire a franchise development expert with recognized experience in developing franchises in a similar line of business to ours or (ii) immediately terminate this Agreement pursuant to Section 7.B.

B. You may not develop a Location unless (i) at least 45 days, but no more than 60 days, prior to the date set forth in the Development Schedule for the execution of each Franchise Agreement, you send us a notice (a) requiring that we send you our then current disclosure documents, (b) confirming your intention to develop the particular Location and (c) sending us all information necessary to complete the Franchise Agreement for the particular Location and (ii) all of the following conditions have been met (these conditions apply to each Location to be developed in the Development Territory):

1. Your Submission of Proposed Site. You must find a proposed site for the Location which you reasonably believe to conform to our site selection criteria, as modified by us from time to time, and submit to us a complete site report (containing such demographic, commercial, and other information and photographs as we may reasonably require) for such site.

2. Our Consent to Proposed Site. You must receive our written consent to your proposed site. We agree not to unreasonably withhold consent to a proposed site. Prior to granting our consent to a site, you must have the site evaluated by the proprietary site evaluator software that has been developed by MapQuest or any similar mapping software. In approving or disapproving any proposed site, we will consider such matters as we deem material, including demographic characteristics of the proposed site, traffic patterns, competition, the proximity to other businesses, the nature of other businesses in proximity to the site, and other commercial characteristics (including the purchase or lease obligations for the proposed site) and the size of premises, appearance and other physical characteristics. Our consent to a proposed site, however, does not in any way constitute a guaranty by us as to the success of the Location.

3. Your Submission of Information. You must furnish to us, at least 30 days prior to the earliest of (i) the date set forth in the Development Schedule by which you must execute a Franchise Agreement or (ii) the actual date in which the Franchise Agreement would be executed, a franchise application for the proposed Location, financial statements and other information regarding you, the operation of any of your other Locations within the Development Territory and the development and operation of the proposed Location (including, without limitation, investment and financing plans for the proposed Location) as we may reasonably require.

4. Your Compliance with Our Then-Current Standards for Franchisees. You must receive written confirmation from us that you meet our then-current standards for franchisees, including financial capability criteria for the development of a new Location. You acknowledge and agree that this requirement is necessary to ensure the proper development and operation of your Locations, and preserve and enhance the reputation and goodwill of all BETTER THAN SEX Locations and the goodwill of the Trademarks. Our confirmation that you meet our then-current standards for the development of a new Location, however, does not in any way constitute a guaranty by us as to your success.

5. Good Standing. You must not be in default of this Agreement, any Franchise Agreement entered into pursuant to this Agreement or any other agreement between you or any of your affiliates and us or any of our affiliates. You also must have satisfied on a timely basis all monetary and material obligations under the Franchise Agreements for all existing Locations.

6. Execution of Franchise Agreement. You and we must enter into our then-current form of Franchise Agreement for the proposed Location. You understand that we may modify the then-current form of Franchise Agreement from time to time and that it may be different than the current form of Franchise Agreement, including different fees and obligations. You understand and agree that any and all Franchise Agreements will be construed and exist independently of this Agreement. The continued existence of each Franchise Agreement will be determined by the terms and conditions of such Franchise Agreement. Except as specifically set forth in this Agreement, the establishment and operation of each Location must be in accordance with the terms of the applicable Franchise Agreement.

C. You must begin substantial construction of each of the Locations at least 150 days before the deadline to open each of the Locations if the Location will be in a free standing location or at least 120 days before the deadline to open the Location if the Location will be in a non-free standing location. In addition, on or before the deadlines to start construction you must submit to us executed copies of any loan documents and/or any other document that proves that you have secured adequate financing to complete the construction of the Location by the date you are obligated to have that Location open and in operation. In the event that you fail to comply with any of these obligations, we

will have the right to terminate this Agreement without opportunity to cure pursuant to subparagraph 7.B.

D. You acknowledge that you have conducted an independent investigation of the prospects for the establishment of Locations within the Development Territory, and recognize that the business venture contemplated by this Agreement involves business and economic risks and that your financial and business success will be primarily dependent upon the personal efforts of you and your management and employees. We expressly disclaim the making of, and you acknowledge that you have not received, any estimates, projections, warranties or guaranties, express or implied, regarding potential gross sales, profits, earnings or the financial success of the Locations you develop within the Development Territory.

E. You recognize and acknowledge that this Agreement requires you to open Locations in the future pursuant to the Development Schedule. You further acknowledge that the estimated expenses and investment requirements set forth in the Franchise Disclosure Document and Franchise Agreement are only estimates and are subject to increase over time, and that future Locations likely will involve different initial investment and operating capital requirements than those stated in the Franchise Disclosure Document or Franchise Agreement provided to you prior to the execution of this Agreement. You are obligated to execute all the Franchise Agreements and open all the Locations on the dates set forth on the Development Schedule, regardless of (i) the requirement of a greater investment, (ii) the financial condition or performance of your prior Locations, or (iii) any other circumstances, financial or otherwise. The foregoing shall not be interpreted as imposing any obligation upon us to execute the Franchise Agreements under this Agreement if you have not complied with each and every condition necessary to develop the Locations.

TERM

5. Unless sooner terminated in accordance with Section 7 of this Agreement, the term of this Agreement and all rights granted to you will expire on the date that your last BETTER THAN SEX Location is scheduled to be opened under the Development Schedule.

YOUR DUTIES

6. You must perform the following obligations:

A. You must comply with all of the terms and conditions of each Franchise Agreement, including the operating requirements specified in each Franchise Agreement.

B. You and your owners, officers, directors, shareholders, partners, members and managers (if any) acknowledge that your entire knowledge of the operation of a BETTER THAN SEX Location and the System, including the knowledge or know-how regarding the specifications, standards and operating procedures of the services and activities, is derived from information we disclose to you and that certain information is proprietary, confidential and constitutes our trade secrets. The term “trade secrets” refers to the whole or any portion of know-how, knowledge, methods, specifications,

processes, procedures and/or improvements regarding the business that is valuable and secret in the sense that it is not generally known to our competitors and any proprietary information contained in the manuals or otherwise communicated to you in writing, verbally or through the internet or other online or computer communications, and any other knowledge or know-how concerning the methods of operation of the Locations. You and your owners, officers, directors, shareholders, partners, members and managers (if any), jointly and severally, agree that at all times during and after the term of this Agreement, you will maintain the absolute confidentiality of all such proprietary information and will not disclose, copy, reproduce, sell or use any such information in any other business or in any manner not specifically authorized or approved in advance in writing by us. We may require that you obtain nondisclosure and confidentiality agreements in a form satisfactory to us from the individuals identified in the first sentence of this paragraph and other key employees.

C. You must comply with all requirements of federal, state and local laws, rules and regulations.

D. If you at some time in the future desire to make either a public or a private offering of your securities, prior to such offering and sale, and prior to the public release of any statements, data, or other information of any kind relating to the proposed offering of your securities, you must secure our written approval, which approval will not be unreasonably withheld. You must secure our prior written consent to any and all press releases, news releases and any and all other publicity, the primary purpose of which is to generate interest in your offering. Only after we have given our written approval may you proceed to file, publish, issue, and release and make public any said data, material and information regarding the securities offering. It is specifically understood that any review by us is solely for our own information, and our approval does not constitute any kind of authorization, acceptance, agreement, endorsement, approval, or ratification of the same, either expressly or implied. You may make no oral or written notice of any kind whatsoever indicating or implying that we and/or our affiliates have any interest in the relationship whatsoever to the proposed offering other than acting as Franchisor. You agree to indemnify, defend, and hold us and our affiliates harmless, and our affiliates' directors, officers, successors and assigns harmless from all claims, demands, costs, fees, charges, liability or expense (including attorneys' fees) of any kind whatsoever arising from your offering of information published or communicated in actions taken in that regard.

E. If neither you, your Principal Owner, nor any other person in your organization possesses, in our judgment, adequate experience and skills to allow you to locate, obtain and develop prime locations in the Development Territory to allow you to meet your development obligations under this Agreement, we can require that you hire or engage a person with those necessary skills.

DEFAULT AND TERMINATION

7. The following provisions apply with respect to default and termination:

A. The rights and territorial protection granted to you in this Agreement have been granted in reliance on your representations and warranties, and strictly on the conditions set forth in Sections 2, 4 and 6 of this Agreement, including the condition that you comply strictly with the Development Schedule.

B. You will be deemed in default under this Agreement if you breach any of the terms of this Agreement, including the failure to meet the Development Schedule, or the terms of any Franchise Agreement or any other agreements between you or your affiliates and us or our affiliates. All rights granted in this Agreement immediately terminate upon written notice without opportunity to cure if: (i) you become insolvent, commit any affirmative action of insolvency or file any action or petition of insolvency, (ii) a receiver (permanent or temporary) of your property is appointed by a court of competent authority, (iii) you make a general assignment or other similar arrangement for the benefit of your creditors, (iv) a final judgment remains unsatisfied of record for 30 days or longer (unless supersedes bond is filed), (v) execution is levied against your business or property, (vi) suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within 30 days, or is not in the process of being dismissed, (vii) you fail to meet the development obligations set forth in the Development Schedule attached as Appendix B, (viii) failure to start substantial construction of any of the Locations by the date established in Section 4.C (ix) failure to secure financing for the construction of any of the Locations by the date set forth in Section 4.C (x) you violate the provisions of Section 10.N; (xi) you fail to comply with any other provision of this Agreement and do not correct the failure within 30 days after written notice of that failure is delivered to you, or (xii) we have delivered to you a notice of termination of a Franchise Agreement in accordance with its terms and conditions.

C. Alternatively, and at our discretion, in the event that you fail to meet the Development Schedule, we may elect to modify the Development Schedule and reduce the number of Locations granted to you therein to a schedule which we believe, in our sole and absolute discretion, which you are more capable of managing.

RIGHTS AND DUTIES OF PARTIES UPON TERMINATION OR EXPIRATION

8. Upon termination or expiration of this Agreement, all rights granted to you will automatically terminate, and:

A. All remaining rights granted to you to develop Locations under this Agreement will automatically be revoked and will be null and void. You will not be entitled to any refund of any fees. You will have no right to develop or operate any business for which a Franchise Agreement has not been executed by us. We will be entitled to develop and operate, or to franchise others to develop and operate, BETTER THAN SEX Locations in the Development Territory, except as may be otherwise provided under any Franchise Agreement that has been executed between us and you and that has not been terminated.

B. You must immediately cease to operate your business under this Agreement and must not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former developer of ours.

C. You must take such action as may be necessary to cancel or assign to us or our designee, at our option, any assumed name or equivalent registration that contains the name or any of the words

BETTER THAN SEX or any other Trademark of ours, and you must furnish us with evidence satisfactory to us of compliance with this obligation within 30 days after termination or expiration of this Agreement.

D. You must assign to us or our designee all your right, title, and interest in and to your telephone numbers and must notify the telephone company and all listing agencies of the termination or expiration of your right to use any telephone number in any regular, classified or other telephone directory listing associated with the Trademarks and to authorize transfer of same at our direction.

E. You must within 30 days of the termination or expiration pay all sums owing to us and our affiliates, including the balance of the Initial Franchise Fees that we would have received had you developed all of the Locations set forth in the Development Schedule. In addition to the Initial Franchise Fees for undeveloped Locations, you agree to pay as fair and reasonable liquidated damages (but not as a penalty) an amount equal to \$10,000.00 for each undeveloped Location. You agree that this amount is for lost revenues from Continuing Fees and other amounts payable to us, including the fact that you were holding the development rights for those Locations and precluding the development of certain Locations in the Development Territory, and that it would be difficult to calculate with certainty the amount of damage we will incur. Notwithstanding your agreement, if a court determines that this liquidated damages payment is unenforceable, then we may pursue all other available remedies, including consequential damages.

All unpaid amounts will bear interest at the rate of 18% per annum or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual. In the event of termination for any default by you, the sums due will include all damages, costs, and expenses, including reasonable attorneys' fees and expenses, incurred by us as a result of the default. You also must pay to us all damages, costs and expenses, including reasonable attorneys' fees and expenses that we incur subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement.

F. If this Agreement is terminated solely for your failure to meet the Development Schedule and for no other reason whatsoever, and you have opened at least 50% of the total number of Locations provided for in the Development Schedule, you may continue to operate those existing Locations under the terms of the separate Franchise Agreement for each Location. On the other hand, if this Agreement is terminated under any other circumstance, we have the option to purchase from you at book value all the assets used in the Locations that have been developed prior to the termination of this Agreement. Assets include leasehold improvements, equipment, automobiles/trucks/vans, furniture, fixtures, signs, inventory, liquor licenses and other transferable licenses and permits for the Locations.

We have the unrestricted right to assign this option to purchase. We or our assignee will be entitled to all customary warranties and representations given by the seller of a business including, without limitation, representations and warranties as to (i) ownership, condition and title to assets; (ii) liens and encumbrances relating to the assets; and (iii) validity of contracts and liabilities, inuring to us or affecting the assets, contingent or otherwise. The purchase price for the assets of the Locations

will be determined in accordance with the post-termination purchase option provision in the individual Franchise Agreement for each Location (with the purchase price to include the value of any goodwill of the business attributable to your operation of the Location if you are in compliance with the terms and conditions of the Franchise Agreement for that Location). The purchase price must be paid in cash at the closing of the purchase, which must take place no later than 90 days after your receipt of notice of exercise of this option to purchase, at which time you must deliver instruments transferring to us or our assignee: (i) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us or our assignee), with all sales and other transfer taxes paid by you; and (ii) all licenses and permits of the Locations that may be assigned or transferred. If you cannot deliver clear title to all of the purchased assets, or in the event there are other unresolved issues, the closing of the sale will be accomplished through an escrow. We have the right to set off against and reduce the purchase price by any and all amounts owed by you to us, and the amount of any encumbrances or liens against the assets or any obligations assumed by us. You and each holder of an interest in you must indemnify us and our affiliates against all liabilities not so assumed. You must maintain in force all insurance policies required pursuant to the applicable Franchise Agreement until the closing on the sale.

G. All of our and your obligations that expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied or by their nature expire.

TRANSFER

9. The following provisions govern any transfer:

A. We have the right to transfer all or any part of our rights or obligations under this Agreement to any person or legal entity.

B. This Agreement is entered into by us with specific reliance upon your personal experience, skills and managerial and financial qualifications. Consequently, this Agreement, and your rights and obligations under it, are and will remain personal to you. You may only Transfer your rights and interests under this Agreement if you obtain our prior written consent and you transfer all of your rights and interests under all Franchise Agreements for Locations in the Development Territory. Accordingly, the assignment terms and conditions of the Franchise Agreements shall apply to any Transfer of your rights and interests under this Agreement. As used in this Agreement, the term "Transfer" means any sale, assignment, gift, pledge, mortgage or any other encumbrance, transfer by bankruptcy, transfer by judicial order, merger, consolidation, share exchange, transfer by operation of law or otherwise, whether direct or indirect, voluntary or involuntary, of this Agreement or any interest in it, or any rights or obligations arising under it, or of any material portion of your assets, or of any interest in you.

C. THE COMPANY'S RIGHT OF FIRST REFUSAL. If developer (or its owners) shall at any time determine to sell, assign or transfer for consideration this Agreement (or an interest therein) or an ownership interest in developer, or all or substantially all of the assets of developer, developer (or

its owners) shall obtain a bona fide, executed written offer and earnest money deposit from a responsible and fully disclosed prospective purchaser and submit an exact copy of such offer to us. However, if the offeror proposes to buy any other property or rights, other than rights under Franchise Agreements executed pursuant hereto, from developer or any of its affiliated entities (or their respective owners) such proposal must be under a separate, contemporaneous offer. The price and terms of purchase offered to developer (or its owners) for the interest in this Agreement and Franchise Agreements or developer (or any affiliated entities) shall reflect the bona fide price offered therefor and shall not reflect any value for any other property or rights. We shall have the right, exercisable by written notice delivered to developer or its owners within fifteen (15) days from the date of delivery of an exact copy of such offer to us, to purchase this Agreement (or such interest in this Agreement) or such ownership interest in developer or such assets for the price and on the terms and conditions contained in such offer, provided that we may substitute cash for any form of payment proposed in such offer, our credit shall be deemed equal to the credit of any proposed purchaser and we shall have not less than fifteen (15) days to prepare for closing. If we do not exercise our right of first refusal, developer (or its owners) may complete the sale to such purchaser pursuant to and on the terms of such offer, subject to our approval, provided, however, that if the sale to such purchaser is not completed within one hundred eighty (180) days after delivery of such offer to us, or if there is a material change in the terms of the sale, we shall again have the right of first refusal provided herein.

D. DEATH OR PERMANENT DISABILITY OF DEVELOPER. Upon the death or permanent disability of developer or an owner of developer, the executor, administrator, conservator or other personal representative of such person shall transfer his interest within a reasonable time, not to exceed six (6) months from the date of death or permanent disability, to a third party approved by us. Such transfer, including, without limitation, transfer by devise or inheritance, shall be subject to all the terms and conditions for assignments and transfers contained in Section and, unless transferred by gift, devise or inheritance, subject to the terms of Section 9(C) hereof. Failure to dispose of such interest within said period of time shall constitute a breach of this Agreement.

E. CONDITIONS FOR APPROVAL OF TRANSFER. If developer (or, if developer is a corporation or partnership, its shareholders or partners) is in full compliance with this Agreement and all Franchise Agreements, we shall not unreasonably withhold our approval of a transfer that meets all the applicable requirements of this Section 9E. The proposed transferee and its owners must be individuals of good moral character and otherwise meet our then applicable standards for developers of Locations. A transfer of this Agreement may be made only in connection with the transfer to the same transferee of all interests of developer (and all of its affiliated entities) in every Location developed pursuant to this Agreement. If the transfer is of the development rights granted under this Agreement or a controlling interest in developer, or is one of a series of transfers which in the aggregate constitute the transfer of the development rights granted under this Agreement or a controlling interest in developer, all of the following conditions must be met prior to or concurrently with the effective date of the transfer:

- (1) the transferee must have sufficient business experience, aptitude and financial resources to operate developer's business and develop the Development Area;

- (2) Developer must pay us and our affiliates all amounts owed to us or our affiliates which are then due and unpaid and submit all required reports and statements which have not yet been submitted;
- (3) the transferee must agree to be bound by and expressly assume all of the terms and conditions of this Agreement for the remainder of its term;
- (4) Developer (and its owners) must execute general releases of any and all claims against us, our affiliates, officers, directors, employees and agents;
- (5) all Franchise Agreements between us and Developer or any affiliated entity must be transferred to the transferee of this Agreement (or the transferee of a controlling interest in developer);
- (6) Developer or the transferee must pay us a transfer fee in an amount equal to the Company's out-of-pocket expenses, which shall not exceed Fifteen Thousand Dollars (\$15,000.00), relating to review and approval of the proposed transfer; and this transfer fee shall be in addition to any and all transfer fees paid in connection with the transfers of Franchise Agreements in conjunction with this transfer;
- (7) the transferee and/or its personnel must agree to complete our training program to our satisfaction, for which the transferee must pay to the Company its then-current training fee; and
- (8) We shall not have exercised its right of first refusal pursuant to Section 9C hereof. If the proposed transfer is to or among owners of developer who have executed the attached form of Owner's Guaranty and Assumption of Developer's Obligations, none of the above requirements shall apply, and it should only require notice to the Company. Subparagraph (8) shall not apply to transfers by gift, bequest or inheritance. In connection with any assignment permitted under this Section 9E, developer shall provide us with all documents to be executed by developer and the proposed assignee or transferee at least thirty (30) days prior to execution.

MISCELLANEOUS

10. The parties agree to the following provisions:

A. You agree to indemnify, defend, and hold us, our affiliates and our officers, directors, shareholders and employees harmless from and against any and all claims, losses, damages and liabilities, however caused, arising directly or indirectly from, as a result of, or in connection with, the development, use and operation of your Locations, as well as the costs, including attorneys' fees, of defending against them ("Franchise Claims"). Franchise Claims include, but are not limited to, those arising from any death, personal injury or property damage (whether caused wholly or in part through our or our affiliate's active or passive negligence), latent or other defects in any Location, or your employment practices. In the event a Franchise Claim is made against us or our affiliates, we reserve the right in our sole judgment to select our own legal counsel to represent our interests, at your cost.

B. Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be separable in such

jurisdiction and the remainder of this Agreement is valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses.

C. No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights with respect to that or any other or subsequent breach. This Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement constitutes the sole agreement between the parties with respect to the entire subject matter of this Agreement and embodies all prior agreements and negotiations with respect to the business. You acknowledge and agree that you have not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of your business. There are no representations or warranties of any kind, express or implied, except as contained in this Agreement.

D. Except as otherwise provided in this Agreement, any notice, demand or communication provided for must be in writing and signed by the party serving the same and either delivered personally or by a reputable overnight service or deposited in the United States mail, service or postage prepaid, and if such notice is a notice of default or of termination, by registered or certified mail, and addressed as follows:

1. If to us, addressed to HAPPY ENDINGS FRANCHISING, INC. at 531 Truman Avenue, Key West, FL 33040;

1. If to you, addressed to you at _____;

Or, in either case, to such other address as may have been designated by notice to the other party. Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this subparagraph.

E. Any modification, consent, approval, authorization or waiver granted in this Agreement required to be effective by signature will be valid only if in writing executed by the Principal Owner or, if on behalf of us, in writing executed by our President or one of our authorized Vice Presidents.

F. The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

1. Applicable Law and Waiver. Subject to our rights under federal trademark laws, the parties' rights under this Agreement, and the relationship between the parties, is governed by, and will be interpreted in accordance with, the laws (statutory and otherwise) of the state of Florida. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through the laws of any state relating to franchises or business opportunities, other than those of the state in which your first Location is located.

2. Our Rights. Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify the express limitations set forth in this Agreement.

3. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

G. Any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties that is not subject to arbitration under Section 10.M must be brought in the Federal District Court for the District of Monroe County, Florida or in the state courts of Monroe County, Florida. Both parties irrevocably submit themselves to, and consent to, the jurisdiction of said courts. The provisions of this Section will survive the termination of this Agreement. You are aware of the business purposes and needs underlying the language of this subparagraph, and with a complete understanding, agree to be bound in the manner set forth.

H. All parties hereby waive any and all rights to a trial by jury in connection with the enforcement or interpretation by judicial process of any provision of this Agreement, and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for breach of this Agreement.

I. You and us and our affiliates agree to waive, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained.

J. If you are a corporation, partnership, limited liability company or partnership or other legal entity, all of your Principal Owners must execute the form of undertaking and guarantee at the end of this Agreement. Any person or entity that at any time after the date of this Agreement becomes a Principal Owner must execute the form of undertaking and guarantee at the end of this Agreement.

K. You and we are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venturer or employee of the other. Neither party may obligate the other or

represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence.

L. In the event of any failure of performance of this Agreement according to its terms by any party due to force majeure will not be deemed a breach of this Agreement. For purposes of this Agreement, “force majeure” shall mean acts of God, State or governmental action, riots, disturbance, war, strikes, lockouts, slowdowns, prolonged shortage of energy supplies or any raw material, epidemics, fire, flood, hurricane, typhoon, earthquake, lightning and explosion or other similar event or condition, not existing as of the date of signature of this Agreement, not reasonably foreseeable as of such date and not reasonably within the control of any party hereto, which prevents in whole or in material part the performance by one of the parties hereto of its obligations hereunder.

M. Except as qualified below, any dispute between you and us or any of our or your affiliates arising under, out of, in connection with or in relation to this Agreement, the parties’ relationship, or the business must be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be arbitrated in accordance with the then-current rules and procedures and under the auspices of the American Arbitration Association. The arbitration must take place in Monroe County, Florida, or at such other place as may be mutually agreeable to the parties. The decision of the arbitrators will be final and binding on all parties to the dispute; however, the arbitrators may not under any circumstances: (i) stay the effectiveness of any pending termination of this Agreement; (ii) assess punitive or exemplary damages; or (iii) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set.

Before the filing of any arbitration, the parties agree to mediate any dispute that does not include injunctive relief or specific performance actions covered below, provided that the party seeking mediation must notify the other party of its intent to mediate prior to the termination of this Agreement. Mediation will be conducted by a mediator or mediation program agreed to by the parties. Persons authorized to settle the dispute must attend any mediation session. The parties agree to participate in the mediation proceedings in good faith with the intention of resolving the dispute if at all possible within 30 days of the notice from the party seeking to initiate the mediation procedures. If not resolved within 30 days, the parties are free to pursue arbitration. Mediation is a compromise negotiation for purposes of the federal and state rules of evidence, and the entire process is confidential.

Nothing in this Agreement bars our right to obtain injunctive relief against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions. Furthermore, we and our affiliates have the right to commence a civil action against you or take other appropriate action for the following reasons: to collect sums of money due to us; to compel your compliance with trademark standards and requirements to protect the goodwill of the Trademarks; to compel you to compile and submit required reports to us; or to permit evaluations or audits authorized by this Agreement.

N. The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement, any lease or sublease for the Location or Authorized Location, or the business will be entitled to recover its reasonable attorneys' fees and costs.

O. During the term of this Agreement, you may not employ or seek to employ, directly or indirectly, any person who is at the time or was at any time during the prior ONE year period employed in any type of managerial position by us or any of our subsidiaries or affiliates, or by any franchisee in the system. In the event that you violate this provision, we will have the right to terminate this Agreement without opportunity to cure pursuant to subparagraph 7.B. In addition, any party who violates this provision agrees to pay as fair and reasonable liquidated damages (but not as a penalty) an amount equal to 2 times the annual compensation that the person being hired away was perceiving at the time the violating party offers her/him employment. You agree that this amount is for the damages that we will suffer for the loss of the person hired away by you, including the costs of finding, hiring and training a new employee and for the loss of the services and experience of the employee hired away, and that it would be difficult to calculate with certainty the amount of damages that we will incur. Notwithstanding the foregoing, if a court determines that this liquidated damages payment is unenforceable, then we may pursue all other available remedies, including consequential damages. This subparagraph will not be violated if at the time you employ or seek to employ the person, we have given our written consent. The parties acknowledge and agree that any franchisee from whom an employee was hired by you in violation of this subparagraph shall be a third-party beneficiary of this provision, but only to the extent that they may seek compensation from you.

P. Developer covenants that, except as otherwise approved in writing by us, developer shall not, during the term of this Agreement, or for a continuous uninterrupted period of five (5) years from the date of: (a) a transfer permitted under Section 9 above; (b) expiration or termination of this Agreement (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section: Either directly or indirectly (through, on behalf of, or in conjunction with any persons, partnership, corporation or entity), own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to our Business and which business is, or is intended to be, located within the Development Area, or within twenty five (25) miles of the border of the Development Area or within a twenty five (25) mile radius of any Better Than Sex location operating at the time that the obligations under this Section 10P commence.

Q. We will designate the "Effective Date" of this Agreement in the space provided on the cover page. If no Effective Date is designated on the cover page, the Effective Date is the date when we sign this Agreement.

R. LIMITATIONS OF CLAIMS. ANY AND ALL CLAIMS ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP AMONG THE PARTIES HERETO SHALL BE BARRED UNLESS AN ACTION OR LEGAL OR ARBITRATION PROCEEDING IS COMMENCED WITHIN EIGHTEEN (18) MONTHS FROM THE DATE DEVELOPER OR WE KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO SUCH CLAIM,

EXCEPT TO THE EXTENT ANY APPLICABLE LAW OR STATUTE PROVIDES FOR A SHORTER PERIOD OF TIME TO BRING A CLAIM. THE PARTIES AGREE THAT ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT A PROCEEDING BETWEEN US AND DEVELOPER MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN US AND ANY OTHER PERSON OR ENTITY, NOR MAY ANY CLAIMS OF ANOTHER PARTY OR PARTIES BE JOINED WITH ANY CLAIMS ASSERTED IN ANY ACTION OR PROCEEDING BETWEEN US AND DEVELOPER.

[SIGNATURE PAGE BELOW]

IN WITNESS WHEREOF, the parties have executed the foregoing Agreement as of the dates written below.

Franchisor

HAPPY ENDINGS FRANCHISING, INC.

By: _____

Name: _____

Title: _____

Date: _____

Developer

By: _____

Name: _____

Title: _____

Date: _____

Guarantors

By: _____

Name: _____

Date: _____

By: _____

Name: _____

Date: _____

By: _____

Name: _____

Date: _____

APPENDIX A
DEVELOPMENT TERRITORY

Your **Development Territory** shall consist of the area _____
_____.

APPENDIX B
DEVELOPMENT SCHEDULE

Unit Number	Date by Which Franchise Agreement Must be Signed	Opening Date	Cumulative Number of Units Operating in Territory by the Date in the Preceding Column
1			
2			
3			
4			

APPENDIX C TO AREA DEVELOPMENT AGREEMENT
OWNER'S GUARANTY AND ASSUMPTION OF DEVELOPER'S OBLIGATIONS

As an inducement to HAPPY ENDINGS FRANCHISING, INC., a Florida limited liability company ("Company") to execute HAPPY ENDINGS FRANCHISING, INC.'s Area Development Agreement between Company and _____ ("Developer") dated _____, 20__ (the "Agreement"), the undersigned, jointly and severally, hereby unconditionally guarantee to Company and Company's successors and assigns that all of Developer's monetary and other obligations under the Agreement will be punctually paid and performed.

Upon demand by the Company, the undersigned each hereby jointly and severally agree to immediately make each payment required of Developer under the Agreement and waive any right to require the Company to: (a) proceed against Developer for any payment required under the Agreement; (b) proceed against or exhaust any security from Developer; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Developer; or (d) give notice of demand for payment by Developer. Without affecting the obligations of the undersigned under this Guarantee, the Company may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Developer, or settle, adjust, or compromise any claims against Developer, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Company, Company's affiliates, and their respective officers, directors, employees, and agents harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Developer to perform any obligation of Developer under the Agreement, any amendment thereto, or any other agreement executed by Developer referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the "BETTER THAN SEX" marks or system licensed to Developer under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms.

Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

If the Company is required to enforce this Guarantee in a judicial or arbitration proceeding, and prevails in such proceeding, the Company shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If the Company is required to engage legal counsel in connection with any failure by the undersigned to comply with this

Guarantee, the undersigned shall reimburse the Company for any of the above-listed costs and expenses the Company incurs.

Subject to the provisions below, each of the undersigned agrees that all actions arising under this Guarantee or the Agreement, or otherwise as a result of the relationship between Company and the undersigned, must be commenced in the state or federal court of general jurisdiction in Monroe County, Florida, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that the Company may enforce this Guarantee and any orders and awards in the courts of the state or states in which he or she is domiciled.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be governed, interpreted, and construed in accordance with Section 10M of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Florida. In the event of any conflict of law, the laws of the State of Florida shall prevail (without regard to, and without giving effect to, the application of Florida conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

Guarantors

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

APPENDIX D LIST OF PRINCIPALS

Holders of Legal or Beneficial Interest:

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Percentage of ownership: _____%

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Percentage of ownership: _____%

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Percentage of ownership _____%

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Percentage of ownership _____%

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Percentage of ownership: _____ %

E-mail address: _____

Percentage of ownership _____ %

Officers and Directors:

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

HAPPY ENDINGS FRANCHISING, INC.

FINANCIAL STATEMENTS

EXHIBIT F TO THE DISCLOSURE DOCUMENT

HAPPY ENDINGS FRANCHISING, INC.

Financial Statements

December 31, 2017

(With Independent Auditors'
Report Thereon)

SMITH, BUZZI & ASSOCIATES, LLC.
CERTIFIED PUBLIC ACCOUNTANTS
9425 SUNSET DRIVE, SUITE 180
MIAMI, FLORIDA 33173
TEL. (305) 598-6701
FAX (305) 598-6716

JULIO M. BUZZI, C.P.A.
JOSE E. SMITH, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of
Happy Endings Franchising, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Happy Endings Franchising, Inc., which comprise the balance sheet as of December 31, 2017 and the related statements of operations and stockholders' equity and cash flows for the period from August 10, 2017 to December 31, 2017 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Happy Endings Franchising, Inc., as of December 31, 2017 and the results of its operations and cash flows for the period from August 10, 2107 to December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Smith, Bugg & Associates, LLC.

Miami, Florida
February 22, 2018

HAPPY ENDINGS FRANCHISING, INC.

Balance Sheet
December 31, 2017

Assets

Cash	\$ 113,217
Organizational costs, net of accumulated amortization of \$1,111	<u>43,389</u>
Total assets	\$ <u>156,606</u>

Liabilities and Stockholders' Equity

Advance from affiliate	\$ 63,250
Stockholders' Equity	<u>93,356</u>
Total Stockholders' Equity	<u>93,356</u>
Total Liabilities and Stockholders' Equity	\$ <u>156,606</u>

See accompanying notes to financial statements.

HAPPY ENDINGS FRANCHISING, INC.

Statement of Operations and Stockholders' Equity

For the Period from August 10, 2017 to December 31, 2017

Franchise sales:	\$ -
Expenses:	
Marketing costs	5,533
Franchise fees and costs	-
Printing expense	-
Office expenses and other charges	-
Amortization expense	1,111
Professional fees	<u>5,000</u>
Total expenses	<u>11,644</u>
Net income (loss)	(11,644)
Contributions (paid in capital)	105,000
Distributions	-
Stockholders' equity, beginning of period	<u>-</u>
Stockholders' equity, end of period	<u>\$ 93,356</u>

See accompanying notes to financial statements.

HAPPY ENDINGS FRANCHISING, INC.

Statement of Cash Flows

For the Period from August 10, 2017 to December 31, 2017

Cash flows from operating activities:	
Net income	\$ (11,644)
Adjustments to reconcile net income	
to net cash provided by operating	
activities:	
Amortization expense	1,111
(Increase) decrease in assets:	
Security deposit - lease	-
Due from affiliate	-
Organizational costs	(44,500)
Increase (decrease) in liabilities:	
Due to affiliate	<u>63,250</u>
Net cash provided by operating	
activities	<u>8,217</u>
Cash flows from investing activities:	
Fixed asset acquisitions, net	<u>-</u>
Net cash used by investing	
activities	<u>-</u>
Cash flows from financing activities:	
Distributions	-
Capital contributions	<u>105,000</u>
Net cash provided by financing	
activities	<u>105,000</u>
Net increase in cash and cash equivalents	113,217
Cash and cash equivalents, beginning of period	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ 113,217</u>
Supplementary disclosure of cash flow information:	
Cash paid during the year for:	
Interest	<u>\$ -</u>
Income taxes	<u>\$ -</u>

See accompanying notes to financial statements.

HAPPY ENDINGS FRANCHISING, INC.

Notes to Financial Statements

December 31, 2017

1. **Summary of Significant Accounting Policies**

Happy Endings Franchising, Inc. ("Company") was formed in the State of Florida in March 2017. The principal purpose of the Company is to offer and sell franchises that open dessert only restaurants specializing in mystery, romance and indulgence wrapped up into the most decadent and sweet dining experience.

a) **Method of Accounting**

Assets and liabilities and revenue and expenses are recognized on the accrual basis of accounting.

b) **Property and Equipment**

Property and equipment will be stated at cost. Depreciation will be computed using the straight line method of depreciation over the estimated useful life of the assets, which are 5 years.

For federal income tax purposes, depreciation will be computed using the appropriate accelerated methods allowed for tax purposes.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment will be capitalized. Expenditures for maintenance and repairs will be charged to expense as incurred.

c) **Franchise Revenues**

Income will principally be comprised of revenues earned by the Company as part of the franchise sales to customers. Additional revenues earned by the Company are expected from the sales of products, marketing materials and other services to the franchisees and royalties.

The Company recognizes its franchise revenues in accordance with Statement of Financial Accounting Standards No. 45, which requires that franchise fees from area franchise sales be recognized, net of an allowance for uncollectible amounts, only when all material services or conditions relating to the sale have been substantially performed or satisfied by the franchisor. Generally, these services include training and support in approving franchisee's territory selection.

HAPPY ENDINGS FRANCHISING, INC.

Notes to Financial Statements

December 31, 2017

1. **Summary of Significant Accounting Policies - (Cont.)**

d) **Accounts Receivable**

Trade accounts receivable will consist of amounts due for franchise sales, will be carried at their estimated collectible amounts and trade credit will be generally extended on a short-term basis; thus trade receivables do not bear interest. Trade accounts receivable are to be periodically evaluated for collectibility based on past credit history with customers and their current financial condition.

The Company will use the reserve method of accounting for bad debts for financial reporting purposes and the direct write-off method for income tax purposes. Trade accounts receivable are charged against the allowance account when such receivables are deemed to be uncollectible. Management considers all unreserved accounts receivable to be collectible. As of December 31, 2017, a total of \$0 in accounts were reserved.

e) **Income Taxes**

The Company is expected to file an election with the Internal Revenue service to be treated as a Subchapter S Corporation for all its taxable years. A Subchapter S Corporation is not subject to corporate income tax. The Company's taxable income or loss and tax credits pass through to the stockholder(s).

The Company follows the provisions of Accounting Standards Codification 740-10, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in the financial statements. The evaluation was performed for the tax year ended December 31, 2017, the tax year which remains subject to examination by major tax jurisdictions as of December 31, 2017.

f) **Cash Flows**

For purposes of the statement of cash flows, cash equivalents consist of cash on hand and in banks.

HAPPY ENDINGS FRANCHISING, INC.

Notes to Financial Statements

December 31, 2017

1. Summary of Significant Accounting Policies - (Cont.)

g) Pervasiveness of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

h) Long-Lived Assets

The Company reviews the carrying value of its long lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. No adjustment has been provided for in the financial statements.

i) Concentrations, Risks and Uncertainties

Financial instruments which subject the Company to concentrations of credit risk include cash and cash equivalents. The Company maintains its cash in well-known financial institutions selected based upon management's assessment of the financial institution's financial stability.

j) Fair Value

The Company follows ASC 820-10, "Fair Value Measurements". ASC 820-10 provides a definition of fair value, establishes a framework for measuring fair value under Generally Accepted Accounting Principles ("GAAP") and requires expanded disclosure about fair value measurements. The standard applies when GAAP requires or allows assets or liabilities to be measured at fair value and, therefore, does not expand the use of fair value in any new circumstance. The fair value of financial instruments to be classified as assets or liabilities including cash and trademarks approximate carrying value, principally because of the short maturity of those items.

HAPPY ENDINGS FRANCHISING, INC.

Notes to Financial Statements

December 31, 2017

2. **Franchisee Supplies**

Franchisees purchase the initial and on-going inventory needed for the operation of their business directly from the Company. The Company is expected to maintain sufficient inventory for all products offered, for immediate delivery to new and existing franchisees. The Company began offering franchises in September of 2017. Franchisee related inventory or supplies were not considered at the time of this audit.

3. **Property and Equipment**

Property and equipment at December 31, 2017, consists of the following:

Computer	\$	-
Office furniture and equipment		-
		-
Less accumulated depreciation		-
	\$	-

Depreciation expense for the period ended on December 31, 2017 amounted to \$0.

4. **Franchise Sales and Agreements**

The Company began offering franchises for sale in September of 2017. As of December 31, 2017, no franchises have been recorded as sold.

The Company will enter into franchise agreements with its franchisees. Company's franchise agreements require the Company to provide various items to franchisees including, but not limited to, marketing and operational support.

5. **Subsequent Events**

Management has evaluated subsequent events through February 22, 2018, the date at which the financial statements were available for issue and does not believe that there are any subsequent events that require adjustment or disclosure in the accompanying financial statements.

HAPPY ENDINGS FRANCHISING, INC.

Financial Statements

August 10, 2017

(With Independent Auditors'
Report Thereon)

SMITH, BUZZI & ASSOCIATES, LLC.
CERTIFIED PUBLIC ACCOUNTANTS
5901 SW 74 STREET, SUITE 300
SOUTH MIAMI, FLORIDA 33143
TEL. (305) 669-4170
FAX (305) 669-4173

JULIO M. BUZZI, C.P.A.
JOSE E. SMITH, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of
Happy Endings Franchising, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Happy Endings Franchising, Inc., which comprise the balance sheet as of August 10, 2017 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Happy Endings Franchising, Inc., as of August 10, 2017 in conformity with accounting principles generally accepted in the United States of America.

Smith, Buzze & Associates, LLC.

Miami, Florida
August 31, 2017

HAPPY ENDINGS FRANCHISING, INC.

Balance Sheet

August 10, 2017

Assets

Cash	\$ 25,000
Total assets	\$ 25,000

Liabilities and Stockholders' Equity

Liabilities	\$ -
Stockholders' Equity	25,000
Total Stockholders' Equity	25,000
Total Liabilities and Stockholders' Equity	\$ 25,000

See accompanying notes to financial statements.

HAPPY ENDINGS FRANCHISING, INC.

Notes to Financial Statements

August 10, 2017

1. Summary of Significant Accounting Policies

Happy Endings Franchising, Inc. ("Company") was formed in the State of Florida in March 2017. The principal purpose of the Company is to offer and sell franchises that open dessert only restaurants specializing in mystery, romance and indulgence wrapped up into the most decadent and sweet dining experience.

a) Method of Accounting

Assets and liabilities and revenue and expenses are recognized on the accrual basis of accounting.

b) Property and Equipment

Property and equipment will be stated at cost. Depreciation will be computed using the straight line method of depreciation over the estimated useful life of the assets, which are 5 years.

For federal income tax purposes, depreciation will be computed using the appropriate accelerated methods allowed for tax purposes.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment will be capitalized. Expenditures for maintenance and repairs will be charged to expense as incurred.

c) Franchise Revenues

Income will principally be comprised of revenues earned by the Company as part of the franchise sales to customers. Additional revenues earned by the Company are expected from the sales of products, marketing materials and other services to the franchisees and royalties.

The Company recognizes its franchise revenues in accordance with Statement of Financial Accounting Standards No. 45, which requires that franchise fees from area franchise sales be recognized, net of an allowance for uncollectible amounts, only when all material services or conditions relating to the sale have been substantially performed or satisfied by the franchisor. Generally, these services include training and support in approving franchisee's territory selection.

HAPPY ENDINGS FRANCHISING, INC.

Notes to Financial Statements

August 10, 2017

1. Summary of Significant Accounting Policies - (Cont.)

d) Accounts Receivable

Trade accounts receivable will consist of amounts due for franchise sales, will be carried at their estimated collectible amounts and trade credit will be generally extended on a short-term basis; thus trade receivables do not bear interest. Trade accounts receivable are to be periodically evaluated for collectibility based on past credit history with customers and their current financial condition.

The Company will use the reserve method of accounting for bad debts for financial reporting purposes and the direct write-off method for income tax purposes. Trade accounts receivable are charged against the allowance account when such receivables are deemed to be uncollectible. Management considers all unreserved accounts receivable to be collectible. As of August 10, 2017, a total of \$0 in accounts were reserved.

e) Income Taxes

The Company is expected to file an election with the Internal Revenue service to be treated as a Subchapter S Corporation for all its taxable years. A Subchapter S Corporation is not subject to corporate income tax. The Company's taxable income or loss and tax credits pass through to the stockholder(s).

f) Cash Flows

For purposes of the statement of cash flows, cash equivalents consist of cash on hand and in banks.

g) Pervasiveness of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HAPPY ENDINGS FRANCHISING, INC.

Notes to Financial Statements

August 10, 2017

1. Summary of Significant Accounting Policies - (Cont.)

h) Long-Lived Assets

The Company reviews the carrying value of its long lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. No adjustment has been provided for in the financial statements.

i) Concentration of Credit Risk

The Company maintains cash in checking accounts with federally insured banks.

2. Franchisee Supplies

Franchisees purchase the initial and on-going inventory needed for the operation of their business directly from the Company. The Company is expected to maintain sufficient inventory for all products offered, for immediate delivery to new and existing franchisees. The Company is scheduled to start offering franchises in September of 2017. Franchisee related inventory or supplies were not considered at the time of this audit.

3. Property and Equipment

Property and equipment at August 10, 2017, consists of the following:

Computer	\$	-
Office furniture and equipment		-
		-
Less accumulated depreciation		-
	\$	-

Depreciation expense for the period ended on August 10, 2017 amounted to \$0.

HAPPY ENDINGS FRANCHISING, INC.

Notes to Financial Statements

August 10, 2017

4. Franchise Sales and Agreements

The Company is scheduled to start offering franchises in September of 2017. As of August 10, 2017, since the Company has not started selling franchises, no franchises have been recorded as sold.

The Company will enter into franchise agreements with its franchisees. Company's franchise agreements require the Company to provide various items to franchisees including, but not limited to, marketing and operational support.

5. Subsequent Events

Management has evaluated subsequent events through August 31, 2017, the date at which the financial statements were available for issue and does not believe that there are any subsequent events that require adjustment or disclosure in the accompanying financial statements.

HAPPY ENDINGS FRANCHISING, INC.

LIST OF TERMINATED FRANCHISEES

EXHIBIT G TO THE DISCLOSURE DOCUMENT

There are no franchisees who have had an outlet terminated, cancelled, transferred, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the application date.

HAPPY ENDINGS FRANCHISING, INC.

LIST OF CURRENT FRANCHISEES

EXHIBIT G TO THE DISCLOSURE DOCUMENT

There are no franchisees who have executed a franchise agreement during the most recently completed fiscal year.

EXHIBIT H TO DISCLOSURE DOCUMENT

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, HAPPY ENDINGS FRANCHISING, INC. and you are preparing to enter into a Franchise Agreement for the operation of a franchised business. In this Franchisee Disclosure Questionnaire, HAPPY ENDINGS FRANCHISING, INC. will be referred to as “we” or “us.” The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed HAPPY ENDINGS FRANCHISING, INC. Franchise Agreement and each exhibit, addendum and schedule attached to it?
Yes ____ No ____

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?
Yes ____ No ____

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

3. Have you received and personally reviewed our Disclosure Document we provided to you?
Yes ____ No ____

4. Do you understand all of the information contained in the Disclosure Document?
Yes ____ No ____

EXHIBIT H TO THE DISCLOSURE DOCUMENT (continued)

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

5. Have you discussed the benefits and risks of operating the franchised business with an attorney, accountant or other professional advisor and do you understand those risks?
Yes ____ No ____
6. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?
Yes ____ No ____
7. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of the franchised business that we or our franchisees operate?
Yes ____ No ____
8. Has any employee or other person speaking on our behalf made any statement or promise concerning a franchised business that is contrary to, or different from, the information contained in the Disclosure Document?
Yes ____ No ____
9. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a franchised business?
Yes ____ No ____
10. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?
Yes ____ No ____

EXHIBIT H TO THE DISCLOSURE DOCUMENT (continued)

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

12. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and these dealings are solely between you and us?
Yes ____ No ____

You understand that your answers are important to us and that we will rely on them.

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

Name of Franchisee/Applicant

Date: _____, 20____

Signature

Name and Title of Person Signing

Receipt

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If HAPPY ENDINGS FRANCHISING, INC. offers you a franchise, HAPPY ENDINGS FRANCHISING, INC. must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant unless otherwise stated in your state's addendum. The delivery of the Disclosure Document is to be received at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship in the State of Maryland or New York.

If HAPPY ENDINGS FRANCHISING, INC. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the State Administrator listed in Exhibit A.

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

HAPPY ENDINGS FRANCHISING, INC. Attn: Len Johnson, 531 Truman Avenue, Key West, FL 33040. (305) 817-0977.
FRANCHISE CREATOR, INC. 8725 NW 18th Terrace, Suite 306, Miami, FL. 33172. (305) 592-9229

Date of Issuance: February 7, 2018

Our Agents for Service of Process are listed in Exhibit B.

I have received a Franchise Disclosure Document including the following exhibits on the date listed below:

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

Please sign and print your name below, date and return one copy of this receipt to HAPPY ENDINGS FRANCHISING, INC. and keep the other for your records.

Date of Receipt

Print Name

Signature

Return to:

(individually or as an officer, member or partner of)

HAPPY ENDINGS FRANCHISING, INC.
531 Truman Avenue
Key West, FL 33040

(Name of corporation, limited liability company or partnership)

a _____ corporation

(State of incorporation)

a _____ limited liability company

(State of organization)

a _____ partnership

(State where partnership formed)

Receipt

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(individually or as an officer, member or partner of)

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531 Truman Avenue
Key West, FL 33040

(Name of corporation, limited liability company or partnership)

a _____ corporation
(State of incorporation)

a _____ limited liability company
(State of organization)

a _____ partnership
(State where partnership formed)