MARKED TO SHOW CHANGES

Sweethoney Dessert

FRANCHISE DISCLOSURE DOCUMENT

Sweethoney Dessert, Inc.
a California corporation
~~160 14th~~**28976 Hopkins** Street, Suite ~~801~~**F**
~~Oakland~~**Hayward**, California ~~94612~~**94545**
(510) ~~717~~**918**-~~1109~~**1178**
www.sweethoneydessert.com

A *Sweethoney Dessert* franchisee will operate a Hong Kong-style restaurant featuring Asian-flavored puddings, jellies, soups, teas, juices and other food, and beverage items.

The total investment to begin operation of a *Sweethoney Dessert* restaurant is $241,600 to $340,750. This includes the initial franchise fee of $35,000 that must be paid to the franchisor.

This disclosure document summarizes certain provisions of your franchise agreement, ~~that we call your Business Cooperation Agreement~~ and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Allen Guoliang Yang at the above address and telephone number.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise", which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 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 also may be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: ~~May 31, 2017, as amended June,~~ **March** 30, ~~2017,~~ **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 CERTIFIED THE INFORMATION IN THIS 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 MEDIATION AND LITIGATION OF DISPUTES TAKE PLACE ONLY IN WHERE THE FRANCHISOR'S PRINCIPAL OFFICE IS LOCATED. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT. THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

~~4.~~

STATE EFFECTIVE DATES

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

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

State	Effective Date
California	~~August 1, 2017~~**Pending**

In all other states, the effective date of this Franchise Disclosure Document is the issuance date of ~~May 31, 2017, as amended June~~**March** 30, ~~2017.~~**2018**.

SWEETHONEY DESSERT

FRANCHISE DISCLOSURE DOCUMENT

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

In this Franchise Disclosure Document the words "we", "us" and "our" refer to Sweethoney Dessert, Inc., the franchisor of *Sweethoney Dessert* restaurants. The words "you" and "your" refer to the person, people or entity who buys a *Sweethoney Dessert* franchise.

We are a corporation that was formed in California on December 8, 2015. We do not do business under any other names. Our business address is ~~160 14th~~**28976 Hopkins** Street, Suite ~~801, Oakland, California 94612~~**F, Hayward, CA 94545**. Our Sweethoney Dessert business began with a partnership between our two officers as listed in Item 2 below. In November, 2015, they opened a Sweethoney Dessert restaurant in San Leandro, California, under a single-store license from Gangji Group Incorporated of Guangzhou, China, which has operated Sweethoney Dessert restaurants in China since 2006. The partners transferred their rights to the Sweethoney Dessert restaurant they opened and the license under which it was opened, to us , upon our formation in December, 2015. In March, 2016, we obtained the right to use the Sweethoney Dessert name and the Sweethoney Dessert recipes throughout the United States. We sold our restaurant in San Leandro in September, 2016.

The partnership's business address was the same as ours. We have no affiliates at this time. For more information on our license from Gangji Group Incorporated, see Item 13 below.

Sweethoney Dessert restaurants are Hong Kong-style restaurants featuring a selection of Asian desserts, including puddings, jellies, soups, teas, juices and other food, and beverage items.

Our only business is granting franchises for Sweethoney Dessert restaurants **and selling items to those restaurants**. We currently do not operate any Sweethoney Dessert restaurants. We have not offered franchises in any other lines of business.

The market for the food items served by Sweethoney Dessert restaurants is developed. Sweethoney Dessert restaurants cater principally to people of Asian descent who are familiar with the type of offerings provided by the restaurant but they also appeal to the general public.

Sweethoney Dessert restaurants compete for customers with other sellers of dessert items. Sweethoney Dessert restaurants normally are located in leased spaces, usually in neighborhood business districts, in local shopping centers or similar retail areas primarily serving Asian customers. It is likely that Sweethoney Dessert restaurants will have to compete for customers with other food providers in the same business districts, shopping centers and other areas in which they are located. Sales of Sweethoney Dessert restaurants are not seasonal.

Sweethoney Dessert restaurants are subject to laws and regulations affecting sellers of food products, including health and safety codes and environmental laws, as well as laws and rules applicable to businesses in general.

ITEM 2: BUSINESS EXPERIENCE

The principal officers who have responsibility concerning our franchises are:

<u>Allen Guoliang Yang – Chief Executive Officer and Director</u>

Mr. Yang became our Chief Executive Officer upon our formation in December, 2015. Mr. Yang was also the Clinic Coordinator of Asian Health Services in Oakland, California, from January, 2011 until September, 2016.

<u>Evonne Vun Ung – Chief Financial Officer and Secretary and Director</u>

Ms. Ung became our Chief Financial Officer and Secretary upon our formation. Ms. Ung was employed in Patient Social Services by Asian Health Services in Oakland, California, from May, 2008, until December, 2016.

ITEM 3: LITIGATION

On April 19, 2017, we entered into a Consent Order with the California Department of Business Oversight in a matter entitled *The Commissioner of Business Oversight vs. Sweethoney Dessert, Inc.* ("Consent Order"). In the Consent Order we agreed to desist and refrain from selling franchises in violation of the California Franchise Investment Law ("CFIL"), *California Corporations Code* Sections 31000 et seq. We did this because we determined that 3 transactions we entered into prior to the date of the Consent Order were franchises which we were then not registered to sell under the CFIL. We paid an Administrative Penalty of $2,500.00 and served a Notice of Violation on 2 of the purchasers of those contracts, the third transaction having been rescinded by mutual agreement before the date of the Consent Order.

No other litigation is required to be disclosed in this disclosure document.

ITEM 4: BANKRUPTCY

No bankruptcy proceedings are required to be disclosed in this disclosure document.

ITEM 5: INITIAL FEES

<u>Single Restaurant Fee:</u>

The initial franchise fee for a single *Sweethoney Dessert* restaurant is $35,000.00. The franchise fee is payable as follows: one-half of the franchise fee is payable when the Franchise Agreement is signed; the other half is payable when we approve your restaurant location or when you complete our training course, whichever happens first. Our training course is described in Item 11 below. The first half of the franchise fee becomes nonrefundable when we disclose our Proprietary Information, as defined in the Franchise Agreement, to you. The second half of the franchise fee is nonrefundable when paid.

Multiple Restaurant Fee:

If you are granted the right to purchase more than one *Sweethoney Dessert* restaurant, one-half of the initial franchise fee for your first restaurant and one-half of the initial franchise fee for each additional restaurant must be paid when the Franchise Agreement is signed. The balance of the franchise fee for your first *Sweethoney Dessert* restaurant is due upon our approval of your restaurant location or your completion of our training course, whichever happens first. The balance due for each additional restaurant covered by the Franchise Agreement is payable when we approve the location for each such restaurant. The franchise fees are nonrefundable.

The fee for your second and subsequent restaurant is discounted as discussed below.

Discount for Additional Restaurants:

Once you are an existing *Sweethoney Dessert* franchisee, if you desire to purchase a franchise for an additional *Sweethoney Dessert* restaurant, the initial franchise fee for each additional such restaurant will be equal to 75% of the single-restaurant franchise fee being charged at the time you sign the Franchise Agreement covering the additional restaurant or restaurants. Since we charge a reduced franchise fee for your restaurants under this provision, we can, in our discretion, reduce or eliminate the initial services we provide in connection with the opening of those restaurants.

Other than as discussed above, none of our franchise fees are refundable.

ITEM 6: OTHER FEES

OTHER FEES

The following chart lists the other fees you must pay to us in connection with a single-restaurant *Sweethoney Dessert* franchise.

Type of fee	Amount	Due Date	Remarks
Monthly Royalty	6% of your gross receipts	Quarterly	"Gross receipts" means the proceeds from all of your sales and services less the items specified in Section 9.01(b) of the Franchise Agreement.
Marketing Fund	Up to 3% of your gross receipts	When the royalty payment due.	This fee only becomes payable if and when we form a cooperative advertising program.
Additional Training Fee (See Note 2)	$250 per day per trainee	Prior to training	For training in addition to the training we provide as part of our initial services

Type of fee	Amount	Due Date	Remarks
Relocation Fee	30% of the franchise fee we are charging for new franchises at the time.	When you approve the new location.	Only payable if you mutually agree on the relocation of an existing *Sweethoney Dessert* restaurant.
Extra Visit Fee (See Note 2)	$300 per day plus reimbursement for our out of pocket expenses	When we require	This fee is only payable if you notify us that your restaurant is ready for opening and it is not, preventing our representative from completing his or her duties upon opening and must wait or have to return later.
Media Licensing Fee	A pro-rated portion of any fee we must pay for any music or other media played in your restaurant	When we require	Only payable if third-party licensing fees are paid in order to play music or use other proprietary media in your restaurant.
Special Visit Fee (See Note 3)	$350 per day plus reimbursement of our out of pocket expenses	When we require	Only payable if we agree to a special visit by our representatives over and above those we normally provide.
Meeting Fee	As we reasonably determine	When we determine	We have the right to charge reasonable fees for attendance at our national or regional meetings and training seminars.
Gift Card Fee	As we reasonably determine	When we determine	Only payable if we administer a gift or discount card or similar program for our restaurants.
Debit Charge-Back Fee (See Note 3)	$25 plus bank charges per instance	When we determine	Only payable if a proper debit your account is not honored by your bank due to insufficient funds in your account.
Renewal Fee	Reimbursement for our expenses in connection with the renewal of your franchise	Upon signing your renewal Franchise Agreement	We do not provide additional services to you in connection with the renewal of your franchise even though a new Franchise Agreement is signed.
Media Maintenance Fee	As we reasonably determine	As we determine	We can charge a reasonable fee for maintaining and updating our Internet site and any other media presence we have on which your restaurant is represented.

Type of fee	Amount	Due Date	Remarks
Transfer Fee	50% of our then-current initial fee. If the transferee is an existing *Sweethoney Dessert* franchisee, the transfer fee is equal to 25% of our then-current initial franchise fee.	When we approve your transferee and transfer.	If the transferee is an existing *Sweethoney Dessert* franchisee, we will not be required to provide any services in connection with a transfer. If we do, we can charge for our costs.
Late Charge	1½% per month	As we require	A late charge is only payable on past due amounts
Audit Fee	Cost of audit, including costs and time of our employees, accountants and others	Upon payment of amounts due	Only payable if we audit your records and find that you have underreported your gross receipts in excess of 3% for any reporting period or have not provided the financial reports required by your Franchise Agreement.
Liquidated Damages	An amount equal to the monthly royalty and marketing fees you have paid for the prior year	Monthly beginning on the first day of the month following the termination of this Agreement	Only payable if your Franchise Agreement is terminated because of your default. The payments end if we establish a new *Sweethoney Dessert* restaurant in your protected territory.

Notes:

1. These fees are payable to us and are not refundable. Fees payable to us are uniformly imposed on our franchisees.

2. This fee is subject to change in our discretion.

3. This fee is subject to adjustment by any increase in the Consumer Price Index as described in Section 21 of the Franchise Agreement.

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 (See Note 1)	$35,000 for your first *Sweethoney Dessert* restaurant; $26,500 for your second and subsequent restaurant if purchased at the same time.	Installments	50% on signing of the Franchise Agreement; balance on approval of location or completion of training if first	Franchisor
Architects and engineers	$6,000 to $14,000	As required by architects and engineers	As required by architects and engineers	Architects and engineers, etc.
Leasehold improvements (See Note 2)	$120,000 to $165,000	As required by contractors	As required by contractors	Franchisee's contractors
Furniture, fixtures, equipment and décor (See Note 3)	$40,000 to $60,000	As incurred	As required by vendors	Vendors
Interior and exterior signs (See Note 4)	$4,000 to $5,500	As required by supplier	As required by supplier	Sign contractor
Lease and utility deposits, insurance, licenses and permits, insurance and other prepaid expenses (See Note 5)	$6,000 to $12,000	Lump sum	As required by appropriate parties	Appropriate parties
Opening inventory	$5,000 to $7,000	Lump sum	Prior to opening	Franchisor/suppliers
Grand opening promotion (See Note 6)	$1,000 to $5,000	Lump sum	Prior to opening	Vendors
Legal, accounting, pre-opening marketing and other pre-opening expenses	$500 to $1,000	As incurred	Prior to opening	Attorney, accountant and vendors
Travel and living expenses while training	$2,500 to $5,000	Lump sum	As needed	Travel and lodging providers
Recruiting and training staff	$1,500 to $3,000	As incurred	Prior to opening	Advertising media and staff
Other initial expenses	$1,000 to $1,500	As incurred	As incurred	Employees, suppliers, utilities and other providers

Type of Expenditure	Amount	Method Of payment	When due	To whom payment is to be made
Real estate lease (See Note 7)	$6,600 to $8,250	Lump sum	Monthly	Landlord
Point of sale recordation device/computer system	$2,500 to $3,500	Lump sum	Prior to opening	Vendors
Additional funds -first 3 months of operation (See Note 8)	$10,000 to $15,000	As incurred	As incurred	Employees, suppliers, utilities and other operating expenses
TOTALS: (See Note 9)	$241,600 to $340,750			

Notes:

1. See Item 5 of this disclosure document for the conditions under which this fee is refundable. The refundability of the other payments is up to the suppliers that provide the concerned goods or services. We do not finance any of the foregoing fees or charges.

2. The cost of leasehold improvements can vary depending, among other things, on the previous use of the space, cost of labor and materials in the area in which the restaurant is located, local building, health and other code requirements, the amount of the landlord's contribution to leasehold improvement expenses, if any, and other such factors.

3 The costs of furniture, fixtures, equipment and decor can vary depending on the size of the space and the items offered in your restaurant. This category includes food storage and preparation equipment as well as display fixtures.

4. Sign costs can vary depending on the sign requirements of the shopping center or other development in which your restaurant is located.

5. Lease security deposits normally equal 1 or 2 months' rent.

6. You will put on your own Grand Opening event but it must be approved by us. We do not require you to spend over $5,000.00 on your event but you may do so if you wish.

7. *Sweethoney Dessert* restaurants normally occupy 1,200 to 1,500 square feet of space. Occupancy costs will vary depending on the type of shopping center or other location occupied by your restaurant. Other occupancy costs can include your share of common area maintenance charges, shopping center insurance costs, heating, ventilating and air conditioning charges, shopping center real estate and other taxes and assessments and similar fees. We have made no allowance in this chart for any rent that you may have to pay before your restaurant opens for business. The need for rent payments before opening will depend on the terms of your lease.

8. This is an estimate of the additional cash you will need over and above the net income of your restaurant for your initial 3 months of operation. The need for, and amount of, additional funds can vary greatly. The need for these additional funds will depend on such factors as: your management skill, experience and business ability; local economic conditions; the local market for our type of restaurant; *Sweethoney Dessert* name

recognition in your market; prevailing wage rates; competition; your marketing efforts; the sales levels you reach during your initial period of operation; your ability to control your payroll and food cost; and other such factors. We based this estimate on the experience of our executives in the opening and operating their own *Sweethoney Dessert* restaurant.

9. No allowance has been made in this chart for any principal or interest expenses or equipment lease payments required before the opening of your restaurant. The need for these outlays will vary with the terms of any financing you get in connection with your restaurant. No amounts have been shown for financing or equipment lease deposits and/or charges since this chart assumes the cash purchase of all of your equipment and the other items you need to open your restaurant.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Your restaurant location must be approved by us in writing before you can acquire it.

Because we want to develop the public image and increase consumer acceptance of *Sweethoney Dessert* restaurants and because we have to protect the *Sweethoney Dessert* trademark and goodwill, we control the appearance of *Sweethoney Dessert* restaurants and the goods and services provided under the *Sweethoney Dessert* name. For this reason, unless we specifically permit otherwise, you may only purchase food, supplies, fixtures, equipment, furnishings, signs and other items for use at your *Sweethoney Dessert* restaurant from sources we approve.

We must approve the manufacturers and suppliers of all of the items you purchase. We will advise you upon your request of our supplier criteria. We can change our supplier criteria when we decide that is in the best interest of the *Sweethoney Dessert* system. We can revoke our approval of any approved supplier or item when we think it is justified.

We develop our standards and specifications in a variety of ways. We consider new equipment based on its ability to perform needed functions, the manufacturer's ability to fill orders promptly, the warranties provided, the serviceability of the equipment, the quality of manufacture and the equipment being licensed by the National Sanitation Foundation and Underwriters Laboratories, among other things. Our criteria for food items include the manufacturer's and supplier's ability to provide a consistently high quality product, the provider's ability to service all of our restaurants, the price of the items, the manufacturer's and supplier's customer service and reputation and its ability to protect our trade secrets. If you request us to consider any item or supplier, you or the supplier must reimburse us for any costs we incur in reviewing the items or suppliers you submit to us for approval. We will make our specifications for items authorized to be purchased from third party suppliers available to suppliers meeting our supplier criteria upon their request. We will review and decide whether to approve any items submitted to us within a reasonable time after the items and all appropriate data on the items, are given to us, normally within 30 days.

We can change the specifications of the items we approve for use in or by *Sweethoney Dessert* restaurants when we think it is in the best interest of the *Sweethoney Dessert* system. If we change the specifications of the items you are using or providing, we will tell you when you have to stop using the items you are currently using and start using the new items. If we want you to start using new items, we will give you enough time to use up your supply of the old items before you have to start using the new ones unless we determine that continued use of an item would hurt the reputation of *Sweethoney Dessert* restaurants or jeopardize public health or safety in which case we can have you discontinue use of the item or items immediately.

We can limit the number of suppliers to whom we reveal any information or product specifications we consider to be our trade secrets. We also can decide that we or an affiliate will be the only supplier of any trade secret items.

We have no purchasing cooperatives. If we do establish such a cooperative, or establish national purchasing accounts, you agree in the Franchise Agreement to purchase a reasonable quantity of the items provided by the cooperative and national account. If we establish a central kitchen to produce items for your restaurant and it is capable of providing items for your use or resale, you agree in the Franchise Agreement to purchase the items we specify from that kitchen.

We maintain a supply of items marked with our trademark and **other items used in our restaurants and** sell those items to our restaurant owners. You are not required to purchase those items from us but we must approve any alternate suppliers from which you propose to purchase such items to make sure those items meet our standards.

During our last fiscal year we sold goods to our restaurant owners amounting to $~~3,120.00~~**85,380.00**. This amounted to less than ~~1~~**35**% of our total revenue for that period which amounted to $~~473,528.00~~**242,380.00**. Selling these items to our restaurant owners was our only source of revenue derived from the purchases by our owners.

We estimate that in the establishment of your business, required purchases and leases from us and from designated suppliers will be approximately 80% of your initial expenses and 80% of your ongoing operating expenses not counting your location lease. There will be items, such as generic janitorial supplies, that you can use that do not require our approval.

You are required to carry insurance meeting the following minimum specifications:

Type of Coverage	*Amount*
Comprehensive liability, including products liability coverage and owned and non-owned vehicles	A minimum of $2,000,000
Fire and extended coverage on the physical assets of the restaurant	Replacement cost
Workers compensation	As required by law
Employer's liability	$1,000,000

All of your liability insurance must name us as an additional insured with at least 30 days' prior written notice to us of any termination, amendment or cancellation of your insurance.

We also have the right to require you to obtain additional or different insurance or an increase the amount of coverage is required.

ITEM 9: FRANCHISEE'S OBLIGATIONS

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in this agreement and in other items of this disclosure document.

Obligation	Section in Franchise Agreement	Disclosure document item
a. Site selection and acquisition/lease	3 & 5	5, 8 & 11
b. Pre-opening purchase/leases	5, 6 & 8	7 & 8
c. Site development and other pre-opening requirements	5, 6 & 7	5, 8 & 11
d. Initial and ongoing training	7	11
e. Opening	6, 7 & 10	7, 8 &11
f. Fees	3, 4, 5, 7, 8, 9, 10, 15 & 16,	5, 6, 11 & 17
g. Compliance with standards and policies/operating manual	8	11, 14 & 15
h. Trademarks and proprietary information	8, 10 & 14	11, 13, 14 & 17
i. Restrictions on products/services offered	5 & 8	8 & 16
j. Warranty and customer service requirements	8	15
k. Territorial development and sales quotas	3, 5 & 12	12
l. Ongoing product/service purchases	6, 7, 8, 10 & 12	8 & 16
m. Maintenance, appearance and remodeling requirements	6 & 8	8
n. Insurance	12	8
o. Advertising	7 & 10	11
p. Indemnification	13 & 16	17
q. Owner's participation/ management/staffing	7, 8 & 15	11 & 15
r. Records and reports	8, 9 &11,	Not applicable
s. Inspections and audits	6, 8 & 11	6
t. Transfer	15	6 &17
u. Renewal	4	6 & 17

Obligation	Section in Franchise Agreement	Disclosure document item
v. Post-termination obligations	16 & 17	17
w. Non-competition covenants	17	17
x. Dispute resolution	18	17

ITEM 10: FINANCING

We do not offer direct or indirect financing for your *Sweethoney Dessert* restaurant. We do not guaranty any lease or financing you may obtain.

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

Except as listed below, Sweethoney Dessert, Inc. is not required to provide you with any assistance.

Pre-Opening Assistance

Before the opening of your *Sweethoney Dessert* restaurant we will:

1) We do not provide a site for you. It is your responsibility to find a location for your *Sweethoney Dessert* restaurant. However, we will consult with you on the general criteria for your restaurant location. For 90 days after you sign your Franchise Agreement you will have the exclusive right to look for a location within an area designated in your Franchise Agreement. If you do not find an acceptable location within that time period, you will have the right to look for a site within that area for an additional 90 days but on a nonexclusive basis. "Nonexclusive" means that we, our affiliates and our other franchisees can find and take a site in the designated area within that time period which may preclude you from locating in that area. If you have not found an acceptable site within the 180 day period, we can terminate your Franchise Agreement and retain the portion of your initial fee you have paid to date as consideration for our efforts and for granting you the exclusive and nonexclusive rights described above. We must approve your proposed location before you can lease or otherwise acquire its use. Our review of your proposed site normally will not take over 14 days. After our review, we will notify you of our approval or disapproval of the site. If we disapprove of the site we will advise you of the steps you can take, if any, to make the site acceptable to us. Among the criteria we use in determining whether to approve your site are the physical characteristics of the location, the shopping center or other area in which it is located, the demographics of the area, its proximity of other *Sweethoney Dessert* restaurants and the protected territories granted to them and its proximity to competitors. You agree in the Franchise Agreement to obtain a lease for your site within 30 days after we approve the location. If a lease is not then available, you must get a letter of intent from the

lessor showing the basic terms of the lease that will be provided to you and accepting you as a tenant. You must then provide us with a copy of your fully-signed lease within 60 days after you obtain the letter of intent. If you have not obtained a signed lease for your site, or a letter of intent within 30 days after you have signed your Franchise Agreement, unless, in our reasonable judgment, you are using due diligence in your attempt to obtain a lease, we can terminate your Franchise Agreement. If we terminate your Franchise Agreement for that reason, we can retain as consideration for our efforts to date, the amounts you have paid us to date. (Franchise Agreement Sections 3.02 and 5.01 through 5.05)

2) At our option, we can give you our thoughts on the proposed lease terms for your site. You must use your best efforts to have the lessor of your premises sign our Addendum to Lease Agreement that gives us certain rights should you default under your lease. (Franchise Agreement Sections 5.05 and 5.06)

3) You are required to provide us with the floor plan of your space with accurate dimensions. We will then, at our expense, provide you with a layout of your *Sweethoney Dessert* restaurant as well as a set of specifications, and any other design requirements for your architect's or designer's use in planning your space. It is your responsibility to have prepared all additional plans needed for the construction of your space to conform to the layout, specifications and requirements we have provided and to local ordinances and building codes. It is also your responsibility to obtain all required building, health and any other required permits. (Franchise Agreement Section 6.01).

4) We must review and approve your plans and specifications before your contractor begins construction. We will consult with you, your architect, space planner, designer, contractors and subcontractors regarding the construction, decorating and equipping your restaurant. (Franchise Agreement Sections 6.01 and 6.02).

5) We will provide you with a list of all required furniture, fixtures, décor items, point of sale system, software, inventory items and all other items needed by your restaurant. We do not provide these items nor do we install them. We will provide you with a list of approved suppliers for the items you need. (Franchise Agreement Section 6.03)

6) We have the right to conduct a final inspection of your restaurant to determine whether it complies with our approved plans, specifications and other requirements. (Franchise Agreement Section 6.07)

7) We provide training in our system for the owner of your restaurant and up to 2 other people. If this is your second or subsequent *Sweethoney Dessert* restaurant, we will only train one additional person, who should be the restaurant manager. (Franchise Agreement Section 7.03).

8) We will send one or more representatives to your location to assist you with the opening of your restaurant and to provide additional on-site training for you and your staff just prior to your opening. (Franchise Agreement Section 7.07).

9) We provide you with our hard copy and Internet-based manuals to use in connection with the establishment and operation of your restaurant. (Franchise Agreement Section 8.01).

10) We consult with you on your grand opening advertising and activities. (Franchise Agreement Section 10.01)

It typically takes between 1 to 3 months after you sign your Franchise Agreement to find a location for your restaurant, obtain a lease and obtain any needed financing, although it could take longer. It usually takes between 2 and 3 months after your sign your lease to make tenant improvements, equip, decorate and complete the construction of your restaurant, complete training, hire and train staff and otherwise prepare to open your restaurant for business. Factors that could affect the time it takes you to open your restaurant include: the time it takes to find and secure a location, the time needed to prepare your working plans and specifications, locate a contractor, secure the necessary permits and complete construction, the previous use of the space, availability of labor and materials in the area in which the restaurant is located, local building, health and other code requirements, time needed to acquire your equipment, furniture, fixtures, décor and other items and so forth.

Your restaurant must be open for business within 4 months days from the date you sign your lease. If it is not, we can terminate your Franchise Agreement unless, in our reasonable judgment, you are using due diligence to construct and open your restaurant and the delay is beyond your reasonable control, for example as a result of unusual engineering or construction problems or if there are delays caused by fire, flood, earthquake or similar events. If that is the case, we will extend the opening period for a reasonable time. Delays caused by your inability to perform your financial obligations are not considered to be beyond your control for this purpose. (Franchise Agreement Section 5.08)

Continuing Assistance

During the operation of your *Sweethoney Dessert* restaurant we provide the following services:

1) We allow you continuing use of our trademarks, System Standards and the information on our Intranet and our other nonpublic sites which contain various operations and marketing/public relations information (Franchise Agreement Sections 8.0, 10.07 and 14.01)

2) We can provide additional training, meetings and conferences in our discretion. (Franchise Agreement Section 7.08).

3) We have staff members available to consult with you by telephone or online during our normal business hours concerning the operation of your restaurant. (Franchise Agreement Section 8.09).

4) We can send a representative to your restaurant to consult with you on the operation and performance of your restaurant at such times and with such frequency as we determine. (Franchise Agreement Section 8.11).

5) For an extra cost and with our agreement, we will send a representative to your restaurant at your request to consult with you on restaurant operations. (Franchise Agreement Section 8.12).

Advertising

We have no obligation to conduct advertising for you. If we do advertising, we can use any media we choose and obtain our advertising material wherever we select. Until there are sufficient restaurants to justify other than local advertising, any advertising we do will be local or regional. We are not required to spend any specific amount on advertising.

You are required do a reasonable amount of advertising and promotion for your restaurant. We have the right to approve of your advertising and promotional materials and activities prior to their implementation. (Franchise Agreement Sections 10.02 through 10.05)

As of the date of this Franchise Disclosure Document, we do not have a national, regional or local marketing fund to which you must contribute or an advertising cooperative to which you must belong. However, we have the right to start one or more of these programs. If we do, you agree to contribute to those programs in an amount that we require that will not exceed 3% of your gross receipts. Our company-owned restaurants will contribute to that fund in a like amount. The fund will not be used to directly solicit the sale of franchises. The money paid in to the program will be segregated from our other funds and be used only for the purposes of the advertising program or programs to which you contribute. The financial statements of these programs need not be audited but we will account to you annually for the receipts and expenditures of any advertising funds to which you contribute. We will not be obligated to spend the money from the advertising funds in any particular area or within any particular time period. Money not spent during one year will carry over to the next year. Unless we form a cooperative advertising fund, we have no obligation to do advertising or public relations for your business or our System. (Franchise Agreement Sections 9.03 through 9.08)

We do not have an advertising council that advises us on advertising policies or any local or regional advertising cooperative although we have the right to start them. (Franchise Agreement Section 8.19).

Electronic Cash Recording/Computer System

Our electronic cash recording/computer requirements have not been determined yet so you can acquire any reasonable system configured for restaurant operations. The system should record sales, orders, customer lists, inventory, receipts, disbursements, employee scheduling, and other items found on a typical restaurant system. We can require that we be given remote access to the information and reports stored and generated by your system. If you have not yet purchased your system before we require you to purchase a specific system, you agree in the Franchise Agreement to purchase the system we specify. (Franchise Agreement Section 8.15)

Operations Manuals

Before you purchase a *Sweethoney Dessert* franchise, you will be allowed to review any manuals that we may have. Your examination of our manuals has to take place at our offices unless we allow you to examine the manuals elsewhere. Whoever examines the documents must first sign our Mutual Non-Disclosure Agreement which is Exhibit C to the Franchise Agreement.

Training

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-Site Training	Location
Recipe Preparation	0	40	Your restaurant
Operation training	0	32	Your restaurant
Customer service	0	8	Your restaurant
Totals:	0 hours	80 hours	Your restaurant

NOTE: The time a trainee will spend at training and the time devoted to each subject will depend on the prior experience of the trainee. Therefore, the foregoing times are only estimates.

Our training program is conducted as needed. It will be held at your *Sweethoney Dessert* restaurant within 30 days before you open for business

The principal instructional material used in our training course are our manuals, recipes, guidelines, sample reports, schedules and statements, checklists and handouts prepared for our training course and appropriate health and safety guidelines from the appropriate authorities. Our instructors are Allen Guoliang Yang, our Chief Executive Officer, and Evonne Vun Ung, our Chief Financial Officer, whose experience is described in Item 2 above.

Your *Sweethoney Dessert* restaurant must be under the supervision of a person or persons who have been adequately trained by a person who has successfully completed the training program we require. We have the right to require that your management personnel attend specific training before the opening your *Sweethoney Dessert* restaurant. You or your management personnel may also participate in additional optional training courses if we offer such training. (Franchise Agreement Sections 7.01 through 7.05)

ITEM 12: TERRITORY

Your Territory

Your franchise is granted only for the specific location we approve. In the Franchise Agreement we grant you an exclusive territory that we call a "protected territory". That is the geographic area within which we agree not to open another company-owned or franchised restaurant that is substantially similar to your *Sweethoney Dessert* restaurant, with certain exceptions such as *Sweethoney Dessert* restaurants located in regional malls, transit centers, convention centers, sports complexes or restaurants that belong to any entity with which we merge, that acquires us, which we acquire or otherwise become affiliated.

We have the right to open and franchise *Sweethoney Dessert* restaurants at any location outside your protected territory even if those restaurants compete with you or otherwise adversely affect your business.

The continuation of your protected territory does not depend on your doing any particular sales volume, achieving specified market penetration or other contingency.

You can only sell items to retail customers and~~,~~ **only from your location** unless we agree otherwise at the time~~, only from your location~~. You may not sell any goods or services related to your *Sweethoney Dessert* business through independent retail outlets, at wholesale, by means of catalogs, by mail order, by electronic means, including over the Internet or by other alternative means.

We, our affiliates or others that we or our affiliates authorize, can market goods bearing the *Sweethoney Dessert* name and marks, names or marks similar or related to them or other names and marks, to independent retail outlets, at wholesale, by means of catalogs, mail order, by electronic means, including over the Internet or by other alternative sources of distribution, even if these sales are made to outlets or to people located in your protected territory as long as the items sold are not items that you are permitted to sell. You will not be entitled to any compensation or other benefit as a result of the sales made by us, our licensor, our affiliates or others we authorize.

Except as may be provided in your Franchise Agreement, you will have no options, rights of first refusal or similar rights to open additional *Sweethoney Dessert* restaurants. Except as stated in your Franchise Agreement, you have no right to open another *Sweethoney Dessert* without our prior written consent. If we do consent to your opening additional *Sweethoney Dessert* restaurants, you must sign the Franchise Agreement we are using at that time for new *Sweethoney Dessert* franchises and pay the franchise fee called for by that agreement. We can grant or withhold this consent in our sole and absolute discretion.

You can only relocate your *Sweethoney Dessert* restaurant with our consent. If we agree that you can relocated your restaurant, you will have to sign a release of all claims against us and sign the Franchise Agreement we are using at the time for new *Sweethoney Dessert* restaurants. We will usually only allow you to relocated within your protected territory but you cannot relocated to a site that is also within the protected territory of another *Sweethoney Dessert* franchise owner or one that is reserved to a *Sweethoney Dessert* restaurant owned by us, our licensor or an affiliate of either. Your relocated restaurant must be built, equipped, furnished, and so forth, in accordance with our requirements at the time of the relocation. We can specify a new protected territory for your relocated restaurant depending on its new location. You must also pay us the relocated fee specified in Item 6 above. If we permit you to relocate but think your existing location is viable, we can require you to assign your lease or other occupancy document to us as a condition of granting you permission to relocate.

Other than as restricted by the Franchise Agreement, we have the right to sell items of any type under trademarks different from those licensed to you under that agreement. You will not be entitled to any compensation or other benefit as a result of these sales. However, we have no plans to establish or franchise a business under different trademarks or selling goods similar to those you sell.

ITEM 13: TRADEMARKS

The principal trademark we license you to use is the *Sweethoney Dessert* name and logo appearing on the first page of this disclosure document. This mark was registered on the Principal Register of the United States Patent and Trademark Office on November 29, 2016 and bears registration number 5089728.

We are licensed to use the mark by Gangji Group Incorporated of Guangzhou, China under a License Agreement dated March 5, 2016. The term of the License Agreement is 16 years. We pay a fee to our licensor when we sell a franchise using the licensed name. We have the right to negotiate for a renewal of that agreement prior to its expiration but there can be no assurance that that negotiation will be successful. If the License Agreement ends, either by the expiration of its term of because we default in our payments to the licensor, we and our franchisees will not have the right to continue to use the licensed mark.

To the best of our knowledge, there are no presently effective determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court relevant to your use of the licensed names, marks and symbols in any state. There are no pending interference, opposition or cancellation proceedings, nor any litigation, involving the licensed names, marks and symbols. We know of no superior prior rights or infringing uses of our mark that could materially affect your use of the licensed mark in the state where your business will be located.

Even though we license you to use our names, marks and symbols, you are not allowed to use the name *Sweethoney Dessert* or any similar name, in the name of the partnership, limited liability company, corporation or other business entity that owns your *Sweethoney Dessert* franchise or in the name of any other corporation or other business entity in which you have an interest.

We may license you periodically to use other names, marks or symbols in connection with the operation and promotion of your restaurant. You must use those names, marks or symbols at your expense. You cannot use any names, marks or symbols to identify or promote your restaurant other than those we specify.

If for any reason we decide to change our principal names, marks or symbols, you agree to use our new names, marks or symbols and to discontinue using the names, marks or symbols we direct you to stop using. If we require you to stop using any of the names, marks or symbols we license to you, we will reimburse you for your reasonable out of pocket costs in replacing items that bear the affected names, marks or symbols as long as you comply with our directives concerning their use and disposition.

If your use of any of the names, marks or symbols we license to you is ever challenged or if you discover a possible infringing use by a third party, you must notify us of that challenge or infringement immediately. It is up to us what action to take, if any, concerning the challenge or infringing use, as well as concerning any legal or administrative action concerning the names, marks or symbols that are used in connection with our names and marks. We will pay all fees and costs in any action resulting from a challenge by third parties to the use of our names, marks or symbols. We also will pay any damages for which you are held liable in any infringement or unfair competition action by a third party as long as you have used the licensed names, marks and symbols as required by your Franchise Agreement and have notified us promptly of the claim. You agree in the Franchise Agreement to cooperate with us in handling any proceedings involving the licensed names, marks or symbols.

You agree in the Franchise Agreement not to apply for registration of any of the licensed names, marks or symbols or to contest their ownership. You also agree not to assist anyone else in doing so.

You acquire no rights in the licensed names, marks or symbols because of your use of them. All of the rights and goodwill associated with the licensed names, marks or symbols belong to us and our licensor.

ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no registered patents or copyrights that are material to the franchise.

The manuals and materials we provide to you contain information that we consider to be our trade secrets. We claim copyright protection for these manuals and material although we have not filed any copyright applications concerning them.

You have to follow our directions in protecting our manuals and other trade secrets from unauthorized disclosure. We can require your employees to sign a confidentiality agreement in which they promise to keep all of our Proprietary Information confidential and to follow our directions regarding its use. You can use our proprietary material only in the way we authorize.

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

You do not have to be the actual on-premises manager of your *Sweethoney Dessert* restaurant. However, we recommend that you do so in order to maintain better control over your restaurant's operation.

Unless we agree otherwise, your *Sweethoney Dessert* restaurant must be under the overall supervision of someone who has taken and successfully completed our training course. You must use your best efforts to ensure that your employees at all times conduct themselves in a competent and courteous manner. If a person you bring or send to our training course does not pass that course in a manner satisfactory to us, you cannot employ that person in a managerial capacity. Your manager does not have to have any ownership interest in your restaurant or any entity owning it. We can require your managers and other employees to sign a confidentiality agreement to protect our proprietary information.

ITEM 16: RESTRICTION ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale the entire menu we specify for your *Sweethoney Dessert* restaurant. You have to follow our directions regarding the preparation, presentation and serving of all of the items in your restaurant. You also have to carry all of the resale items we designate. We can change the menu to be used in your restaurant when we see fit and you have to serve all of the items on the new menu. You cannot carry any items we have not approved.

You can only use the containers, napkins, serving items and other such materials that we specify or approve for use in your *Sweethoney Dessert* restaurant. You must use the uniforms, signs, menu formats and other material we may require.

We can change our menu, resale items and any other merchandise offered by *Sweethoney Dessert* restaurants. You must comply with our directions in this regard.

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 these agreements attached to this disclosure document.

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	4.01	10 years from when your lease commences

Provision	Section in Franchise Agreement	Summary
b. Renewal or extension of the term	4.02	You can apply for a new Franchise Agreement when your initial term ends. The term of your new agreement will be 5 years.
c. Requirements for franchisee to renew or extend	4.02	If you want to apply for a new Franchise Agreement you must give us notice at least 6 months, but not more than 12 months before the expiration of your initial term, you cannot be in default when you give notice or when your new agreement is to take effect, you cannot have been given 2 or more notices of default during any 3-year period, you must agree to the terms of your new Franchise Agreement within 30 days of your receipt of your new Franchise Agreement, your lease must cover the new 5 year term, you must reimburse us for our costs and time in connection with providing you with and entering into your new Franchise Agreement, such as helping with the refurbishing of your restaurant, additional training, and so forth. You must also sign a general release against us when you sign your new Franchise Agreement. You must update your restaurant to comply with any new standards. The new Franchise Agreement may contain terms and conditions that are materially different from those in your original agreement.
d. Termination by franchisee	16.05	If we commit a material default and do not cure it after notice and an opportunity to cure the default, you can pursue all provided to you by law.
e. Termination by franchisor without cause	None	Not applicable
f. Termination by franchisor with cause	3.02, 5.03, 5.05, 5.07 - 5.09, 7.05, 8.01, 11.03, 15.20, 15.22, & 16.01 - 16.03	We can terminate the Franchise Agreement for the reasons listed in the referenced sections of the Franchise Agreement.
g. "Cause" defined - curable defaults	16.01 - 16.04	Except as provided below, we can terminate your Franchise Agreement if you commit any violation of a material term in that agreement and you do not correct the condition causing the default within 20 days after notice of the default, plus such additional time as we decide is reasonably necessary. You will have 5 days to remove any foreclosure, attachment, execution, or other seizure of your assets. We can terminate your Franchise Agreement if you lose your lease

Provision	Section in Franchise Agreement	Summary
		through no fault of your own but do not relocate your restaurant within 90 days. We have the option to give you time to cure the defaults described in the following section if they are capable of cure.
h. "Cause" defined—non-curable defaults	3.02, 5.03, 5.05, 5.07 - 5.09, 8.01, 11.03, 14.12, 15.20, 15.22, 16.01 &16.02	Defaults which can cause immediate termination are: you do not obtain a location and lease and construct and open your restaurant for business within the time periods required; you reject a location we offer to you; we cannot agree on a protected territory within a reasonable time; you make improper disclosure or use of our confidential information, you intentionally underreport your gross sales or underreport your gross sales in the amount of 10% or more even if unintentional; or a transfer of the franchise is not completed within the times allowed in the event of death, mental incompetence or as ordered by a court in the event of divorce. We can terminate your remaining Franchise Agreements if you have more than one Sweethoney Dessert restaurant and do not renew any of your Franchise Agreements but continue to engage in a similar business at your location. Termination can also occur: in the event of your bankruptcy, if you make an assignment for the benefit of creditors, or your insolvency; a material misrepresentation was made in your acquisition of the franchise; you or a principal engages in conduct reflecting adversely on the business; failure to comply with applicable law; you are given 3 or more notices of valid defaults in any 12 month period; failure to pay a judgment that becomes final; conviction of a felony of any type or a criminal violation relevant to the business; failure to pay amounts to due to us when required or within 5 days after notice; we determine that your operation is a danger to public health or safety; you abandon your restaurant; any other agreement between us or between you and any of our affiliates is terminated because of your default; or you default under your lease and lose your site.
i. Franchisee's obligations on termination/ nonrenewal	16.06 – 16.10, 16.13 & 16.14	When your Franchise Agreement ends you must: bring all accounts with us current; stop using the licensed names, marks, symbols, and other

Provision	Section in Franchise Agreement	Summary
		proprietary property; if we do not purchase your restaurant from you, change the appearance of your restaurant and remove all distinctive equipment, décor, furniture, fixtures, signs, and other items; return our manuals and other material; assign your telephone number and Internet addresses to us; get a new telephone number and listing; cancel fictitious business name registrations; notify suppliers and others that you are no longer a Sweethoney Dessert franchisee. You must continue to pay us until you complete these duties. You also must not identify yourself as having been a Sweethoney Dessert franchisee, except when related to your employment history; give us the option to purchase your restaurant assets at their fair market value; give us the option to take over your restaurant lease, and if termination is caused by your breach, pay liquidated damages. If you breach the agreement, we have all other remedies available to us at law or in equity. When you have completed all of these duties, we will both sign a mutual release. See also subsection r, below.
j. Assignment of contract by franchisor	15.17	We can assign our interest in the Franchise Agreement without your consent but any such transfer will not materially interfere with the benefits granted to you under the agreement.
k. "Transfer" by franchisee - defined	15.01	Any full or partial transfer of the franchise, the property used in your restaurant or any ownership interest in any entity owning the franchise or that property including its merger or other restructuring.
l. Franchisor approval of transfer by franchisee	15.03	You must obtain our approval of any proposed transfer.
m. Conditions for franchisor approval of transfer	15.04 – 15.14	The proposed transferee must meet our then-current standards for new Sweethoney Dessert franchisees. We can refuse to approve the transfer if we think that the price being paid will jeopardize the transferee's chances for success. You and the transferee have to follow the transfer procedures in our manuals and sign our transfer documents. The transferee must satisfactorily complete our training course. The restaurant may have to be updated. The form of

Provision	Section in Franchise Agreement	Summary
		Franchise Agreement we are using at the time of the transfer must be signed if the transfer involves transfer of a majority interest in the franchise. If an entity is making the transfer, a new managing agent may have to be appointed and trained. The fees described in Item 6 must be paid. You must release any unresolved claims against us. You may have to guaranty the obligations of your transferee.
n. Franchisor's right of first refusal to acquire franchisee's business	15.18	We can purchase the interest proposed to be transferred on substantially the same terms as you propose to transfer it.
o. Franchisor's option to purchase franchisee's business	16.08	On termination of your Franchise Agreement we can purchase your business or such assets as we chose at fair market value and, if we wish, have you assign your lease to us.
p. Death or disability of franchisee	15.19-15.21	Your executor, administrator, or legal guardian can transfer the franchise to an approved transferee within 6 months of appointment as long as the transfer complies with the transfer provisions of the Franchise Agreement.
q. Non-competition covenants during the term of the franchise	17.01	You cannot engage in, consult with or have an ownership interest a business selling the same types of products sold by Sweethoney Dessert restaurants during the term of the Franchise Agreement.
r. Non-competition covenants after the franchise is terminated or expires	17.02	You cannot engage in, consult with or own a business selling the same types of products sold by Sweethoney Dessert restaurants for 2 years after the termination or expiration of your Franchise Agreement within your protected territory or within 5 miles of another Sweethoney Dessert restaurant.
s. Modification of agreement	19.01 & 19.02	Your Franchise Agreement can be modified only by a written agreement signed by both of us. We can modify our manuals and aspects of our restaurants without your consent and you have to follow those changes.

Provision	Section in Franchise Agreement	Summary
t. Integration/merger clause	34.01 – 34.07	Only the terms of the Franchise Agreement are binding, subject to state law. Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable. Also see the Acknowledgment at Closing which is Exhibit E to this disclosure document
u. Dispute resolution by arbitration or mediation	18.01	Before any litigation is filed, we must mediate and disputes between us. The Franchise Agreement does not contain an arbitration clause.
v. Choice of forum	18.01 & 18.02	Mediation and litigation involving the Franchise Agreement, its inducement, and matters related to it must be in the county where our main business office is located.
w. Choice of law	26.01 – 26.03	California law applies to the Franchise Agreement. If the franchise is not located in California, the law of the state where it is located will govern the non-competition provisions of the agreement.

ITEM 18: PUBLIC FIGURES

We do not use any public figure 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 location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our Chief Executive Officer, Allen Guoliang Yang, ~~160 14th~~**28976 Hopkins** Street, Suite ~~801, Oakland, CA 94612,~~**F, Hayward, California 94545** (510) ~~717~~**918**-~~1109~~**1178**, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years ~~2014~~ 2015 ~~and~~ 2016 and 2017

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
~~Franchised~~	~~2014~~	~~0~~	~~0~~	~~0~~
Franchised	2015	0	0	0
	2016	0	1	+1
~~Company-Owned~~	~~2014~~2017	~~0~~1	~~0~~2	~~0~~+1
Company-Owned	2015	0	1	+1
	2016	1	0	-1
~~Total Outlets~~	~~2014~~2017	0	0	0
Total Outlets	2015	0	1	+1
	2016	1	1	0
	2017	1	2	+1

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years ~~2014,~~ 2015 ~~and~~, 2016 and 2017

Column 1 State	Column 2 Year	Column 3 Number of Transactions
	~~2014~~	~~0~~
	2015	0
	2016	0
~~Totals~~	~~2014~~2017	0
Totals	2015	0
	2016	0
	2017	0

Table No. 3
Status of Franchised Outlets
For years ~~2014,~~ 2015 ~~and~~, 2016 and 2017

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations/ Other Reasons	Column 9 Outlets at End of Year
~~CA~~	~~2014~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
CA	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
~~Totals~~	~~2014~~2017	~~0~~1	~~0~~1	0	0	0	0	~~0~~2
Totals	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	1	0	0	0	0	2

Table 4
Status of Company-Owned Outlets
For years ~~2014,~~ 2015 ~~and~~, 2016 and 2017

Column 1 State	Column 2 Year	Column 3 Outlets at Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired From Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
~~California~~	~~2014~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
California	2015	0	1	0	0	0	1
	2016	~~1~~0	0	0	0	1	0
~~Totals~~	~~2014~~2017	0	0	0	0	0	0
Totals	2015	0	1	0	0	0	1
	2016	1	0	0	0	1	0
	2017	0	0	0	0	0	0

Table No. 5
Projected Openings As Of December 31, ~~2016~~2017

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
California	~~2~~4	~~1~~4	0
TOTALS	~~2~~4	~~1~~4	0

~~Contact Information for Franchisees as of the end of our last fiscal year~~

The following franchisees have restaurants open:

RuXing Joyce Yu and Xueyu Yu
c/o Sweet Lucky Dessert
1423 E 14th Street
San Leandro, CA 94577
Tel: (510) 918-1118

Theresa Pui Sze Lamauyang, Man Ling Wong Tso and "Mary" Bi Jun Kwan
c/o TMD Dessert
15 Colma Boulevard
Colma, CA 94014
Tel: (650) 822-2800
~~(Outlet not opened as of 12/31/2016)~~

The following have signed a Franchise Agreement but have not yet opened their restaurants:

Justin Min Ma and Eric Jia Jian Xu
c/o Golden August Investment
6259 Jarvis Ave
Newark, CA 94560
Tel: (510) 928-1168

Tom Ian Tam and Terry Jinsheng Wen
o/c LQ Investment
1698 Hostetter Rd Ste L
San Jose, CA 95131
Tel: (415) 992-2926

Carl Jia Hao Qiu
523 South Shore Ctr
Alameda, CA 94501
Tel: (510) 521-1515

Irene Cai Hong Lei
3882 Fallon Road
Dublin, CA 94568
Tel: (925) 800-5933

The following franchisee left the system during our last fiscal year.

Mu Xing and Jialu Wang
c/o FEL Inc.
San Jose, CA
Tel: (408) 805-9618
(Franchise Agreement terminated
by mutual agreement in 2017)

There are no franchisees who have not communicated with us in the last 10 weeks.

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

~~There are no franchisees that left the system during our last fiscal year.~~

During the last three fiscal years no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as franchisees in our system.

ITEM 21: FINANCIAL STATEMENTS

Following as Exhibit B is a copy of our audited financial statement as of December 31, ~~2016 as well as our unaudited interim~~ **2017, the end of our last fiscal year, with comparative numbers as of December 31, 2016, the end of our first fiscal year. Also included are our interim, unaudited** financial statements for the period from January 1, ~~2017, through April 30, 2017~~**2018, to January 31, 2018**.

ITEM 22: CONTRACTS

Exhibit C to this disclosure document is a copy of our *Franchise Agreement* which contains our *Addendum to Lease Agreement, General Release* and *Continuing Guaranty.* Exhibit D to this disclosure document is our *Confidentiality and Nondisclosure Agreement* and Exhibit E is our *Acknowledgment at Closing.*

ITEM 23: ~~RECEIPTS~~RECEIPT

The last page of this Franchise Disclosure Document is a Receipt form that you must date, sign and return to us immediately upon your receipt of this disclosure document and the attached contracts.

Sweethoney Dessert, Inc.

STATE-SPECIFIC ADDENDUM TO *Sweethoney Dessert* FRANCHISE DISCLOSURE DOCUMENT

<u>The following provisions are applicable to franchises in the State of California:</u>

1. Neither the franchisor nor any person in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

2. Rather than being due upon the signing of the Franchise Agreement, the initial franchise fee is deferred until all of the franchisor's initial obligations as to the franchisee's first restaurant are complete and the franchisee is open for business.

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

4. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.)

5. The Franchise Agreement contains a liquidated damages clause. Under *California Civil Code* Section 1671 certain liquidated damages clauses are unenforceable.

6. You must sign a general release if you relocate, renew or transfer your franchise. *California Corporations Code* Section 31512 voids a waiver of your rights under the Franchise Investment Law (*California Corporations Code* Sections 31000 through 31516). *Business and Professions Code* Section 20010 voids a waiver of your rights under the Franchise Relations Act (*Business and Professions Code* Sections 20000 through 20043).

7. Section 31125 of the *California Corporations Code* requires us to give you a disclosure document, in a form containing the information that the Commissioner of Business Oversight may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

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

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

IF SWEETHONEY DESSERT, 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 TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGNT AT ANY OF ITS OFFICES.

Dated: ______________________

______________________ Sweethoney Dessert, Inc.

______________________ By ______________________

Signature Its ______________________
Title

____
Typed or Printed Name

____

STATE FRANCHISE LAW ADMINISTRATORS

And

AGENTS FOR SERVICE OF PROCESS

EXHIBIT A

to Sweethoney Dessert Franchise Disclosure Document

State Franchise Law Administrators

California:
Commissioner of Business Oversight
1515 K Street, Suite 200
Sacramento, California 95814

Hawaii:
Commissioner of Securities
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

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

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

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

Minnesota:
Commissioner of Commerce
Department of Commerce Registration Division
85 Seventh Place East
St. Paul, Minnesota 55101

New York:
New York Secretary of State
99 Washington Avenue
Albany, New York 11231

North Dakota:
Securities Commissioner
600 East Boulevard Avenue
State Capitol, Fifth Floor, Dept. 414
Bismarck, North Dakota 58505-0510

Rhode Island:
Director of Business Regulation
Securities Division
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02910

South Dakota:
Director of the Division of ~~Securities~~**Insurance**
~~Department of Labor and~~**Securities** Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

Virginia:
Clerk, State Corporation Commission
1300 East Main Street, First Floor
Richmond, Virginia 23219

Washington:
Administrator of Securities Department of Financial Institutions Securities Division
150 Israel Rd, SW
Tumwater, Washington 98501

Wisconsin:
Commissioner of Securities
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703

Agents For Service of Process

California:
Department of Business Oversight
One Sansome Street, Suite 600
San Francisco, CA 94104

320 West 4th Street, Suite 750
Los Angeles, CA 90013-1105

1515 K Street, Suite 200
Sacramento, CA 95814-4052

1350 Front Street, Room 2034
San Diego, CA 92101

Telephone: 1-866-ASK-CORP

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

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

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

Maryland:
Office of the Attorney General
Division of Securities
200 Saint Paul Place, 20th Floor
Baltimore, MD 21202-2020

Michigan:
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
670 Law Building
Lansing, MI 48913

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

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

North Dakota:
Office of Securities Commissioner
600 East Boulevard, 5th Floor
Bismarck, ND 58505

Rhode Island:
Division of Securities
1511 Pontiac Avenue, Bldg. 69-1
Cranston, RI 02920

South Dakota:
~~Department of Labor and Regulation~~
Director of the Division of
~~Securities~~**Insurance**
Securities Regulation
124 S. Euclid, Suite 104
Pierre, ~~SD~~**South Dakota** 57501

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

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

Wisconsin:
State of Wisconsin
Office of the Commissioner of Securities
345 West Washington Avenue, 4th Floor
Madison, WI 53703

Sweethoney Dessert, Inc.

FINANCIAL STATEMENTS

The interim financial statements included in this Exhibit have been prepared without audit. Prospective franchisees are advised that no independent Certified Public Accountant has audited these figures or expressed an opinion with regard to their content or form.

EXHIBIT B

To Sweethoney Dessert Franchise Disclosure Document

SWEETHONEY DESSERT, INC. BALANCE SHEET
AS OF JANUARY 31st, 2018

ASSETS

Current Assets:	
Cash and cash equivalents	$92,090
Equipment	$0
Inventory	$12,000
Total Assets	$104,090

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:	$0	
Account payable	$525	
Income taxes payable	$27,639	
Total current liabilities	$28,164	
Stockholders' equity:		
Common Stock, no par value, 100 shares authorized, 100 shares issued and outstanding		100
Retained earnings		$76,026
Total stockholders' equity		$76,126
Total liabilities and stockholders' equity		**$104,090**

SWEETHONEY DESSERT, INC.
STATEMENT OF INCOME
FOR THE MONTH ENDED JANUARY 31ST, 2018

Revenue and Income:		
	Product Sales Income	$13,756
	Royalty Income	$1,450
	Franchise Fee Income	$17,500
	Products and food supply costs	-$13,786
	Total Revenue & Income	$18,920
Operating Expenses:		
	Advertising	$230
	Equipment Lease	$95
	Insurance	$208
	Telephone/Internet	$75
	Storage	$400
	Gasoline	$680
	Travel	$1,780
	Food	$500
	Total Operating Expenses	$3,968
	Net Income/(Loss)	**$14,952**

SWEETHONEY DESSERT, INC.
STATEMENT OF CASH FLOWS
FOR THE MONTH ENDED JANUARY 31st, 2018

Cash Flows From Operating Activities:	
Net Income/(Loss)	-$2,473
Incre Net Cash (used for)/Provided by Operating Activities	$2,435
Decrease In Inventory	-$38
	$14,952
Cash Flow From Financing Activities:	
Addit Net Increase in Cash	$0
	$14,914
Cash and Cash Equivalents, beginning of January 2018	$77,176
Cash and Cash Equivalents, month end of January 31st, 2018	**$92,090**

SWEETHONEY DESSERT, INC.

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2017

(With Comparative Totals for 2016)

KPM Accounting & Management Solutions
P.O. Box 641773 • San Francisco, CA 94164
Telephone 415.819.6718 • www.kpmcpas.com

SWEETHONEY DESSERT, INC.

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KPM Accounting & Management Solutions
P.O. Box 641773• San Francisco, CA 94164
Telephone 415.819.6718 • www.kpmcpas.com

Solutions Outside the Box

To the Board of Directors
SweetHoney Dessert, Inc.
San Francisco, CA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements
We have audited the accompanying financial statements of SweetHoney Dessert, Inc., which comprise the balance sheet as of December 31, 2017, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended, 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.

Auditor's 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 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 SweetHoney Dessert, Inc. as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Ken Mierzwinski, CPA

Ken Mierzwinski, CPA
KPM Accounting & Management Solutions
San Francisco, CA

March 29, 2018

SWEETHONEY DESSERT, INC.
(A California Corporation)
BALANCE SHEET
DECEMBER 31, 2017 and 2016

ASSETS

		2017		2016
Current Assets:				
Cash and cash equivalents	$	77,176	$	3,621
Inventory		38,000		50,000
Total assets	$	115,176	$	53,621

LIABILITIES AND STOCKHOLDERS' EQUITY

		2017		2016
Current Liabilities:				
Accounts payable	$	525	$	-
Income taxes payable		27,639		25,166
Total current liabilities		28,164		25,166
Stockholders' equity:				
Common stock, no par value, 100 shares authorized, 100 shares issued and outstanding		100		100
Retained earnings		86,912		28,355
Total stockholders' equity		87,012		28,455
Total liabilities and stockholders' equity	$	115,176	$	53,621

See accompanying notes to financial statements.

SWEETHONEY DESSERT, INC.
(A California Corporation)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for 2016)

	2017	2016
Revenue and Income:		
Product sales income	$ 85,380	$ 330,049
Cost of Revenues:		
Support and service	-	(80,138)
Product and food supply costs	(72,300)	(134,394)
Total cost of product sales income	(72,300)	(214,532)
Net product sales income	$ 13,080	$ 115,517
Franchise fee income	140,000	125,000
Merchandise sales income	-	17,279
Royalty income	17,000	1,200
Gain/(loss) on sale	-	(30,000)
Total revenue and income	170,080	228,996
Gross profit	170,080	228,996
Operating Expenses:		
Advertising	6,000	-
Accounting and audit	4,025	-
Merchant Equipment Lease	-	653
Insurance	1,850	1,992
Comcast Internet	-	845
Telephone	3,000	58
Travel	18,120	-
Rent	11,866	36,560
Utilities	-	19,987
Licenses and permits	-	867
Wages	-	20,034
Payroll taxes	-	25,569
Employee Meals/entertainment	10,523	9,638
Professional fees	28,500	27,000
Total operating expenses	83,884	143,203
Operating income/(loss)	86,196	85,793
Provision for income taxes	27,639	25,166
Net income	$ 58,557	$ 60,627

See accompanying notes to financial statements.

SWEETHONEY DESSERT, INC.
(A California Corporation)
STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for 2016)

	Number of Shares	Common Stock	Retained Earnings	Total Stockholders' Equity
Balance at December 31, 2015	100	$ 100	$ 218,988	$ 219,088
Distributions	-	-	(251,260)	(251,260)
Net income/(loss)	-	-	60,627	60,627
Balance at December 31, 2016	100	100	28,355	28,455
Net income/(loss)	-	-	58,557	58,557
Balance at December 31, 2017	100	$ 100	$ 86,912	$ 87,012

See accompanying notes to financial statements.

SWEETHONEY DESSERT, INC.
(A California Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for 2016)

	2017	2016
Cash flows from operating activities:		
Net income/(loss)	$ 58,557	$ 60,627
Adjustments to reconcile to cash provided by (used for) operating activities:		
(Increase)/decrease in assets:		
Inventory	12,000	(50,000)
Increase/(decrease) in liabilities:		
Accounts payable	525	(1,739)
Income taxes payable	2,473	25,166
Net cash provided by operating activities	73,555	34,054
Cash flows from investing activities:		
Sale of equipment	-	215,000
Net cash provided by financing activities	-	215,000
Cash flows from financing activities:		
Distributions	-	(251,260)
Net cash (used for) financing activities	-	(251,260)
Net increase/(decrease) in cash and cash equivalents	73,555	(2,206)
Cash and cash equivalents, beginning of year	3,621	5,827
Cash and cash equivalents, end of year	$ 77,176	$ 3,621

See accompanying notes to financial statements.

SWEETHONEY DESSERT, INC.
(A California Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017

(1) DESCRIPTION OF OPERATIONS

In March 2015 SweetHoney Dessert, Inc. formed a general partnership and leased a store to sell dessert products. The store was remodeled and sold dessert products in 2015 and 2016.

On December 8, 2015, SweetHoney Dessert, Inc. ("the Company") formed a Corporation under the California Corporations Code to begin franchising the stores. The specific business purposes and activities of the Company consist of operating and franchising a dessert product business. The original store was sold to a franchisee on October 31, 2016. The Company has seven franchisees as of December 31, 2017.

The Company is the seller and distributor in the United States of America of a unique and distinctive system of high quality dessert products operated in association with Licensed Marks featuring the sale of SweetHoney Dessert™ Products and menu items prepared with SweetHoney Dessert™ Products

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and Cash Equivalents

For purposes of the statement of cash flows, The Company considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Company maintains its cash in a bank deposit account, which is federally insured up to $250,000. As of December 31, 2017, all of The Company's cash was federally insured.

(b) Inventory

The Company's inventory is stated at the lower of cost or market and consists of supplies for future franchises. The Company plans to sell inventory to the franchisees as needed. Inventory as of December 31, 2017 was valued at $38,000.

(c) Income Taxes

The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

At December 31, 2017, SweetHoney Dessert, Inc., had total income tax payable of $27,639, which included $19,345 in federal tax and $8,294 in state tax.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Revenue Recognition and Franchise Revenue

- Product Sales - Gross product sales revenue represent the fair value of consideration received at point of sale for SweetHoney Dessert, Inc. products and menu items

- Franchise revenues are recognized according to contractual terms per Franchisee. The initial Proprietary Information Fees related to sales of franchises are recognized as revenue upon substantial performance by the Company of all material conditions relating to the contractual terms. Continuing franchise royalties are based on a defined percentage of franchise or license store revenues and are recognized when earned.

- Merchandise sales revenue – monies received for the sale of goods from inventory, such as bags, containers, cups, napkin, utensils, tableware, beans, flours, etc.

(e) Fair Value Measurements

The Company adopted FASB ASC 820, Fair Value Measurements and Disclosures, for assets and liabilities measured at fair value on a recurring basis. The codification established a common definition for fair value to be applied to existing generally accepted accounting principles that requires the use of fair value measurements, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements.

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, FASB ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

- Level 1—Observable inputs such as quoted market prices in active markets for identical assets or liabilities
- Level 2—Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3—Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions

All receivables and payables that are not short-term in nature are considered as level 3 and have been recorded at their present value using a discount rate of 10%. The carrying values of other assets, liabilities and deferrals that is short-term in nature approximate fair value. The Company's receivables and payables are all classified as level 1.

SWEETHONEY DESSERT, INC.
(A California Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(f) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of 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.

(3) FRANCHISE ARRANGEMENTS

The initial fees payable for a Company franchise consists of an initial Proprietary Information License Fee and a Trademark Licensing Fee. Fifty-percent (50%) of the Proprietary Information License Fee is due upon signing of the Franchise agreement and is non-refundable upon disclosure of proprietary information to the Franchisee. The second fifty-percent (50%) of the Proprietary Information Fee is due upon completion of the Company's completion of Franchisee training. The Proprietary Information License Fee varies per location and size of store. The Company signed four new Franchisee's in 2017 and collected $140,000 in Proprietary Information License Fees.

A Trademark Licensing Fee of $7,200 per year for each Franchisee. The Fee grants the Franchisee a non-exclusive license to use the Trademarks on or in association with the Licensed Products in their restricted territory, as well as packaging, promotional and advertising material.

(6) SUBSEQUENT EVENTS

The Organization evaluated subsequent events through March 29, 2018 the date which the financial statements were available to be issued. No subsequent events were identified that required accrual or disclosure in the financial statements.

Sweethoney Dessert®

FRANCHISE AGREEMENT

EXHIBIT C
To Sweethoney Dessert Franchise Disclosure Document

杏记甜品

SWEETHONEY DESSERT ®

Franchise Agreement

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EXIBITS

杏记甜品
SWEETHONEY DESSERT ®

FRANCHISE AGREEMENT

This Franchise Agreement ("this Agreement") is entered into in ________________, California, on ________________, 20 ____, between Sweethoney Dessert, Inc., a California corporation, whose address is ~~160 14th~~**28976 Hopkins** Street, Suite ~~801, Oakland, California 94612~~**F, Hayward, CA 94545**, referred to in this Agreement by words such as "we", "us" and "our", and ____, a________________________, whose address is ____, referred to in this Agreement by words such as "you" and "your" and who are collectively referred to in this Agreement as "the parties".

This Agreement is made with reference to the following facts, representations and purposes:

A. We have been licensed by Gangji Group Incorporated of Guangzhou, China ("our licensor") to use the trademark set forth above, and certain trade secrets, trade dress, recipes, practices, procedures and other proprietary information and property to open and to grant to third parties the right to open and operate retail restaurants that use that mark, information and property. Under our license, we are granting franchises for restaurants bearing the *Sweethoney Dessert* name which are designed, built, decorated and operated in accordance with our requirements.

B. You acknowledge and represent to us that you have made a reasonable investigation of the region in which you plan to open your *Sweethoney Dessert* restaurant and have found no use of the name "*Sweethoney Dessert*" or any similar trademark, trade name or commercial identification in that area.

C. We desire to grant to you a franchise to open a *Sweethoney Dessert* restaurant on the terms and conditions of this Agreement and based solely upon the representations and promises in it.

D. You acknowledge that neither we, our licensor nor anyone purporting to act for either, has made any promises or representations concerning *Sweethoney Dessert* restaurants, the sales volumes which are likely to be experienced, the profits likely to be made, the likelihood of success of the franchised business or any other matter in connection with the proposed franchise or the franchised business other than those promises and representations which are set forth in this Agreement, any signed amendments or exhibits to this Agreement or in the Franchise Disclosure Document that accompanied it. If any such promises or representations have been made, you are instructed to make sure that they are set forth in writing in this Agreement or in an amendment or exhibit to this Agreement and that any such amendment or exhibit is signed by both of us. In granting you this franchise, we are relying on you to see that all promises and representations on which you are relying are in writing, are signed and are made a part of, or are attached to, this Agreement. If they are not, you may not be able to rely on those promises or representations and we will not be bound by them.

E. You represent and warrant to us that you and everyone who will own an interest in this franchise has set forth fully and truthfully all of the information we have requested on our application and financial disclosure forms and in all other written and oral communications between us. You further represent and warrant that all persons or entities who will have an ownership interest in this franchise and in any entity that will own any interest in this franchise have been disclosed to us in writing, have provided all information we have requested of them and, at our request, have signed a guaranty of your performance under this Agreement. The form of Continuing Guaranty we currently use is attached to this Agreement as Exhibit F.

F. In this Agreement the following terms have the following meanings:

1. "Licensed assets" refers to the things we license to you under this Agreement, including the specified trademarks, trade names, service marks, logotypes, other commercial symbols, processes, procedures, trade dress, equipment specifications, trade secrets, recipes, trade practices, copyrights, patents, menus, manuals, forms, formats, marketing and promotional material and practices, bulletins, notices, communications, training material, goodwill and all other items, tangible and intangible, used presently as well as those which we may license to you in the future.

2. "You" and "your" refer to all of the people who sign this Agreement as well as to any entity that has any interest in this franchise and any persons or entities that own a material portion of the assets used in the operation of your restaurant.

3. "Your restaurant" and "your *Sweethoney Dessert* restaurant" refers to the business that you operate under this Agreement including to the property you use in the operation of your restaurant.

4. "This Agreement" and "this franchise" refer to this Agreement, the rights granted by it and any signed amendments, alterations, additions, exhibits and addenda to this Agreement.

5. "The *Sweethoney Dessert* system" refers to the standards we specify for the operation of *Sweethoney Dessert* restaurants as well as to any other activities making authorized use of the *Sweethoney Dessert* name.

6. "Our manuals" means any manual or manuals and other written instructions and advice whether in hard copy or available to you electronically or otherwise, that describe the manner of operating your *Sweethoney Dessert* restaurant, including the forms and formats to be used in your restaurant, our operating, reporting, marketing and business requirements and the manner of using, and any restrictions on the use of, our names, marks,

trade dress, proprietary and intellectual property and the other of the licensed assets.

7. "Affiliate" means any entity owning, or owned by, or under common ownership or control with, a party to this Agreement

8. "Lease" also means a sublease and any other arrangement by which you obtain the right to occupy your restaurant location.

9. "Days" means calendar days without allowance for weekends or holidays;

G. Unless otherwise indicated, whenever a dollar amount is specified in this Agreement, that amount is subject to adjustment by any increase in the Consumer Price Index as described in Section 21 below.

In consideration for the mutual promises set forth in this Agreement and based on the above facts, representations and purposes, as well as for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and with the intent to be legally bound, the parties agree as follows:

1. Incorporation of Recitals.

1.01 The representations, facts, promises, warranties, recitals and statements set forth above are true and are incorporated into this Agreement by reference.

2. Grant of Franchise.

2.01 Based on your representations and promises in this Agreement, we hereby grant you a franchise to own and operate the number of *Sweethoney Dessert* restaurants specified below in accordance with the provisions and for the length of time set forth in this Agreement. You agree to use the licensed assets only as allowed by this Agreement.

2.02 You acknowledge that, other than as set forth in this Agreement, we and our licensor have the sole right to use and to permit others to use, the licensed assets. You agree that you do not now have, nor in the future will you have, any rights in or to any of the licensed assets other than the rights granted to you by this Agreement and any other valid agreements between us.

2.03 In order to distinguish us and our licensor from any entity that you own, you agree not to use the name "*Sweethoney Dessert*" or any name or names similar to it in the name of any partnership, corporation, limited liability company or other entity that you own or form, whether to own and operate your restaurant or for any other activity in which you may now have, or in the future may have, any direct or indirect interest.

2.04 (a) No goodwill associated with *Sweethoney Dessert* restaurants, the *Sweethoney Dessert* system or with any of the licensed assets will belong to you or to any person who, or entity which, owns or is otherwise involved with this franchise. You agree that all goodwill connected in any way with the licensed assets, the licensed names and marks, *Sweethoney*

Dessert restaurants and the *Sweethoney Dessert* system, belongs exclusively to us and to our licensor and will so in the future.

(b) Nothing in subsection (a) above is intended to reduce any payment for "goodwill" you may obtain should you sell your *Sweethoney Dessert* restaurant as allowed by this Agreement other than in a sale to us.

2.05 While you can use the physical assets of your restaurant as security for a loan, you can not use this Agreement as security for a loan or otherwise encumber any of your rights under this Agreement.

2.06 ***You acknowledge that we have advised you to obtain the advice of competent legal counsel when reviewing this Agreement, your lease and any other contracts you propose to enter so that you will understand fully your rights and obligations under this Agreement and your other contracts.***

3. Franchise Fee.

3.01 <u>*Initial Franchise Fee*</u>

(a) If this Agreement covers a single *Sweethoney Dessert* restaurant, you agree to pay us the sum of $35,000.00 in consideration for the rights granted to you under this Agreement. If this Agreement grants you the right to open more than one *Sweethoney Dessert* restaurant, the initial fee will be $35,000.00 for your first restaurant and $26,500.00 for each additional restaurant covered by this Agreement.

(b) If you are purchasing a single *Sweethoney Dessert* franchise, $17,500.00 of the franchise fee is payable upon the signing of this Agreement. The balance of the franchise fee is due upon our approval of your restaurant location or your satisfactory completion of our training course, whichever happens first.

(c) If this Agreement grants you the right to purchase more than one *Sweethoney Dessert* restaurant, one-half of the initial franchise fee for your first restaurant and one-half of the initial franchise fee for each additional restaurant must be paid when this Agreement is signed. The balance of the franchise fee for your first *Sweethoney Dessert* restaurant is due upon our approval of your restaurant location or your satisfactory completion of our training course, whichever happens first. The balance due for each additional restaurant covered by this Agreement is payable when we approve the location for each such restaurant. The amounts paid to us for the initial franchise fee are not refundable.

(d) Once you are an existing *Sweethoney Dessert* franchisee, if you desire to purchase a franchise for an additional *Sweethoney Dessert* restaurant, the initial franchise fee for each additional such restaurant will be equal to 75% of the single-restaurant franchise fee being charged at the time you sign the Franchise Agreement covering the additional restaurant or restaurants. Since we charge a reduced franchise fee for your restaurants under this provision, we can, in our discretion, reduce or eliminate the initial services we provide in connection with the opening of those restaurants.

3.02 *Finding a Location for a Single-Restaurant Franchise*

If you do not have an approved location when this Agreement is signed, the following provisions apply:

(a) If this Agreement covers a single *Sweethoney Dessert* restaurant, upon signing this Agreement and paying the appropriate franchise fee, you will have the right to locate a *Sweethoney Dessert* restaurant in the following area, called your "Designated Area":

____

____

(b) You will have the exclusive right for 90 days to find a location that meets our approval within your Designated Area. During the 90-day period we will not grant another person or entity the right to seek a location for a *Sweethoney Dessert* restaurant in that area nor will we take a location in that area for a company-owned *Sweethoney Dessert* restaurant. See Section 5 below for how to apply for our approval of a site.

(c) If you do not find a location acceptable to us within your Designated Area within 90 days from the date of this Agreement, you will have another 90 days within which to find a location in that area on a nonexclusive basis. During the nonexclusive 90-day period, we can allow other *Sweethoney Dessert* franchisees to look for and take, and can ourselves seek and take, one or more locations for *Sweethoney Dessert* restaurants within that area. Taking sites in your Designated Area by us or by others may limit or eliminate acceptable locations available to you.

(d) If you do not find an acceptable location in your Designated Area within 180 days from the date of this Agreement, we can terminate this Agreement and retain your initial payment in consideration for our efforts in connection with granting you this franchise and holding your Designated Area for you as described above.

3.03 *Development of Multiple Restaurants*

(a) If this Agreement grants you the right to open more than one *Sweethoney Dessert* restaurant, the area in which you can seek to locate your restaurants ("your Development Area") and the time within which you must open each restaurant to retain your development rights (your "Restaurant Opening Schedule") are set forth on Exhibit B. You must open each restaurant by the date specified in your Restaurant Opening Schedule or you will lose your right to open any restaurants not then open or under construction. The site selection and leasing requirements for each restaurant are as set forth in Section 5 of this Agreement. An additional copy of Exhibit A will be added when the location is approved for each restaurant showing the location of the restaurant and any protected territory granted in connection with that location.

(b) If you do not meet your Restaurant Opening Schedule, we can retain all fees you have paid to us as consideration for holding your Development Area from the market and granting you the development rights described above for the period they were valid.

(c) The terms of this Agreement will govern all of the restaurants you open in accordance with your Restaurant Opening Schedule.

(d) Since we charge a reduced franchise fee for your second and subsequent restaurants, we can, in our discretion, reduce or eliminate the initial services we provide in connection with the opening of those restaurants.

(e) Except as provided in Section 5.07, as long as you are in compliance with the requirements of your Restaurant Opening Schedule, we will not authorize other *Sweethoney Dessert* franchisees to seek or take locations in the Development Area and we will not do so ourselves.

(f) If you have the right to open more than one restaurant pursuant this section, you must continuously own and operate all of the restaurants you open while your Restaurant Opening Schedule is in effect in order for your exclusive rights under this Agreement to remain in effect. You cannot sell or otherwise transfer any of those restaurants while you are developing new restaurants pursuant to your Restaurant Opening Schedule.

4. Term of this Agreement and Your Option on Expiration.

4.01 (a) This Agreement is effective upon its signing. The initial term of this Agreement is 10 years beginning on the date your lease term commences. If the term of your lease expires prior to the end of the 10-year term of this Agreement and you do not extend or renew your lease so that you continue to operate your restaurant at its existing location for the balance of the 10 year term of this Agreement, this Agreement will end at the same time as your lease ends unless you relocate your restaurant and obtain a new lease term as allowed by this Agreement. Unless we agree otherwise at the time, the relocation of your restaurant will not extend the term of this Agreement.

(b) If you own the building in which your *Sweethoney Dessert* restaurant is located, the 10-year term of your Franchise Agreement begins on the date your restaurant opens for business.

(c) If you do not give us notice of your desire to continue to be a *Sweethoney Dessert* restaurant franchisee and enter into a new Franchise Agreement as described in Section 4.02 below, or we notify you that you are not eligible to continue this franchise for the reasons set forth below, and for any reason this agreement does not expire at the end of its term, the term of this Agreement will continue on a month to month basis at the end of the initial term. In that event, this Agreement will be subject to termination by either party upon 30 days prior written notice to the other party.

(d) Each restaurant you open pursuant to your Restaurant Opening Schedule will have the term described in Section 4.01(a), 4.01(b) and/or 4.01(c), as appropriate.

4.02 (a) Not less than 6 months nor more than 12 months prior to the expiration of the initial term of this Agreement, you may apply for a successor Franchise Agreement for your restaurant by giving us notice in writing that you wish to continue as a *Sweethoney Dessert* franchisee.

(b) If you are in default under this Agreement at the time you give us notice of your desire for a new Franchise Agreement or at the time the new term is to begin, we can refuse to grant you a new franchise. If you have been given 2 or more notices of defaults concerning material terms of this Agreement over the course of any 3 year period, even if those violations were cured as allowed by this Agreement, we can deny your request for a new Franchise Agreement.

(c) After we receive your notice that you wish to enter into a new Franchise Agreement, we will send you the new Franchise Agreement at least 60 days prior to the scheduled expiration of the initial term. You must sign the required form of Franchise Agreement within 30 days of your receipt of that agreement or you will be deemed to have withdrawn your request to enter into a new Franchise Agreement with us and this Agreement will terminate at the expiration of the initial term.

(d) The term of your new Franchise Agreement will be 5 years. You must have at least that length of time remaining on your lease, or have options to renew your lease term for that time period, in order to be granted a new franchise term. The new Franchise Agreement will set forth any right you may have to enter into a new Franchise Agreement when that agreement ends. We need not offer you more than 2 additional 5-year terms.

(e) If you enter into a new Franchise Agreement with us, we will not require you to pay the initial franchise fee specified in the new Franchise Agreement. However, for each restaurant covered by the new Franchise Agreement, you must reimburse us for our expenses and the time of our employees in connection with entering into the new Franchise Agreement with you plus the expenses we incur and time spent in connection with your restaurant's refurbishment, any additional training we perform and our other activities in connection with the new term. If you relocate your restaurant in connection with your new term the provisions of Section 5.11, below, will also apply.

(f) Even though a new Franchise Agreement may be signed, we need not provide any of the initial services that may be described in that agreement.

(g) As a condition of our signing a new Franchise Agreement with you, you will have to sign a general release of all claims against us so that we do not start the new term with any unresolved issues between us. The form of General Release we currently use is attached to this Agreement as Exhibit E.

(h) As a condition of entering into a new Franchise Agreement with you, we can require you to update your equipment, furnishings, décor and signs and otherwise refurbish and update your restaurant and in order to bring it up to the standards of new *Sweethoney Dessert* restaurants being opened at the time, or most recently to, when you sign your new Franchise Agreement. We agree to notify you of those requirements, and the time within which they must be accomplished, at the time we provide you with the Franchise Agreement that will be used for your next term. By signing the new Franchise Agreement, you agree to comply with our requirements within the time periods we specify.

4.03 If at the expiration of the term of this Agreement, and after our election not to offer you a new franchise term as described above, a new Franchise Agreement or the renewal or extension of the term of this Agreement is mandated by law, the terms of new Franchise Agreement or the terms of the renewal or extension of this Agreement will be those contained in the Franchise Agreement we are using for new *Sweethoney Dessert* franchisees at the time the new term or the relevant renewal or extension period is due to start. If we are not offering new *Sweethoney Dessert* franchises at that time, the terms will be those in the Franchise Agreement that we were using at the time we stopped offering new *Sweethoney Dessert* franchises.

5. Location and Protected Territory.

5.01 (a) We will consult with you regarding the general criteria for your restaurant location so that you will know what type of location to look for. However, we have no responsibility to find a location for you. It is your responsibility to find a location for your restaurant that is acceptable to us within the required time period.

5.02 Sometimes the protected territories granted in connection with locations approved for other franchisees, or those we designate for company-owned restaurants, may overlap the area in which you have the right to look for a site. If such a protected territory has been granted to another franchisee or reserved for a company-owned location before you find a location we approve, you will not be able to locate your restaurant within that protected territory even though it is partially within your Designated Area or in your Development Area.

5.03 If you are opening a single *Sweethoney Dessert* restaurant and you do not find an acceptable location within 180 days from the date of this Agreement, or if you have the right to open more than one *Sweethoney Dessert* restaurant and you do not comply with the multiple restaurant opening requirements listed on Exhibit B, we can terminate this Agreement without giving you further time within which to find a location for your restaurant or restaurants although we may extend the time within which you can find a location in our sole and absolute discretion.

5.04 (a) When you find a site you find acceptable, you must provide us with the details of the site. To assist us in deciding whether to approve the location, you must provide us with the information on the site that we request, which may include population and demographic data concerning the area of the site, the identity of other food enterprises in the same shopping center, mall, complex or area, the nature of the residential, commercial and office development in the area and so forth. In addition, such things as traffic patterns, the layout of the proposed space, the visibility and accessibility of the location, the other physical attributes of the location and similar data must be provided to us if reasonably obtainable. If the site is in a shopping center or other multitenant development, you must provide us with a layout of the shopping center or development with the location of your proposed restaurant indicated. If we request additional information for our evaluation of the proposed site, you agree to use your best efforts to provide the requested information promptly. All costs in connection with obtaining the information we require and supplying it to us are your responsibility.

(b) If we approve the proposed location for your *Sweethoney Dessert* restaurant, we will notify you promptly of that approval. If we do not approve the site, we will notify you of our objections and the steps you can take, if any, to make the site acceptable to us.

5.05 (a) As soon as possible after we approve your proposed location, but in no event more than 30 days after we do so, you must obtain a signed lease for the site. If no lease is then available, you agree to get a letter of intent from the landlord of the space setting forth the basic terms of the proposed lease and accepting you as a tenant. If you obtain a letter of intent rather than a lease, you must obtain a finalized and fully-executed lease within 60 days after you obtain the letter of intent. If you do not obtain a lease, or, if appropriate, a letter of intent, for the site within the required time period, we can terminate this Agreement. We can extend the foregoing periods in our sole and absolute discretion if we are satisfied that you are using your best efforts to obtain a lease. If we agree to extend either or both periods, we can terminate this Agreement at the end of the extension without granting further extensions to you.

(b) You must provide the terms of your proposed lease to us for our approval prior to signing the lease. We must approve the actual lease form and leasing terms in writing before you may enter into the lease unless we waive this requirement in writing.

(c) At our option, we can provide you with our comments on your proposed lease. We are not responsible for any errors or omissions we may make in our comments on the lease, or, if we assist you in negotiating the terms of the lease, in our negotiation of the lease terms. We strongly advise you to obtain the advice of competent legal counsel when reviewing your proposed lease to make sure that you understand your rights and obligations.

(d) Neither by approving your site or your lease do we guaranty or warrant in any way that the site or lease terms are adequate for your needs or purposes. Our requirements, reviews, approvals and assistance are for our own purposes and are not a representation or warranty guaranteeing you success in the approved location or under the terms of the concerned lease.

(e) You agree to provide us with a copy of your fully-executed lease within 5 days of its execution by all parties.

5.06 As a condition of our approving your proposed lease we can require you and the lessor of the site to enter into an agreement allowing the assignment of the lease to us in the event this Agreement expires or is terminated. That agreement may contain other terms concerning your occupancy and/or our rights upon the expiration or termination of this Agreement as well. The agreement that we currently use for this purpose is attached as Exhibit D to this Agreement.

5.07 (a) If you are granted a single restaurant franchise under this Agreement, if we find, or are presented with, a site we find acceptable in your Designated Area before you have found a location for your *Sweethoney Dessert* restaurant, we will make that location available to you unless, for some reason, the site is limited in such a way that we cannot offer the site to you. If we present you with such a location, you will have 5 days from being notified of the location within which to accept the location. If you do not accept the location in writing within the 5-day period, we can offer the location to another *Sweethoney Dessert* franchisee, we can retain the location for a company-owned *Sweethoney Dessert* restaurant and/or we can terminate this Agreement. If we do not terminate this Agreement for that reason, the provisions concerning your obligation to find an acceptable location for your restaurant and the time period within which you must do so remain in effect. If we award the location to another *Sweethoney Dessert* franchisee or retain it for a company-owned *Sweethoney Dessert* restaurant, we can designate a protected territory in connection with the location which will reduce the area in which you may continue to look for a location, assuming this Agreement is allowed to remain in effect.

(b) If you are granted the right to open multiple locations under this Agreement, if we find, or are presented with, an acceptable site in your Development Area, we will make that location available to you unless, for some reason, the site is limited in such a way that we cannot offer the site to you. If we present you with such a location within 6 months of when you are required to open your first, or next, restaurant, you will have 5 days from being notified of the location within which to accept the location. If you do not accept the location in writing within the 5-day period, we can offer the location to another *Sweethoney Dessert* franchisee, we can retain the location for a company-owned *Sweethoney Dessert* restaurant. If we award the location to another *Sweethoney Dessert* franchisee or retain it for a company-owned *Sweethoney Dessert* restaurant, we can designate a protected territory in connection with the location. That protected territory will reduce the area within which you may continue to look for locations for your *Sweethoney Dessert* restaurants and it will not alter your Restaurant Opening Schedule.

5.08 Your *Sweethoney Dessert* restaurant must be open for business within 4 months from the date you sign your lease. If it is not, we can terminate this Agreement unless in our judgment you have used due diligence in attempting to satisfy the requirements of this Section 5 and the delay is beyond your reasonable control in which case we will extend the 4 month period for a reasonable period of time.

5.09 (a) In connection with our consideration and approval of your proposed restaurant location, we must mutually agree on any protected territory to be granted to you in connection with the proposed location and enter that protected territory on Exhibit A to this Agreement. Our agreement on a protected territory within a reasonable time, if any protected territory is to be granted in connection with your restaurant, is a condition to the continuation of this Agreement. If within a reasonable time we cannot agree on a protected territory, or agree that there will be no protected territory, we can terminate this Agreement and retain your initial franchise fee as consideration for granting you the franchise and approving your location.

(b) Once we have approved your location and lease and have agreed with you on a protected territory, you will be authorized to enter into the lease for your restaurant location. If for any reason you execute your lease prior to Exhibit A being executed by both of us, your restaurant will be deemed not to have been granted any protected territory unless we later agree otherwise.

(c) The franchise awarded by this Agreement is only for the location or locations described on Exhibit A to this Agreement. This Agreement does not permit you to use the licensed assets at any other location or for any purpose except as provided in this Agreement.

5.10 (a) Except as provided below, by granting you a protected territory we agree not to locate a company-owned or franchised restaurant that is substantially similar to your *Sweethoney Dessert* restaurant within that territory during the agreement term covering that location.

(b) In addition to the circumstances described elsewhere in this Agreement, excluded from the restriction set forth in subsection 5.10(a) above are any units owned, operated and/or franchised by any person or entity with whom or which we may merge, by whom or which we are acquired or which we acquire or otherwise become affiliated after the date of this Agreement. However, we agree that no such entity will own, operate or franchise any facilities using the principal service marks and trademarks that are licensed to you under this Agreement.

(c) Designation of a protected territory does not grant or imply any marketing or clientele exclusivity within that area except as noted elsewhere in this Agreement.

(d) You do not have the right to open any additional *Sweethoney Dessert* restaurants in your protected territory or elsewhere unless you have been granted the right to open more than one *Sweethoney Dessert* restaurant in this Agreement or we otherwise agree.

(e) Unless this Agreement specifically covers, or we approve a location for you in, a regional mall, airport, transit center, convention center, sports complex, stadium, arena or the like, such locations are excluded from your protected territory, and *Sweethoney Dessert* restaurants in those locations are reserved to us or to those we designate. You will not be entitled to any compensation or other benefit because of sales made at such locations by us or others even if those sales affect your business.

5.11 (a) You can relocate your *Sweethoney Dessert* restaurant only with our prior written consent. As a condition of giving you our consent, you must sign a general release of all claims against us, our shareholders, directors, officers, employees and agents and sign the Franchise Agreement we are using for new *Sweethoney Dessert* franchises at the time of the relocation. The form of release we currently use is attached to this Agreement as Exhibit E.

(b) You can only relocate your restaurant within the protected territory originally granted to you, if any. Your relocated restaurant cannot be within the protected territory granted to another *Sweethoney Dessert* franchisee or within an area reserved for or granted in connection with a *Sweethoney Dessert* restaurant that we own, one that is owned by our licensor or by one of our affiliates, even if part of that territory or area is within your protected territory. The site, lease, design, construction, decoration, equipping, stocking and every other aspect of your relocated *Sweethoney Dessert* restaurant must be accomplished in accordance with the requirements that exist at the time for new *Sweethoney Dessert* restaurants. We may specify a new protected territory for you depending on the new location of your restaurant.

(c) To help defray the costs we incur in connection with your relocation, and as a condition of approving your relocation, you must sign our then-current Franchise Agreement and pay us a relocation fee in an amount equal to 30% of the franchise fee we are charging at the time for new *Sweethoney Dessert* franchises. The new Franchise Agreement must be signed and the relocation fee is payable at the time we approve your new site. If we are not offering new *Sweethoney Dessert* franchises at the time of your relocation, we will provide you with the Franchise Agreement we propose to use in connection with your relocation when we give you our consent to the relocation. The relocation fee in that case will be equal to 30% of the franchise fee we were charging for new *Sweethoney Dessert* franchises at the time we stopped granting new franchises and adjust that amount by any increase in the Consumer Price Index as described in Section 21 below.

(d) If we grant our consent to your relocation but think your current location is viable, you agree that we have the right to require you to assign your lease to us or our nominee, or sublease the location to us or our nominee, as a condition of our approval of your relocation. We will have the right to enter into a new lease for the space you are vacating or one in the same shopping center or commercial area or to have another *Sweethoney Dessert* franchisee do so and open a company-owned or franchised *Sweethoney Dessert* restaurant in that location. You agree that none of these activities will be a violation of your protected territory rights.

5.12 (a) Nothing in this Agreement, including granting you a protected territory, prevents us, our licensor, our affiliates or others whom we or they authorize from marketing goods bearing the *Sweethoney Dessert* name or marks or names or marks similar or related to the name *Sweethoney Dessert*, or any other products or services, to independent retail outlets, at wholesale and/or by means of catalogs, mail order, electronic means, including over the Internet, whether those sales are made to customers within your protected territory or elsewhere. Such goods may be the same as, or may be different from, goods you carry in your *Sweethoney Dessert* restaurant. You will not be entitled to any compensation or other benefit because of sales made as a result of those activities even if those sales affect your business.

(b) Nothing in this Agreement, including granting you a protected territory, prevents us, our licensor, our affiliates and/or others whom we or they authorize, from conducting businesses and/or providing goods or services that are not materially similar to those provided by the standard *Sweethoney Dessert* restaurant, whether under the *Sweethoney Dessert* names or marks or under other names or marks, whether within your protected territory or elsewhere. You will not be entitled to any compensation or other benefit as a result of such sales even if those activities affect your sales.

(c) You are not allowed to sell *Sweethoney Dessert* products to other retail outlets, at wholesale or by means of catalogs, mail order or electronic or other alternative means, including over the Internet, whether those sales are made to customers within your protected territory or elsewhere. However, you may accept orders made online for items to be picked up at your restaurant location.

5.13 Unless we consent in writing to the contrary, you can use your *Sweethoney Dessert* restaurant only for providing the services and selling the merchandise we approve and, then, only in the manner we specify. You are authorized to provide *Sweethoney Dessert* items only to retail customers and only from your restaurant except as otherwise provided in this Agreement.

5.14 Without our written consent, no business, other than the business franchised by this Agreement, can be located in your *Sweethoney Dessert* restaurant premises. Only with our consent can you operate your *Sweethoney Dessert* restaurant inside the business premises of someone else.

5.15 Except as provided elsewhere in this Agreement, our other franchisees, our licensor, our affiliates and we are not prohibited from serving customers who come from within your protected territory nor are you prohibited from serving customers who come from outside your protected territory. You are not entitled to any compensation, allowance, payment or other consideration on account of any sales made by others to those who live or work within your protected territory. Similarly, you need not pay anything to anyone for serving customers who live or work within the protected territories of others.

5.16 (a) If you have the opportunity to provide *Sweethoney Dessert* items at special events in your protected territory, such as fairs, exhibitions, performances, charity events, conventions and the like, you agree to notify us of the opportunity immediately. You must also advise us whether you want to participate in the event. If you want to participate in the event, you agree to follow our requirements in that regard. If you do not want to participate in the event, we, or any person or entity we may designate, can do so even though the event is in your protected territory.

(b) If you want to participate in the event, we will advise you of any criteria we deem reasonably necessary for the protection of the image of *Sweethoney Dessert* restaurants, such as the appearance of any displays, booths, tables and the like, you may use at the event. We can condition our approval of your participation in a special event on your compliance with these criteria.

(c) If we notify you of a special event in your protected territory and any requirements we may prescribe concerning your participation in the event, you will have 5 days after your receipt of this information within which to notify us of your desire to participate in the event. If you elect to participate in the event, you agree to do so in accordance with our requirements. If you elect not to participate in the event or do not notify us of your election to participate in the event within the 5-day period, we, or any person or entity we designate, can participate in the event even though the event is in your protected territory.

(d) If you do not participate in a special event and we, an affiliate or a person or entity we designate, does so, you will not be entitled to any compensation because of that participation, or otherwise.

(e) If a special event in your protected territory is only available to us or another *Sweethoney Dessert* franchisee, we, or they, may participate in that event and we will not be required to offer to allow you to participate in that event even if it is in your protected territory. Similarly, if a special event is only available to you, you will be offered the right to participate in the event even though it is within our, or another *Sweethoney Dessert* franchisee's, territory. If we or another *Sweethoney Dessert* franchisee participates in a special event in your protected territory, you will not be entitled to any compensation or other benefit as a result of that participation even if those sales affect your business. Similarly, you will not be required to compensate us or the other *Sweethoney Dessert* franchisee if you participate in a special event in our, or their, protected territory.

(f) It is in our sole and absolute discretion whether to allow you or anyone else to participate in a special event or to require you not to so participate.

6. Design, Construction, Maintenance and Repair.

6.01 (a) You must provide us with a copy the floor plan of your location with accurate dimensions. We will, at our expense and within a reasonable time, provide you with a layout for your *Sweethoney Dessert* restaurant based on that floor plan. We will also provide you with our specifications for the furniture, equipment, fixtures and finishes for your restaurant. It will then be your responsibility to obtain, at your expense, the architectural and engineering drawings and specifications required to accomplish the permitting and construction of your restaurant based on the layout we have provided and our fixturing and finishing specifications. You must make sure that the layout and construction drawings comply with all local laws and requirements. You agree not to change the layout without our prior consent.

(b) Once completed, your plans and specifications must be provided to us in such detail and must contain the items, as we from time to time require. You must submit your final plans and specifications to us and obtain our approval before they can be used in the construction of your *Sweethoney Dessert* restaurant. We agree to review and approve, or let you know why we disapprove, your plans and specifications within a reasonable time after we receive them.

(c) If the plans and specifications we have approved are changed in any material manner before or during the construction of your restaurant, we must approve those changes before the changes are implemented.

(d) If this Agreement is terminated for any reason following the submission to us of any plans and/or specifications for your proposed *Sweethoney Dessert* restaurant, all of those plans and/or specifications become our property with no payment, compensation or other consideration of any kind being payable.

6.02 We will be available to consult with you online and on the telephone regarding your design and construction obligations. However, it is your responsibility to see that your restaurant is built, equipped, decorated, stocked and opened without delay and in strict accordance with the plans and specifications we have approved.

6.03 (a) We will provide you with a list of the equipment, décor, furniture, fixtures, point of sale system and software and similar items needed for your restaurant. You agree to purchase all required items as well as all necessary signs, trade fixtures, equipment, interior decoration items and inventory as may be needed for the preparation of your restaurant, all other items we specify and those required by the final plans and specifications we have approved. You agree not to purchase or use in connection with your restaurant any items that have not been approved by us unless we otherwise specify in writing.

(b) The furniture, fixtures, equipment and supplies for your restaurant must be purchased from suppliers we have specified or otherwise approved. We agree to advise any reputable supplier of our requirements for these items except for any items we deem proprietary. You must purchase proprietary items from us, our licensor or from suppliers we designate or otherwise approve.

6.04 You agree that our approval of your plans, specifications and any other action or inaction by us, is done solely for our own purposes and not to protect you. Therefore, you agree that we do not warrant or guaranty in any way that those plans and specifications are suitable, adequate or guaranty you success in your restaurant.

6.05 The construction of your restaurant must be performed by a general contractor licensed in the jurisdiction in which your restaurant is located unless we specifically otherwise agree in writing.

6.06 You agree to acquire and maintain high speed Internet access throughout the term of this Agreement and any extensions or renewals of this Agreement.

6.07 (a) You agree to keep us fully informed of the progress of the construction of your *Sweethoney Dessert* restaurant.

(b) We have the right to inspect your site and construction activity at all reasonable times. You agree to cooperate, and to cause your contractors to cooperate, with our agents in the performance of such inspections. You agree that all inspections are for our own purposes and are not designed to protect you, to guaranty that the construction is adequate or is in accordance with the approved plans and specifications.

(c) Unless we waive the right, you agree not open for business until we conduct a final inspection of your restaurant and approve the opening of your restaurant. You agree that we have the right to prevent the opening of your restaurant until we are satisfied that your restaurant has been constructed in accordance with the plans and specifications that we have approved and you have met our other requirements concerning the construction, equipment, decor, decorations, furnishings, fixturing, signs, stocking, staffing and any other requirements for your restaurant.

6.08 You agree that we assume no responsibility for the work of independent contractors whether they are employed by us or by you.

6.09 We must approve all signs and menu boards you use in connection with your *Sweethoney Dessert* restaurant and the suppliers from whom you propose to acquire them. You must follow the criteria set forth in our manuals for the design and construction of your signs.

6.10 You agree that we are not responsible for delays or losses occurring during the design, construction, equipping, decorating, stocking, furnishing, fixturing or other preparation of your restaurant for opening, whether caused by the condition of the premises, the design, engineering, construction, equipping, decorating or stocking of your restaurant or for any other reason.

6.11 You agree that you will pay promptly all of the designers, engineers, contractors, suppliers and others employed in the design, construction, fixturing, decorating, improving and supplying of your restaurant except to the extent that there is a bona fide dispute between you and any such provider in which case you agree to use your best efforts to resolve the dispute promptly and in an equitable manner.

6.12 Once your *Sweethoney Dessert* restaurant is open for business, no significant alteration of the interior or exterior of your restaurant may be made without our prior written consent.

6.13 You are responsible for the maintenance and repair of your restaurant. You agree to keep and maintain your restaurant, including the interior, exterior, immediately surrounding areas, signs, trade fixtures, equipment, decor, furnishings and all other tangible property used in connection with your restaurant, in a high condition of cleanliness, repair and appearance and to replace promptly anything that is not capable of being maintained in that condition.

6.14 You agree that all material replacement, remodeling, refurbishing, alteration, modification and/or redecoration of your restaurant and any significant part of it or thing in or on it will be made only with our prior consent.

6.15 In addition to your maintenance requirements, you agree to further repair, refinish, repaint, replace and otherwise redo your restaurant, its furnishings, fixtures, decor, equipment, signs and any other tangible part of your restaurant at your expense at such times as we reasonably direct. Other than for your ongoing maintenance requirements, we agree that we will not require any such activity during the first 5 years of the term of this Agreement. We agree that during the term of this Agreement the total cost of any added replacement, remodeling, refurbishing, alteration, modification and/or redecoration we require, in addition to your maintenance requirements, will not exceed $25,000.00, as adjusted by any increase in the Consumer Price Index as described in Section 21 below, without your consent.

6.16 We reserve the right to modify our restaurant concept, format, design, signage, name, commercial symbols, decor, products, services and all other aspects of *Sweethoney Dessert* restaurants and/or our business or system at any time in our reasonable business judgment in order to meet competition and to attempt to enhance the business of *Sweethoney Dessert* restaurants. In the event that we do so, you agree to adhere to such changes in the manner and within the time periods we reasonably specify. All such alterations and modifications will be at your sole cost and expense, subject to the limitation described in Section 6.15 above.

7. Training and Preopening Assistance.

7.01 (a) We agree to train up to 3 people before your restaurant opens. If you, or a managing owner of any entity that owns the restaurant, has not yet been trained, you, or such owner, must be one of the trainees. You should also send any managers you employ for the operation of the restaurant to our training course. You and the employees you designate must attend our training course at the same time. The training course will last approximately 2 weeks and will take place at the time and location we specify.

(b) You, or the supervising owner of any entity that owns the restaurant, must complete our training course to our reasonable satisfaction prior to the opening of the restaurant. If a partnership, limited liability company, corporation or other entity owns this franchise and the partner, member, shareholder or owner, as appropriate, who is to supervise the operation of the restaurant does not complete our training course as required by this Agreement, that person cannot operate or supervise the operation of the restaurant.

(c) If the partner, shareholder, member or owner sent to training on behalf of any partnership, corporation, limited liability company or other entity, fails to complete our training course as required by this Agreement, you must send another owner to our training program at a time acceptable to us.

(d) After successfully completing our training to our satisfaction, an owner must be the supervisor of the restaurant

(e) If any employee you bring to training does not complete our training course in a manner we find satisfactory, you agree not to employ that person in a managerial position in the restaurant.

7.02 Your *Sweethoney Dessert* restaurant must always be under the overall supervision of a person who has been adequately trained by a person who has successfully completed our training course.

7.03 If this Agreement allows you to open more than one *Sweethoney Dessert* restaurant, following the opening of your initial restaurant we will train one restaurant manager for each *Sweethoney Dessert* restaurant you open. If for any reason we agree that no one need be sent to our training course following the opening of your first *Sweethoney Dessert* restaurant, no refund of any portion of the franchise fee, or any other fees, will be made.

7.04 You agree to bear all of your own travel, living and other costs, expenses, benefits and salaries and those of the people you send to our training course.

7.05 (a) We can require the overall supervisor of your restaurant, and such managerial employees that we may specify, to undertake and successfully complete additional training at the times and in the manner we periodically specify.

(b) If you are required to send an additional person to attend our training course or if you want us to train any additional people at any time and should we agree to do so, we can charge an additional training fee for this service. On the date of this Agreement, that fee is $250.00 per day per trainee but we can change the fee at any time.

(c) The training of your employees, other than the employees who attend our training course, is your responsibility.

7.06 You agree that your *Sweethoney Dessert* restaurant will not be opened for business until we, in our reasonable judgment, certify that a sufficient number of your employees have been adequately trained to operate your restaurant.

7.07 (a) You must notify us of the planned opening date of your restaurant at least 30 days prior to the opening. We will provide you with the services of one or more members of our staff at your restaurant approximately 3 days before you open to advise and assist you during the period immediately before and immediately after the opening of your restaurant. When our representative or representatives arrive at your restaurant and the length of time he, she or they will stay is strictly within our discretion.

(b) If your restaurant is not ready when our representative or representatives arrive and for that reason he, she or they cannot perform the pre-opening functions for which he, she or they were sent, you agree to pay the added lodging and subsistence costs of our representative or representatives as well as paying us a fee for each day that our representative or representatives are prevented from completing the functions for which he, she or they were sent.

That fee is currently $300.00 per day but is subject to change. A deposit against this fee must be paid when we request it or we can recall our representative or representatives and charge you for the costs of sending him, her or them back to your restaurant when it is ready for opening.

(c) If your restaurant is not ready when our representative or representatives arrive, as an alternative to keeping our representative or representatives at your restaurant, we can recall our representative or representatives until we are satisfied that your restaurant is ready to open. If we do that, you agree to pay the costs of sending our representative or representatives back to your restaurant in addition to paying us the fee described in subsection (b) for each day our representative or representatives spend traveling to and from your restaurant.

(d) You agree to cooperate, and to have your employees cooperate, with us and our representatives in all matters related to setting up your restaurant, training your personnel and all of your other obligations under this Agreement, before, during and after the opening of your restaurant.

7.08 (a) We can offer system-wide refresher courses, seminars, conventions, meetings and similar programs for our franchisees. If we do, you agree to attend the events we specify, up to a maximum of 2 such programs in any 12 month period.

(b) In addition to the foregoing, if we sponsor regional training seminars or other meetings of any nature for our franchisees and/or their employees in the region in which your restaurant is located, you agree to attend all of those events and to send to those sessions the person or persons we designate but not more often than 2 such events during any 6-month period.

(c) All of your expenses in connection with attending such meetings, sessions, events and programs and the salaries, benefits and expenses of your employees, are your responsibility.

(d) We reserve the right to charge reasonable fees for attendance at the above-described meetings, conventions, seminars, courses, sessions, events and programs and you agree to pay those amounts at the times and in the manner we specify.

8. Restaurant Operations and Continuing Assistance.

8.01 (a) Our manuals and the systems, procedures, forms and various other materials we provide to you continue to belong to us since they contain proprietary information concerning *Sweethoney Dessert* restaurants. You acknowledge that improper use or disclosure of our proprietary information will cause us irreparable injury and that we can seek and obtain a temporary restraining order and a preliminary and permanent injunction against any improper use or disclosure of our proprietary material in addition to seeking damages and other relief on account of those actions.

(b) You agree to use our confidential information only in connection with establishing and operating your *Sweethoney Dessert* restaurant. If you make improper disclosure or use of our proprietary information, we can terminate this Agreement without giving you notice or an opportunity to cure the default.

(c) After the termination or expiration of this Agreement, you agree not to use or disclose our confidential information for any purpose whatsoever except as we may authorize or direct in writing.

(d) You agree to use your best efforts to prevent the unauthorized disclosure of our trade secret material and confidential information by your employees, agents and others over whom you have control. In this regard, you agree to follow the security procedures and employ the security practices that we specify periodically including having your employees sign our confidentiality and nondisclosure agreement.

(e) You agree to return all copies of our manuals and all other materials you obtained from or through us upon the expiration or termination of this Agreement or at any other times as we request. You agree not to print, copy, forward or otherwise duplicate our manuals or material except as we direct or approve.

8.02 (a) You agree to operate your *Sweethoney Dessert* restaurant in the highest quality manner, in accordance with all applicable laws and regulations and as prescribed by our manuals and other directives.

(b) You agree to follow all systems, procedures, practices, techniques, processes, standards, requirements, sources, formats and the like that we periodically specify for the operation of your restaurant in our manuals and other communications. We have the right to make changes in our manuals and other materials and to specify other systems, procedures, forms and requirements at any time. You agree to follow these changes at the times and in the manner we require. If there are costs involved in this compliance, you must bear those costs. We agree that these changes will not unreasonably increase your obligations, including your economic obligations, during the term of this Agreement without your prior consent.

(c) You agree to adhere strictly to our recipes and ingredient requirements and to serve only items in your *Sweethoney Dessert* restaurant that we have specified or approved. You agree that no items or services, other than those we approve, will be used, sold, displayed, exhibited, shown or otherwise provided or employed in your restaurant.

(d) You agree to provide us promptly with all reports we require in our manuals and otherwise reasonably request.

(e) No vending machines, newspaper or magazine racks, cigarette machines, games, rides, amusement devices, juke boxes, pay telephones or similar devices, whether or not they are coin operated, nor any music, music system or other entertainment systems or activities, whether live or recorded, can be used in your restaurant without our prior consent. We can specify the type of music to be played in your restaurant and the volume at which it is presented. If payment to a third person or entity is required for permission to play any music or other audio or video media or content in your restaurant, you agree to pay those fees, or a pro rata portion of those fees if more than one *Sweethoney Dessert* restaurant employs the same music or media.

8.03 You agree to hire and satisfactorily train a sufficient number of employees to handle adequately the volume of business of your restaurant and to provide courteous and capable assistance to your customers. You agree to use your best efforts to insure that your personnel maintain the standards of appearance, cleanliness and demeanor that we specify in our manuals or otherwise, but in any event standards that will enhance the conduct and image of your restaurant.

8.04 (a) In order to maintain and enhance the high standards and public image of *Sweethoney Dessert* restaurants, you agree to carry all of the menu items we specify and not carry items that we have not approved.

(b) You agree to adhere strictly to our requirements and instructions as to the sources of supply, ingredients, method of preparation, processing, handling, wrapping, presentation and serving of all items provided from your *Sweethoney Dessert* restaurant. You agree that we can change the menu items served by *Sweethoney Dessert* restaurants and the ingredients and the method of preparation, presentation and serving of our menu items in our sole and absolute discretion. You agree to comply promptly with our directives in this regard.

(c) You agree to disclose to us promptly the sources, manufacturers, suppliers and other providers you use for all of your purchases and the items you acquire from them, upon our request. You agree that we can require your suppliers to report your purchases to us as a condition of our approving them.

(d) You agree that you will use only the type, format, style, decoration and similar features of all containers, packaging, serving pieces and other tangible items, such as plates, cups, service ware, containers, napkins, tableware, flatware, bags, serving pieces and the like, that we have approved or otherwise specify. You also agree to use only the menu formats, signs, uniforms and other such items that we specify or otherwise approve. You agree not to use any such items that we have not approved or that we specify does not require our approval.

8.05 You agree to use your best efforts to produce the maximum volume of sales from your *Sweethoney Dessert* restaurant but only in a manner that is consistent with the terms of this Agreement and with our manuals and directives.

8.06 You agree to operate your restaurant continuously on such days and during such minimum hours as are required by the shopping center or other development within which your restaurant is located, or, if there are no such requirements, on such days and during such minimum hours as are customary for similar businesses in the community within which your restaurant is located. If there are no such shopping center requirements or community standards which pertain to your restaurant, we reserve the right to specify the hours of operation to be observed by your restaurant.

8.07 (a) We, our licensor or other persons and/or entities we or our licensor approve may from time to time develop private-labeled merchandise which may be available for use in, or for sale by, *Sweethoney Dessert* restaurants. You can use and or provide such items only with our prior written consent. You agree to purchase, carry, sell and use in your restaurant at least a reasonable quantity of these items if they are made available to you. You also agree that at our direction you will purchase a reasonable quantity of goods covered by any national accounts or purchasing contracts we arrange and participate in any purchasing cooperatives we establish or endorse.

(b) If we establish a central kitchen capable of servicing your restaurant, you agree to purchase the items we specify from that kitchen. We agree that the prices charged for those products will be reasonable.

8.08 (a) If we specify certain prices or minimum or maximum prices that are to be charged to your customers, you agree to adhere to our requirements in that regard at such times and on such conditions as we may specify.

(b) You agree to accept Visa and MasterCard including payments charged to those credit cards by electronic means. You agree not to require a minimum purchase for customers to charge their purchases to their credit cards. We can change the credit cards you are required to accept, in addition to requiring you to accept other methods of payment provided that the terms are commercially reasonable.

8.09 We will use commercially reasonable efforts to have a representative available online or by telephone during our normal weekday business hours to consult with you on the operation of your restaurant.

8.10 (a) We will use commercially reasonable efforts to send a representative to visit your *Sweethoney Dessert* restaurant periodically during the term of this Agreement. If we give you notice of our visit in advance and so request, you agree to be present during our representative's visit. You agree to cooperate fully with our representative during his or her visit. You also agree to use your best efforts to have any other people attend that we request to be present during the visit. We agree that our visits will be during your normal business hours and will take place at your restaurant unless both of us agree otherwise.

(b) You agree to make available to our representative during their visits, and at such other times as we may reasonably request, any information, reports, accounts, books, records, orders, statements and any other information that we request as well as providing our representatives access to your computer system and the records and reports it contains or is capable of producing.

(c) You agree that our representatives, and those of our licensor, will have access to and can inspect your entire restaurant premises, including your stock areas, drawers, locked areas, back rooms and all other areas of your restaurant at the times and in the manner they require.

(d) You agree that our representatives will have the right to photograph your restaurant, make video and audio recordings, speak to your customers and employees, copy your records, take inventory and conduct such other activities as our representative may see fit. We agree that our representatives will use reasonable efforts not to disrupt your operation during their visits.

8.11 We have the right to send representatives to your restaurant without giving you prior notice. We also have the right to have "secret shoppers" come into your restaurant to inspect your restaurant and its operations without giving you notice.

8.12 If you request a special visit to your restaurant by one of our representatives and we agree to honor that request, we can condition our visit on your paying us a fee and reimbursing us for our expenses in connection with the visit. We can require that you prepay the estimated fee and expense reimbursement before we agree to the visit. The fee that we can charge you for such a special visit will not exceed $350.00 per day, plus expenses. This fee is subject to adjustment by any increase in the Consumer Price Index as described in Section 21 of this Agreement.

8.13 If we notify you at any time of defects, deficiencies or unsatisfactory conditions in the appearance, operation, conduct, activities or other matters related to your restaurant, you agree to correct such item or items without delay in the manner we require.

8.14 (a) You agree to obtain and maintain at your expense all licenses and permits necessary for the operation of your restaurant.

(b) You agree to operate your restaurant in compliance with all laws, statutes, ordinances, rules, regulations, orders and the like, including those which are related to health, safety, employment conditions and practices, the environment and the handling and/or storage of toxic materials, whether those laws, statutes, ordinances, rules, regulations, orders and the like, now exist or are enacted and/or issued at a later time. You agree to be responsible for the results of your compliance, and any noncompliance, both during the term of this Agreement, any extensions or renewals of this Agreement and thereafter.

(c) You agree to comply with the orders, regulations, rules and directives of government officials in the conduct of their official duties as they pertain to the operation of your restaurant. You agree to notify us immediately of any significant orders or directives you receive from such officials, the reasons for them and the corrective action you have taken or plan to take. You agree to correct any situation that gives rise to any of those orders or directives within the time required by the appropriate law, regulation, rule, order or directive. If you receive health, safety, cleanliness or similar reports and/or grades from a government inspector, you agree to provide us with a copy of each such report and/or grade immediately after you receive them.

(d) You agree to notify us promptly of any lawsuits, arbitration proceedings and other actions in which you become involved that pertain in any way to your *Sweethoney Dessert* restaurant or that could affect your financial condition in any material manner.

8.15 (a) You agree to purchase any computerized point of sale recordation and reporting system that we require, including the hardware and software we specify or otherwise approve. You agree to upgrade your hardware and software at such times as we reasonably determine. You also agree to carry such maintenance contracts on your hardware and software as are reasonably necessary to their continued operation. If we so require, you agree to purchase the system, hardware, software, upgrades and contracts from the sources we specify or otherwise approve.

(b) You agree to record all of your sales, receipts and expenses, merchandise orders, invoices, customer lists and other business information promptly in your computer system using the software that we specify or approve.

(c) We can periodically require that you use a different sales recordation, computer or other reporting system and software. If we do so, we will give you a reasonable time to amortize the cost of the system and software you are using before we require you to replace that system or software.

(d) You agree that, if we so require, you will insure we have remote access to your computer system, the information in it and the reports it produces. You agree to install the hardware and software we may specify to allow this access and to maintain the system so that our access will be uninterrupted. You agree not to interfere with our remote or on-site access to your computer system and the records and reports it produces.

(e) Customer lists generated during your operation of your *Sweethoney Dessert* restaurant are our property and will remain so after this Agreement ends.

8.16 You agree that you are solely responsible for all taxes, liens, assessments, costs, expenses, debts, salaries, accounts, liabilities, charges, duties, imposts, fees, damages and all other liabilities, outlays and other obligations involving the payment of money or performance of any other nature, incurred in or resulting in any way from, the development, construction, opening and operation of your restaurant.

8.17 (a) If this franchise is owned by a partnership, corporation, limited liability company or other entity, you agree to designate a shareholder, partner, member or other owner to be the principal agent of the entity. This is the person who will deal with us in connection with your franchise, your restaurant and compliance with this Agreement. This person is referred to in this Agreement as "your managing agent". You warrant that your managing agent will have the authority to speak for and bind any entity owning this franchise in all matters pertaining to this Agreement and your restaurant. You further warrant that we can rely on that authority until we are notified in writing of any change in your managing agent.

(b) Your managing agent, and any person by whom your managing agent is replaced, must attend our training course at the time, for the duration and at the location we specify and must complete that training to our reasonable satisfaction as a condition of being your managing agent.

(c) Your managing agent cannot be a person who was the principal operator of a *Sweethoney Dessert* restaurant that had its Franchise Agreement terminated because of a default or any other person to whom we have reasonable cause to object.

(d) If for any reason your managing agent cannot continue to serve, you must appoint a new managing agent promptly. The new managing agent will be subject to the provisions of this section and to all of the other terms of this Agreement in the same manner as your prior managing agent.

8.18 You agree to participate in our gift certificate, gift card, discount and similar programs at the times and in the manner we specify. You agree that we can administer any such program or designate a third party provider to do so. If we are involved in whole or in part in the administration of the program, you agree that we can charge a reasonable fee for our efforts.

8.19 We have the right to establish one or more franchisee advisory councils to consult with us on matters of mutual interest. If we establish such a council, we have the right to determine its rules. You agree to follow those rules and, if we so request, participate in the activities of that council in the manner and to the extent we require.

9. Royalty and Marketing Fees.

9.01 (a) As used in this Agreement "gross receipts" means the amount received from all sales of food, beverages, services and other items in and from your *Sweethoney Dessert* restaurant whether for cash, on credit or for other consideration, without offset, including revenues derived from catering where the services, food and/or beverages are supplied by or through your restaurant or otherwise under the *Sweethoney Dessert* name. Credit transactions are considered made when the transaction giving rise to the extension of credit occurs and not when, or if, you receive payment or when title to the goods passes. Credit card and other credit transactions result in "gross receipts" in the full amount of customers' purchases without any allowance for bad debts, uncollectible accounts or credit card fees and charges.

(b) In computing gross receipts there shall be excluded any gratuities or service charges added to a customer's bill or statement in place of gratuities that are payable to employees of your restaurant as well as sales taxes, excise taxes, gross receipt taxes, value added taxes or similar charges added to a customer's bill.

9.02 (a) In exchange for awarding you a *Sweethoney Dessert* franchise, for the assistance we give you in connection with the opening of your *Sweethoney Dessert* restaurant and for the continuing right to use the licensed assets, you agree to pay us a royalty payment equal to 6% of your gross receipts. You agree to pay us this amount, as well as the amounts payable to the Marketing Fund described below and any other amounts otherwise due to us, by Electronic Funds Transfer or its equivalent. Your royalty, and any payments due to the Marketing Fund, as described below, are due on the dates you are required to file your quarterly state sales tax reports. You agree to send us copies of your sales tax reports at the time they are filed. The amounts due to us should be based on your gross receipts for the period then ending even if your state does not have a sales tax applicable to all or part of those receipts. If your state does not have a sales tax, or is one that does not require you to file quarterly reports, we can specify the report or reports you must file with us along with your payments and the time those payments are to be made to us.

(b) We retain the right to change the required method of payment at any time and you agree to comply with our directions in this regard. If we so require, you agree to sign and submit to your bank the forms required by your bank allowing us to specify the debit to your account and where the transfer is to be sent. You agree to keep a sufficient balance in the concerned account to cover these payments and not to withdraw or alter your directions to your bank concerning this account and the required transfers without our prior written consent.

(c) If any properly initiated debit is denied or charged back due to insufficient funds or the closing of the account from which transfers are to be made, you agree to pay us a $25.00 charge-back fee and reimburse us for all bank and transaction charges we incur as the result of the charge-back. If you do not report your gross receipts to us for any reporting period, we can debit your bank account in an amount equal to 150% of the amount payable to us for the last period for which you reported. Nothing in this paragraph is to be construed to waive, postpone or suspend your obligation to submit to us any payments, reports, records or other materials or to waive any default occurring as a result of your failure to report or pay any amounts required by this Agreement. The charge-back fee is subject to adjustment by any increase in the Consumer Price Index as described in Section 21 below.

(d) We can change the time your royalty and Marketing Fund payments are to be made and the reports you are required to provide in place of, or in addition to, the sales tax reports described above. You must certify to us that these reports are complete, true and correct no matter how, or by whom, they are prepared and/or filed.

(e) Our acceptance of any reports, statements or payments shall not be considered our agreement to the accuracy of the reports, statements or payments

9.03 (a) As of the date of this Agreement we do not have a local, regional or national cooperative marketing program. If we initiate such a program or programs, in addition to your royalty payment, you agree to send us at the same time and in the same manner as your royalty payment, a contribution to our marketing fund in the amount we specify, which will not exceed 3% of your monthly gross receipts. We can periodically change the amount we require you to contribute to that program or those programs but in no event will your contribution exceed 3% of your gross receipts. In this Agreement, we refer to the cooperative marketing program fund as "the Marketing Fund".

(b) We will keep the Marketing Fund apart from our other accounts. We will send you a report of the receipts and expenditures of the Marketing Fund annually. This report does not have to be audited, reviewed or compiled by an accountant.

9.04 If we own and operate any *Sweethoney Dessert* restaurants, we agree to have those restaurants contribute to the Marketing Fund on the same basis that you do.

9.05 (a) When formed, we will use the Marketing Fund for the development, production, execution, dissemination, direction, review, analysis and administration of marketing, promotional and public relations activities designed to benefit the *Sweethoney Dessert* system of restaurants on a local, regional and/or national basis. We have complete and absolute discretion over how and when sums from the Marketing Fund are spent and what items are charged to it. However, we agree to use the Marketing Fund only for the planning, production, execution, placement, publishing, broadcasting, dissemination and analysis of marketing, promotion and public relations materials and programs, including point of purchase materials, brochures, display materials, market research and analysis, the employment of marketing and promotion staff and agencies, the purchasing of media time and space, the planning, production and execution of promotional or public relations events, the review and analysis of those activities and for related purposes.

(b) We are not obligated to spend receipts of the Marketing Fund in any particular region even if a disproportionate amount of those receipts comes from a particular area or within any particular time period.

9.06 If we, or the Marketing Fund, conduct marketing in which prices for items are indicated, we will advise you whether you are required to adhere to that pricing. If you are not required to adhere to those prices and you do not elect to do so, your restaurant listing need not be included in the marketing or promotion program that specifies those prices.

9.07 We can charge the Marketing Fund for the time, overhead and expenses of our employees to the extent that they work on marketing, promotion or public relations activities designed to enhance the image or sales of *Sweethoney Dessert* restaurants.

9.08 (a) We will have the right to terminate the Marketing Fund or turn its functions over to an outside agency at any time after its inception. If we terminate the Marketing Fund and do not replace it with a similar entity, we can have you use the money you would otherwise contribute to the fund for local or regional marketing, promotion or public relations purposes.

(b) If we turn the functions of the Marketing Fund over to an outside agency, we can require you to pay that agency the amounts you would otherwise contribute to the Marketing Fund.

(c) Even if we have an agency perform some or all of the functions of the Marketing Fund, we will still have the right to approve any marketing, promotion and public relations material and activities suggested by the agency.

9.09 If you do not comply with your payment obligations to us in a timely manner on more than 3 occasions, you agree that we will have a security interest in the assets of your *Sweethoney Dessert* restaurant under the provisions of the Uniform Commercial Code whether those assets are now owned or are acquired at a later date. In order to perfect this security interest, you agree to sign a financing statement reflecting our security interest as such times as we request. We will pay for the filing of the financing statements. We agree that our security interest will be subordinate to any purchase money security interest you give for property acquired after the date of this Agreement. We will have the right to enforce our rights under our security interest to satisfy your obligations to us at the times and in the manner we periodically decide.

10. Marketing and Promotion.

10.01 We can specify the Grand Opening marketing to be conducted by your *Sweethoney Dessert* restaurant. You agree to conduct your Grand Opening marketing as we specify or otherwise approve and not to engage in any Grand Opening activities which we have not approved in advance. We agree that you will not be required to spend over $5,000.00 on your Grand Opening marketing.

10.02 As long as your *Sweethoney Dessert* restaurant is open, you agree to conduct a reasonable amount of advertising and marketing for your restaurant. If the shopping center in which your restaurant is located requires you to participate in its marketing and promotion activities, the amounts you spend on those activities will be considered in determining whether you are conducting a reasonable amount of advertising and marketing for your restaurant.

10.03 (a) For the protection of the *Sweethoney Dessert* system, all of your marketing, promotion and public relations activities, including your participation in charitable events and donations you want to make to charities and other organizations, must be consistent with our image and must reflect favorably on *Sweethoney Dessert* restaurants, products and the *Sweethoney Dessert* system. Therefore, you agree to submit to us prior to use copies of all marketing, promotion and public relations plans, material and programs you want to use or participate in and describe to us in what media your marketing will be published. You agree to advise us of the nature and the amount you plan to spend for each promotional, charitable or public relations event, item, donation and program and all other relevant information, including any further information we request.

10.04 You agree not to use any advertisement or material, implement any program or plan, participate in any event or make any donation without our prior consent, except to the extent we have provided you with the concerned item or have previously approved your program, plan, event or donation. Once we give you our consent, you agree to employ the advertisement, material, program, plan or make the donation only as we have approved.

10.05 (a) We will have 5 business days after you submit the information on your material, program, event, donation or plans in which to approve or disapprove the submission. We can extend this approval period for a reasonable time following the receipt of the requested information if we require additional information concerning the matter. If we do not disapprove your proposal within 5 business days after our receipt of the items, plus such additional time as we may reasonably require, the matter will be considered approved.

(b) For the protection of our trademarks and service marks, we have complete and absolute discretion in deciding whether to approve your marketing, promotion and public relations material, plans, programs, events and donations and/or to require you to stop any such use even if we have previously approved it.

10.06 (a) If we develop any signs, point of purchase material, photostats, display material, brochures, handouts or other marketing or promotional material for use by *Sweethoney Dessert* restaurants, you agree to purchase a reasonable amount of these materials and to use them as we require. We can mark up the cost of any of these items in a reasonable amount to pay for our development, administrative and handling costs.

(b) If we develop any material for display in *Sweethoney Dessert* restaurants soliciting new *Sweethoney Dessert* franchisees, you agree to display that material for the duration, at the location or locations and in the manner we require. You will not be compensated for displaying this material.

10.07 (a) You agree to follow all of our policies and procedures concerning your use of the Internet, other electronic media and any other media whether or not otherwise specified in this Agreement and whether that media now exists or may be developed in the future, including its use in connection with your marketing, promotions or other activities. Without our prior written consent, you agree not to use any of our names or marks, or any names or marks confusingly similar to them, in connection with any use you make of the Internet or other media. If you are granted the right to use our proprietary property in connection with an Internet domain name for your *Sweethoney Dessert* restaurant we must approve the manner of that use and the content of your web site in advance. At our election, we will register an Internet domain name relating to your restaurant for you so that we will be the owner of the name. If you register an Internet domain name, or its equivalent, that includes our proprietary property, or any names or marks similar to them, at our direction you agree to assign us all of your rights to that domain name at the time and in the manner we require.

(b) Upon the expiration or termination of this Agreement, any sites, domain names and all other identifying names, marks, symbols and other means of identification that you may have used in connection with your *Sweethoney Dessert* restaurant will become our property and must be transferred to us in the manner we specify.

(c) Unless we agree otherwise, your exclusive presence on the Internet, and on or in any other electronic or alternative media, can only be on or through our Internet site and/or on or in such other media as we specify.

(d) Your Internet and other media presence, whether on our Internet site or otherwise, must have the appearance and contain the content that we periodically specify or otherwise approve.

(e) If we allow you to have your own Internet site, or if you have any other electronic or alternative media presence, you agree not to use, or authorize the use of, any means of referring to your site, such as by meta tags, links or other reference devices, without our prior written consent. In addition, your site or presence must not refer to or show the site of another, such as by the use of links or frames, without our prior written consent.

(f) We have the right to charge you a reasonable fee for the maintenance of our web site and/or any other media presence we maintain and on which your restaurant is represented.

10.08 You agree to use any intranet, extranet and the like that we maintain for the internal use of our franchisees or their employees for information, reporting, training and other purposes, strictly in the manner we specify. You further agree not to inform any third person, other than those we may authorize in writing, how to access or derive information from our intranet, extranet or other nonpublic sites. The manner of accessing and obtaining information from these sites, as well as the information contained on such sites, are our trade secrets and are subject to the provisions regarding trade secrets and proprietary information set forth elsewhere in this Agreement.

10.09 You agree to send us copies of all articles, mentions on the Internet, other publicity or other media exposure you receive, whether positive or negative, promptly upon becoming aware of it.

11. Records, Accounting, Audits, Trade Accounts, Security Interest and Late Charges.

11.01 (a) You agree that you will maintain a separate business bank account into which you will deposit all of the proceeds from the operation of your *Sweethoney Dessert* restaurant business and from which you will pay all of its expenses, including the royalties and Marketing Fund payments described above. You agree not to use that account for any other purpose.

(b) You agree to maintain current and accurate books, records, accounts, tax returns and all related back-up material showing the results of the operation of your *Sweethoney Dessert* restaurant including all of the books and records that we list in our manuals and other directives. If we so require, you agree to use the chart of accounts and accounting software that we specify. You agree to maintain all such materials at your principal place of business unless we otherwise approve.

(c) You agree to retain all of your business records, including your business tax returns, sales tax reports and related back-up material for at least as long as required by law or 3 years following the end of the year to which the items pertain, whichever period is greater. You agree to make these records available to our representatives at your principal place of business at the times we may reasonably require.

11.02 (a) You agree at your expense to provide us with the reports and the other data we specify in our manuals and as we otherwise request. We can require data to be transmitted to us by telephone, electronically or by other means.

(b) If we later require, you agree at your expense to send us a profit and loss (income) statement in the form we specify within 10 days after the end of each of your fiscal quarters and an annual balance sheet within 30 days after the end of your fiscal year.

(c) If you have repeatedly underreported your gross receipts or failed to provide the statements and reports required by this Agreement, we can require that your financial statements be prepared by an independent certified public accountant at your expense. If we require that an independent certified public accountant prepare your financial statements, we will indicate on what basis those statements have to be presented, such as on a compilation, review or audited basis. We can change these requirements whenever we feel that it is necessary in order to get timely and accurate financial statements from you.

11.03 (a) We have the right to inspect and/or audit your books and records at any reasonable time at your restaurant or at such other location as may be mutually agreed upon between us.

(b) If the inspection or audit reveals an understatement of gross receipts for any reporting period in an amount of 3% or more or if an audit is necessary because you have not complied with the financial reporting or record keeping requirements of this Agreement, our manuals or our directives, you agree to pay the costs of the inspection or audit as soon as we advise you of those costs. These costs can include the costs and expenses we incurred for accountants, attorneys or any others with whom we have incurred costs in connection with the inspection and/or audit, as well as for the time our employees devote to the inspection or audit.

(c) Regardless of whether you have to pay the costs of the audit, you agree to pay all sums that are shown to be due because of any understatement of gross receipts or any other underpayment, plus any late charge that results from the nonpayment. If the inspection or audit shows an overpayment to us of any amount, the amount of the overpayment will be applied to the next amounts due to us.

(d) If we discover by inspection, audit or otherwise that you have intentionally underreported your gross receipts for any period in any amount or have underreported your gross receipts in the amount of 10% or more for any period, whether or not the underreporting was intentional, we have the right to terminate this Agreement in addition to having all of our other rights and remedies under this Agreement and those available to us under applicable law.

11.04 All amounts that you owe us that are past due shall be subject to a late charge in the amount of 1½% per month. If that amount is not allowed by applicable law, the late charge will be equal to the highest lawful rate on loans between businesses in the state whose law governs this Agreement.

11.05 Neither because we impose, nor because you pay, a late charge does that payment waive or otherwise affect any right or remedy that we have under this Agreement, or under law, because of the late payment.

11.06 Because it is very important that *Sweethoney Dessert* restaurants have good trade relations with their suppliers so that we can try to get the best prices and service from them, you agree to pay your vendors, contractors and suppliers promptly. If you have a dispute with any of them, you agree to attempt in good faith to resolve the dispute promptly and fairly.

12. Insurance, Damage and Destruction

12.01 (a) Before you begin the construction of your restaurant, you agree to procure, and, while this Agreement is in effect maintain, commercial general liability insurance on the form we approve. Your insurance must cover your premises and operations, products and completed operations, contractual liability, property damage and personal injury liability in the minimum amount of $2,000,000.00 for each occurrence. If your restaurant will serve alcohol, your liability policies must also provide liquor liability coverage. This coverage may be obtained with a combined single limit for bodily injury and property damage. You must also obtain and maintain automobile liability insurance, including coverage for all owned, hired and nonowned vehicles, in a minimum amount of $2,000,000.00 combined single limit for each accident. You may satisfy these limits by having your basic policies in the amount of $1,000,000.00 and, in addition, maintain a general aggregate ("umbrella") liability policy in the minimum amount of $1,000,000.00.

(b) Your liability insurance policies must be written on an "occurrence" and not on a "claims made" basis.

12.02 You also agree to obtain and maintain throughout the term of this Agreement insurance on your leasehold improvements, furniture, fixtures, equipment, décor and the other physical assets of your restaurant. That insurance shall include fire and extended coverage insurance on a replacement cost basis, in amounts adequate to reconstruct, redecorate, resupply and reopen your restaurant in the event of a covered loss.

12.03 Your insurance policies must comply with the following requirements:

(a) Your insurance carrier must have and maintain a Best rating of at least "A-7" or its equivalent.

(b) Your insurance policies must not contain a coinsurance clause.

(c) The deductible portion of any claim or loss under any of your insurance policies cannot exceed $2,500.00 without our prior written consent.

(d) Your insurance policies must be written as primary policies regardless of whatever other policies you carry or those carried by us, our licensor or our affiliates.

12.04 In addition to the insurance coverage described above, you agree to carry such other and additional insurance as may be required by the lease of your restaurant premises and that required by your lender or equipment lessor, if any. You also must carry workers' compensation and employer's liability insurance as required by law. Employer's liability insurance shall be obtained in an amount of not less than $1,000,000.00 per accident for bodily injury by accident and $1,000,000.00 per employee for bodily injury by disease with a $1,000,000.00 policy limit by disease.

12.05 We have the right to require from time to time that you carry different limits and/or different types of insurance coverage if we believe it is prudent in our reasonable judgment. You must comply with our requirements promptly upon receipt of written notice of any those requirements.

12.06 You acknowledge that the limits on your insurance policies do not limit your liability to us under the indemnification obligations of Section 13 below or your other obligations under this Agreement.

12.07 (a) You agree at your expense to name us, our licensor and those of our affiliates that we may specify and our and their officers, directors, shareholders and employees as additional insureds on all of your policies of liability insurance including your general liability, vehicle liability and umbrella liability policies.

(b) We can designate other entities and/or persons to be named as additional insureds on your insurance policies from time to time and you agree to include those persons or entities on your policies as long as you can do so at minimal expense.

(c) You agree to have your insurance carriers provide to each additional insured a certificate of insurance evidencing the required coverage.

(d) All of your insurance policies must specify that the insurance carrier will give 30 days prior written notice to each additional insured under that policy if the policy in which such persons or entities are named is to be canceled or not renewed.

(e) You agree to provide us with copies of those of your insurance policies that we request.

12.08 (a) If during the term of this Agreement all or part of your restaurant is damaged or destroyed by fire or other casualty, then, except as provided below, you must repair, restore or rebuild your restaurant to the extent allowed by, and in compliance with, the terms of your lease and applicable law.

(b) If you are allowed to rebuild your restaurant under the terms of your lease and by applicable law, the term of this Agreement will be extended for a period of time equal to the time your restaurant was closed due to the damage or destruction but not in excess of 12 months from the date of the damage or destruction.

(c) If your lease requires or permits you to repair or rebuild, all of the proceeds of any insurance payable on account of the damage or destruction must be used to pay for restoring your restaurant. The restoration of your restaurant must comply with our standards at the time for the construction of new *Sweethoney Dessert* restaurants.

(d) To the extent prevented by circumstances beyond your reasonable control, except for your financial inability to proceed unless that is caused by a delay in the receipt of your insurance proceeds, you agree to begin the restoration of your restaurant within 90 days after the damage or destruction occurs and to proceed with the reconstruction and reopening of your restaurant with due diligence.

(e) If your lease permits you to terminate the lease because of the damage or destruction and you do so, this Agreement will end on the date your lease ends.

12.09 (a) If your restaurant, or the premises in which it is located, is taken in an eminent domain, condemnation, compulsory acquisition or similar proceeding for any public or quasi-public use or purpose or is sold under the threat of such an action, and if it is not feasible or prudent in our reasonable judgment to use the remaining portion for the operation of a *Sweethoney Dessert* restaurant, this Agreement will end as of the date of the taking. In the event that this Agreement is terminated for this reason, you agree to pay us out of the compensation you receive as restitution for the taking, or from the proceeds of the sale, an amount equal to the payments required by Sections 9.01 and, if applicable, 9.03 above, for the 12 months immediately preceding the date of the termination of this Agreement or the actual time your restaurant was open if it was open less than 12 months.

(b) If the taking is only partial and the remaining portion of your restaurant is sufficient in our reasonable judgment to continue the operation of your restaurant, you agree promptly to restore your restaurant to a condition adequate for the conduct of business, subject to the consents and approvals you are required to obtain from us as in specified in Section 6 above.

13. Relationship of the Parties; Indemnification.

13.01 Even though you will operate your restaurant under the *Sweethoney Dessert* name, you are an independent contractor.

13.02 (a) Nothing in this Agreement or in our franchise relationship makes you our agent, partner or joint venturer. Similarly, we are not your agent, partner or joint venturer for any purpose.

(b) None of your employees are to be considered our employees and none of our employees are to be considered your employees for any purpose.

(c) You acknowledge that our licensor is a separate entity that it is not responsible or liable for our acts or omissions. If we have our licensor perform any services for us, it does so as an independent contractor. You hereby waive and release any claims you may have or later acquire against our licensor based solely on its relationship with us but not based on its own actions or inactions.

13.03 Neither of us is liable for the debts, liabilities, taxes, duties, obligations, defaults, compliance, intentional acts, negligence, errors or omissions of the other. You agree to do nothing that will give the impression to third parties that it is otherwise.

13.04 (a) Each of the parties to this Agreement guarantees that it will not intentionally do anything to give anyone the impression that our relationship is other than franchisor and franchisee.

(b) If you do anything or fail to act in any way that causes us or our licensor to be exposed to any liability or to incur any expense merely because of our relationship, you must indemnify and hold us and our licensor harmless against any liability, costs or expenses in the matter, including attorneys' fees, unless we or our licensor actually did something to participate in a significant manner in the conduct giving rise to the liability in which case the liability will be proportioned in an equitable manner.

(c) If you claim that we or our licensor did participate in the conduct giving rise to the liability and it is subsequently shown that we or they did not do so, you must reimburse us and our licensor for all costs, expenses and liabilities, including reasonable attorneys' fees, we and/or our licensor incurred to show that we and they did not participate in any significant way in the conduct or inaction that gives rise to the liability.

13.05 As used in this Section 13, "we" and "us" also means our and our licensor's officers, directors, shareholders, employees, agents and others for whose conduct we or they are responsible.

13.06 You agree to post, display, include and otherwise promptly use and maintain all signs and/or notices we specify, and any that are required by applicable law, indicating the status of the parties and our relationship, including notices on stationery, business cards, signs, in marketing, promotional and public relations material and so forth.

13.07 (a) You agree to defend, indemnify and hold harmless us and our licensor, and our and their successors and assigns, against all losses, liabilities, damages, costs and expenses, including reasonable attorneys' fees, resulting directly or indirectly from, or in any way pertaining to, the design, construction, fixturing, decorating, stocking, use, occupancy, maintenance, repair, operation, sales, policies, procedures, practices, actions, hiring practices, personnel policies, employment practices or all other activities of your restaurant, including your intentional acts and negligence and those of your agents, officers, directors, partners, shareholders, members, employees and any others for whose conduct you are responsible. However, we shall be responsible for and will indemnify you against, any loss, costs or damage to the extent resulting from your compliance with our written policies, procedures and directives but only as long as you have fully complied with our requirements at the times and in the manner we require.

(b) You also are responsible for any loss, damage, cost and expense, including attorneys' fees, that arise out of the representations you made or you were required to make but failed to make in obtaining this franchise.

(c) The foregoing indemnity provisions are not limited by the insurance requirements of Section 12 above or by any other provisions of this Agreement.

13.08 If we ever learn about a matter against which you have indemnified us, we will notify you about it and you agree to defend us against it. However, if the claim is one that may affect more than one *Sweethoney Dessert* restaurant, we can take over the defense of the matter with counsel of our choosing. In that case, you will be responsible for a pro rata portion of the costs and expenses involved in defending the matter, including attorneys' fees.

13.09 If you are defending us and/or another indemnified party in any action, you agree not to settle the matter until we and the other indemnified party or parties, if any, approve the terms of the settlement. You cannot commit us or any of the other indemnified parties to making any expenditure or taking or withholding any action as a part of any settlement without our and, if applicable, their prior written consent.

14. Use and Protection of the Licensed Commercial Symbols and Other Proprietary Property.

14.01 (a) All of the trademarks, trade names, service marks, logotypes, symbols, designs, patents, copyrights and/or other commercial property we license to you now and in the future are collectively referred to in this Section 14 as "the licensed intellectual property". Your use of the licensed intellectual property is nonexclusive. That means that, except as may limited by this Agreement, we, our licensor and our affiliates can use and can license others to use, the licensed intellectual property in any manner or at any place.

14.02 (a) As of the date of this Agreement, you are licensed to use only those trademarks, trade names, service marks, logotypes, symbols and designs indicated on Exhibit C to this Agreement.

(b) All of the licensed intellectual property that you are permitted to use under this Agreement, whether presently licensed or that which may be licensed to you in the future must be used strictly in compliance with all of the terms and conditions of this Agreement, our manuals and our other directives.

14.03 In the event you become aware of any claim of infringement resulting from, or other challenge to, your use of any of the licensed intellectual property, you agree to notify us immediately of the facts concerning the claim or challenge. We have sole discretion as to what action to take, if any, regarding any claim or challenge concerning the licensed intellectual property. You agree to join as a party to any action concerning the licensed intellectual property or to allow an action to be brought solely in your name, but only when, as and if we so direct.

14.04 We will have sole control over each and every legal, administrative and other action of any type concerning the licensed intellectual property. In the event of any legal, administrative or other action concerning the enforcement or defense of our rights in the licensed intellectual property, we agree to bear the legal fees and court costs incurred in the handling of the matter.

14.05 We agree to pay all damages for which you are held liable in any proceeding involving your right to use the licensed intellectual property but only on the condition that you have used the licensed intellectual property in strict accordance with this Agreement, our manuals and our other directives, have promptly notified us of any challenge to your use of the licensed intellectual property and fully cooperate with us in the handling of any proceeding concerning the licensed intellectual property.

14.06 (a) We have sole discretion as to what legal, administrative or other action to take, if any, against any third person or entity making unauthorized use of the licensed intellectual property. You agree to cooperate fully with us in our handling of any such legal, administrative or other proceeding.

(b) If we elect to take legal, administrative or other action against a third party in any matter concerning the licensed intellectual property, you agree to join as a party to the action or to allow the action to be brought solely in your name, but only when, as and if we require. We will bear all legal costs in connection with that action.

14.07 (a) You agree to comply with our instructions if it becomes advisable at any time in our sole discretion to modify or discontinue the use of any of the licensed intellectual property.

(b) In the event we require you to discontinue the use of any marks, names and/or any other part of the licensed intellectual property, our sole obligation will be to reimburse you for your reasonable out of pocket costs in connection with that compliance but only to the extent that those costs are for the replacement of tangible items bearing the concerned names, marks, symbols and/or designs and provided that your compliance is in accordance with our directives, such as in the liquidation of existing supplies of distinctively marked materials, the disposition of signs, the replacement of marketing and promotion material and so forth. We will not be obligated to reimburse you for the replacement of any items bearing our names or marks as long as you have been given a reasonable time to use up items that are consumed in the normal operation of your *Sweethoney Dessert* restaurant business or to amortize the cost of items that are not capable of such use over a reasonable period of time.

14.08 You agree to use one or more additional trademarks, service marks, logotypes, names, slogans and/or other commercial symbols in connection with the operation of your restaurant if we so require. In that event, you agree to bear the cost of using those additional items.

14.09 (a) You agree to take no action that will interfere with our rights in the licensed intellectual property or its use by us, our licensor, our affiliates and/or by those we authorize to use it and those so authorized by our licensor or affiliates.

(b) You agree to make no application for registration or other protection of any of the licensed intellectual property or any items similar to them without our prior written consent and then only upon the terms and conditions we specify.

(c) You agree not to contest the validity or ownership of any of the licensed intellectual property or to assist anyone else in doing so.

14.10 If we so direct, you agree to give the notices, file the forms and take any other action we reasonably require in connection with your use of the licensed intellectual property.

14.11 In connection with your use of the licensed intellectual property, you agree to show all of the symbols and display all of the legends we specify indicating that any mark, name, logotype or symbol is a trademark, service mark, copyright or is otherwise subject to protection under the law and is owned by us and/or by our licensor or affiliates.

14.12 Since it is essential to the goodwill and operation of *Sweethoney Dessert* restaurants that competing restaurants are not aware of and/or do not use, our trade secrets, including our recipes, marketing plans, supplier information, merchandising and promotional programs, financial data, operational practices and procedures and other proprietary information, you agree that if you have more than one *Sweethoney Dessert* restaurant and you do not enter into a new Franchise Agreement for any of those restaurants when the Franchise Agreement applicable to it expires but are allowed by operation of law, or otherwise, to operate a business a principal activity of which is the sale of items of a type similar to those sold in *Sweethoney Dessert* restaurants, in our sole and absolute discretion we can terminate your remaining *Sweethoney Dessert* franchises without further obligation to you. These terminations will be considered terminations without default. In the event we terminate any of your franchises for this reason, you agree promptly to comply with all of the post-termination obligations set forth in Section 16 of this Agreement.

15. Transfers and Our Right of First Refusal.

15.01 (a) As used in this Section 15 the words "you" and "your" also mean anyone owning any interest in this franchise including anyone owning any interest in any entity having an ownership interest in this franchise.

(b) "Transfer" means any assignment, sale or other disposition, whether it occurs voluntarily or involuntarily, including the transfer, issuance or reacquisition of any shares or other ownership interest in, or the merger, acquisition, recapitalization, consolidation or other restructuring of, any corporation, limited liability company, partnership or other entity that owns any interest in this franchise or in the assets of your restaurant.

(c) In this Section 15, "this franchise" means this Agreement, the rights granted by this Agreement, any ownership interest in this Agreement or in any entity with any ownership interest in this Agreement or in your *Sweethoney Dessert* restaurant or its assets.

15.02 You agree to notify us before you take any action to market this franchise or your restaurant. You should provide us at that time with your plan for marketing this franchise or your restaurant including the means and methods you plan to employ in that regard and copies of any advertisements and materials you propose to use. You must obtain our approval of all of those advertisements and materials prior to their use, which consent will not be unreasonably withheld or delayed. The foregoing includes advertisements and notices you plan to place on the Internet or publish or distribute by any other means.

15.03 You only can transfer this franchise with our prior written consent. Any attempted transfer that we do not approve in advance is not binding on us and is grounds for the termination of this Agreement.

15.04 (a)) In determining whether your proposed transferee is acceptable, we will consider, among other things, our standards at the time for new *Sweethoney Dessert* franchisees including the net worth, creditworthiness, background, training, personality, reputation and business experience of the proposed transferee.

(b) We can disapprove the proposed transfer if, in our sole and absolute judgment, the sales price to be paid by the transferee or the other terms of the transaction are such that the transferee's successful operation of the franchised business may be jeopardized. You acknowledge that this provision is solely for our protection and is not intended to provide any assurance to the prospective transferee that our approval of the transfer in any way guarantees the transferee's success. You agree not to suggest anything to the contrary to anyone including your prospective transferee.

(c) Since you may disagree with our decision to disapprove your proposed transferee or the transfer transaction, you hereby waive and release us from any claims that our refusal to approve a proposed transfer is an unreasonable interference with your prospective advantage, is an interference with your contractual relations or otherwise gives you or the proposed transferee any kind of claim against us. We would not review the application of the proposed transferee if you did not agree to this waiver and release.

15.05 You agree that you will finalize a proposed transfer only when you receive our written approval of the prospective transferee and the transfer transaction and following our decision not to purchase the interest or property proposed to be transferred under our right of first refusal described below. The decision whether to approve the proposed transfer is within our sole and absolute discretion.

15.06 (a) You agree to follow the transfer procedures set forth in our manuals and other directives, to provide us with the documents and to perform the other duties regarding the transfer called for by our manuals or directives.

(b) You agree that we can require that the closing date of the transfer be delayed for a reasonable time to allow us to perform our duties concerning the transfer.

15.07 So that we can review your proposed transferee's qualifications, your proposed transferee must submit an application in the form we specify. Until all of the information we reasonably request is provided, we are not obligated to take any action on the application of the proposed transferee. We will review the application within a reasonable time and advise you whether your proposed transfer has been approved.

15.08 (a) Except as provided below, if we approve your proposed transferee, you must pay us as a transfer fee an amount equal to 50% of the initial franchise fee we are charging at the time for new *Sweethoney Dessert* single restaurant franchises.

(b) If the proposed transferee is an existing *Sweethoney Dessert* franchisee, rather than paying 50% of the then-current initial franchise fee, the transfer fee will be equal to 25% of the initial franchise fee we are charging at that time for new single restaurant franchises. If the transferee is an existing *Sweethoney Dessert* franchisee, we will not be required to provide any services in connection with a transfer. However, if in our discretion any such services are required, you or the transferee must reimburse us for any costs that we incur in connection with the transfer including any training we require the transferee to undertake and travel, lodging and related costs involved in any visits to the restaurant that we make related to the transfer.

(c) If no new *Sweethoney Dessert* franchises are being offered at the time of the transfer, the amounts referred to above will be based on the initial fee that was being charged to new *Sweethoney Dessert* franchises at the time we stopped granting new franchises, adjusted by any increase in the Consumer Price Index as described in Section 21 below between the date we stopped offering new franchises and the date of the transfer.

(d) If more than one *Sweethoney Dessert* restaurant is being transferred at the same time to the same transferee as part of the same transaction, and if the transferee is not then a *Sweethoney Dessert* franchisee, the transfer fee will equal 50% of our then-current initial franchise fee for the first restaurant being transferred and 25% of that fee for each additional restaurant being transferred. If the transferee is then a *Sweethoney Dessert* franchisee, the transfer fee will equal 25% of our then-current franchise fee for each restaurant being transferred.

(e) The required payments must be made within 10 days of when we notify you that we have approved the transferee and the transfer transaction or our approval can be withdrawn. We will not schedule any required training of your transferee until this payment is made.

(f) If you notify us that the proposed transfer transaction has been terminated before your proposed transferee has started our training course, we will refund the transfer fee, less any amounts we have expended in connection with the proposed transfer, including a reasonable allowance for the time our employees have spent in connection with the proposed transfer.

(g) If you own any existing *Sweethoney Dessert* restaurants as well as the right to open additional *Sweethoney Dessert* restaurants, you must transfer both your restaurant or restaurants and your remaining rights to the same transferee unless we agree otherwise at the time. Your transferee must agree to pay the balance of the franchise fees due for remaining restaurant or restaurants as required by this Agreement.

15.09 We can require the proposed transferee to complete our training course, or such parts of it as we specify, to our reasonable satisfaction as a condition of our approval of the transfer. If the transferee is required to undertake all or part of our training course and does not complete it to our reasonable satisfaction, you may not complete the transfer, the proposed transferee will have no further rights and we can retain the transfer fee without refund.

15.10 (a) Before you close any transfer transaction, you and the transferee must sign the transfer documents we require. We can condition our approval of the transfer on your agreement to any terms we feel are necessary to insure that the transferee performs his or her duties under the Franchise Agreement that is signed in connection with the transfer. These terms can include requiring you to subordinate or defer any debt that you take back on the transfer to the transferee's faithful performance of the duties called for in the Franchise Agreement that is signed in connection with the transfer.

(b) Before you complete the transfer you agree to sign a general release of all claims against us~~, our~~, our licensor, our affiliates and our and their officers, directors, shareholders, employees, agents and any others with whose conduct we and they are chargeable. The form of release we currently use is attached to this Agreement as Exhibit E.

(c) If a transfer results in the change in the managing agent, the provisions of Section 8.17 of this Agreement concerning the appointment of a successor managing agent will apply.

15.11 (a) If any transfer results in the cumulative transfer of over 50% of the ownership of the original owner or owners of this franchise or the ownership interests of the original owner or owners of any entity that owns a majority interest in this franchise, as a condition of our approving the proposed transfer we can require that the person who, or entity which, will own this franchise to sign the Franchise Agreement we are using for new *Sweethoney Dessert* franchisees at the time of the transfer even if there is no change in any entity that owns this franchise.

(b) Even though a new Franchise Agreement may be signed, the term and renewal rights under the new agreement, and your Restaurant Opening Schedule if applicable, will be as set forth in this Agreement unless we agree otherwise at the time.

15.12 (a) We can request that you guarantee the obligations of your transferee under the transferee's new Franchise Agreement. You can decline to provide us with this guaranty but we can consider the absence of such an undertaking in deciding whether to approve the transfer. The form of Continuing Guaranty we currently use is attached to this Agreement as Exhibit F.

15.13 As a condition of our approvals, we can require the transferee to update the restaurant to comply with our standards at the time. We will advise your prospective transferee of what we will require in that regard at the time we approve the transfer.

15.14 (a) You can make a transfer to a corporation, limited liability company or other entity, wholly-owned by those who own the franchise before the transfer without our consent, payment of fees or signing a new Franchise Agreement. This type of transfer will not give us the right to exercise our right of first refusal or require you to upgrade your restaurant as in the case of other transfers. You must transfer the assets of your restaurant to that entity at the time you transfer this Agreement to it.

(b) In the case of a transfer of the type described in subsection (a) above, those owning the entity to which this franchise is transferred agree:

(i) They will own the entity in the same proportion as they currently own the franchise.

(ii) They are personally responsible for the entity's performance of the terms of this Agreement and any other agreements between us to the extent they were so responsible prior to the transfer.

(iii) They will sign the forms we require reflecting their obligations including personal continuing guarantees of the obligations of the new entity.

(iv) The share or ownership certificates of the entity will contain a notice that there are restrictions on the transfer of the concerned ownership interest which are described in Section 15 of this Agreement.

(c) If for any reason we are not notified before the transfer, the failure of the owners of the entity to which this franchise is transferred to sign the documents we require will not affect their personal liability for the obligations of that entity.

15.15 (a) You must notify us at or before the transfer if a proposed transfer is only among the original owners of this franchise. If the transfer does not result in the cumulative transfer of over 50% of the interests of the original owners of the concerned entity, the transaction will not be considered a transfer subject to the provisions of this Agreement and you need not obtain our approval prior to the transfer, we will not charge any fees in connection with the transaction, a new Franchise Agreement will not have to be signed, we will not exercise our right of first refusal and we will not require an upgrade of the restaurant. If the transferor retains less than 5% of the entity after the transfer, the transferor must sign a release of all claims against us, our licensor, our affiliates and their officers, directors, shareholders, partners, members and other others with whose conduct any of the foregoing are chargeable. The form of release we currently use is attached to this Agreement as Exhibit E.

(b) If the transferee previously owned less than 50% of the interests in this franchise and after the transfer owns more than that amount, the transferee must complete our training course to our reasonable satisfaction prior to the transfer if they have not already done so. We can charge our training fee if training of the transferee is required.

15.16 You do not have the right to grant a subfranchise of this franchise or to franchise, license or otherwise permit anyone else to use any of the licensed assets other than allowing your employees to use the things we authorize them to use in the normal course of your business.

15.17 We can transfer this Agreement in whole or in part without your consent. However, we agree that any such transfer will not interfere in a material manner with your receipt of the benefits granted to you by this Agreement.

15.18 (a) Other than as described above, when there is a proposed transfer, you agree to notify us of its terms and conditions. You agree to tell us what interest is proposed to be transferred, the purchase price or other consideration that is to be received, any credit or financing terms that are being offered by the proposed transferor, the date the proposed transfer is to close and all other pertinent information concerning the transaction. In addition, you agree to send us a copy of any contract, agreement, memorandum of sale, deposit receipt, letter of intent and the like, concerning the proposed transfer as soon as it is signed. You also agree to inform us promptly of any changes in the terms of the proposed transfer prior to its completion.

(b) After we receive all of the information and documents that we need concerning the proposed transfer, we will have 14 days within which to advise you whether we want to have the interest proposed to be transferred assigned to us on the same terms and conditions. However, we have the right to substitute equivalent cash for any noncash consideration that has been accepted.

(c) If we decide to purchase the interest proposed to be transferred, the transferor or transferors must cooperate with us to complete the transfer as agreed. However, we can extend the date for the completion of the transfer for up to 30 days beyond the date originally scheduled for the closing in order to allow the completion of the transaction in a manner more convenient to us.

(d) After we notify you that we have decided not to purchase the concerned interest, or following the time within which we could have exercised our right of first refusal, if there are any material changes in the terms of the proposed transfer, you agree to notify us in writing promptly of those changes. We will have 10 days after we receive that notice within which to decide whether to purchase the interest being transferred on the revised terms and conditions. "Material changes" are those that may reasonably tend to influence us in making our decision whether to exercise our right of first refusal.

(e) If the proposed transfer is not completed for any reason within 60 days after we notify you that we have decided not to purchase the interest proposed to be transferred, or if we have not given you that notice within the time required, a new right of first refusal begins as to that transaction as well as to any subsequent proposed transfers.

(f) If the proposed transfer involves more than 50% of the ownership of this franchise or of any entity that owns a majority interest in this franchise and we want to purchase the interest or interests being transferred, we have the right to require those who would hold the resulting minority interests to transfer their interests to us at a price proportionate to the price we are paying for the majority interest that we are buying. We will purchase the minority interest at the time and in the manner that we complete the purchase of the majority interest. At any time at our request, you agree to have all minority owners sign a document agreeing to our right to make such a purchase.

(g) If we decide not to purchase the interest proposed to be transferred, the transfer can be completed on the terms and conditions proposed but only after we have approved the transferee, the terms of the transfer and the transferor and transferee have satisfied all of the other transfer requirements of this Section 15.

15.19 (a) An interest in this franchise is transferable by will or by intestate succession upon the death of the owner of that interest. Also transferable by will or by intestate succession is any interest the owner may have in any entity that owns any interest in this franchise.

(b) If the owner of any interest in this franchise or in any entity with any interest in this franchise is determined by a court of competent jurisdiction to be legally incompetent, his or her court-appointed guardian can transfer this franchise or the concerned interest.

(c) A transfer because of death or legal incompetence is subject to all of the conditions and requirements concerning transfers described in this Section 15. As such, among other things, prior to the transfer we must approve the potential transferee, and, if the appropriate conditions apply, the transferee must satisfactorily complete our training course, the transfer fee described above must be paid, the transferee must sign an updated Franchise Agreement and our right of first refusal applies.

15.20 (a) If we do not approve a potential transferee by will or intestate succession who would otherwise take this franchise or an interest in any entity owning any interest in this franchise, the concerned estate can sell this franchise or the concerned interest to a transferee acceptable to us within 6 months after the appointment of the estate's executor, administrator or personal representative. If an approved transfer of this franchise is not completed within the 6 month period, we have the right to terminate this Agreement.

(b) During any period following the death or incapacity of an owner of this franchise or an owning entity, the operator of the business must continue to comply with the terms of this Agreement and must run the restaurant as this Agreement requires. This compliance is not excused or reduced because of the concerned death or incapacity.

15.21 (a) If in our reasonable judgment, the restaurant is not being operated in accordance with this Agreement during any period following the death or incapacity of an owner, we can, but are not obligated to, take over the operation of the restaurant for the account of the owner's estate and can deduct from the proceeds of the restaurant's operation, including the payment of wages and any other expenditures required by law, any amounts we incur in the operation of the business. This includes any transportation, lodging, living expense, salaries and benefits of those we employ to operate the restaurant during this period.

(b) If we do take over the operation of the restaurant under these circumstances, we can discontinue our operation of the restaurant at any time and turn it back to the concerned estate's personal representative.

(c) Our operation of the restaurant will not forgive any violation of this Agreement occurring before or after the period during which we operate the restaurant.

(d) You agree that we will not be liable for any losses occurring during any period that we operate the restaurant unless we are guilty of gross negligence or willful misconduct.

15.22 (a) If an owner of this franchise or of any entity with an ownership interest in this franchise is ordered, or if that owner agrees, to transfer all or any part of the owner's interest in this franchise, the concerned entity or in a substantial portion of the assets used in the restaurant, to the owner's spouse, domestic partner or their equivalent, that order will constitute a proposed transfer of this franchise and will cause the transfer to be subject to all of the terms and conditions concerning transfers described in this Section 15.

(b) If we approve the transfer and the person to whom the transfer is being made has completed all necessary training, has been active in the operation of the restaurant and the restaurant has been in compliance with this Agreement for at least one year prior to the transfer, we will not require the transferee to complete further training nor will we charge a fee in connection with the transfer. However, the transferee must reimburse us for any costs we incur in connection with the transfer, including an allowance for the time of our employees, such as in visiting the restaurant to confirm compliance with this Agreement. All of the other conditions concerning a transfer set forth in this Section 15 will apply in these circumstances except our right of first refusal if the proposed transferee has been active in the operation of the business for a reasonable period prior to the transfer.

(c) If we do not approve the transfer, we have the right to terminate this Agreement and also have the right to purchase some or all of the physical assets of the restaurant at their fair market value as described in Section 16.08 below.

16. Defaults, Cures, Termination and Remedies.

16.01 In addition to any other provisions of this Agreement that give us the right to terminate this Agreement without an opportunity for you to cure a default, we can terminate this Agreement without giving you notice or an opportunity to correct the concerned condition of default under any of the following circumstances:

(a) If you or any entity with any interest in this franchise is declared bankrupt or judicially determined to be insolvent, if all or a substantial part of your restaurant assets or property or that of the concerned entity is assigned to or for the benefit of any creditor or creditors or if you or the concerned entity admit an inability to pay debts as they become due;

(b) If we mutually agree in writing to terminate this Agreement;

(c) If you or the owner of any interest in any entity that owns any interest in this franchise has made a material misrepresentation relating to the acquisition of this franchise or if you or any such owner engages in conduct that reflects upon the operation and/or reputation of *Sweethoney Dessert* restaurants in a materially adverse manner;

(d) If you fail to comply with any material federal, state or local law or regulation applicable to the operation of your restaurant and fail to cure the violation within the time period allowed for the cure following notice of the violation;

(e) If during any 12 month period you receive 3 or more notices of valid defaults under material provisions of this Agreement even if the defaults are cured within the time periods allowed in the notices;

(f) If your restaurant, this Agreement or a material portion of your restaurant property is seized, taken over or foreclosed by a government official in the exercise of his or her duties or seized, taken over or foreclosed by a creditor, lienholder or anyone else, whether by foreclosure, attachment or otherwise and the property is not restored to you or the concerned entity within 5 days of the foreclosure, attachment, execution or seizure or if any judgment against you or the concerned entity remains unsatisfied for at least 30 days unless an appropriate appeal bond has been filed;

(g) If you or any partner, officer, director, shareholder, member or owner of any entity that owns any interest in this franchise is convicted of a felony of any type or any other criminal misconduct that is relevant to or reflects adversely on Sweethoney Dessert restaurants;

(h) If you fail to pay any fees, charges or other amounts due to us or to any of our affiliates when they are due, but in any event within 5 days after receiving notice that such fees, charges or other amounts are past due;

(i) If we make a reasonable determination that continued operation of your restaurant will result in an imminent danger to public health or safety;

(j) If you fail to maintain the insurance coverage required by this Agreement or do not provide us with the required certificates of insurance within 5 days after notice of that failure;

(k) If you abandon your restaurant by failing to operate it for 5 consecutive days during which you are required by this Agreement to keep the restaurant in operation or if you fail to operate it for any lesser period after which under the facts and circumstances it is not unreasonable for us to conclude that you do not intend to continue its operation unless that failure is caused by fire, flood, earthquake or other similar cause beyond your control but not because of your inability to operate the business, whether financial or otherwise, or if at any time you expresses an unwillingness or inability to go forward with any of your obligations under this Agreement; or

(l) If you disclose or use any of our trade secrets, other proprietary information or intellectual property except as permitted by this Agreement.

16.02 . (a) In addition to the grounds for immediate termination set forth in Section 16.01 above, we can, in our sole and absolute discretion, terminate this Agreement immediately if you violate any other agreement between us or any agreement between you and any of our affiliates, including any other Franchise Agreement between us and that violation is not cured within the time period allowed by the concerned agreement.

(b) If your right to occupy your restaurant premises is lost because of your default under your lease, we can terminate this Agreement without giving you the right to seek a new location.

(c) If the term of your lease expires, or if your right to possession of your restaurant premises is otherwise lost without you being at fault, we will not terminate this Agreement as long as you relocate and reopen your *Sweethoney Dessert* restaurant at a location and under occupancy terms we find acceptable within 90 days from the date on which your prior lease terminated. The provisions of Sections 5 and 6 above and the other provisions of this Agreement, apply to the relocation of your *Sweethoney Dessert* restaurant including the payment of our relocation fee.

(d) If this Agreement is terminated because you are unable to relocate your restaurant but we are satisfied that you have made a good faith effort to relocate and have not refused to accept any new site that we have found for you, the termination of this Agreement will not be deemed to be a termination because of a default and the liquidated damages provisions of subsection 16.13 of this Agreement will not apply.

16.03 (a) If you have committed a violation of this Agreement and that violation does not result in the immediate termination of this Agreement, you must correct the default to our reasonable satisfaction within 20 days after we give you notice of the condition that constitutes the violation and the corrective action that you must take in order to cure the default, if any corrective action is possible. If the violation is something that can be corrected within a reasonable time, and more than 20 days are reasonably required to cure the violation, we will give you the additional time that we feel is reasonably necessary to cure the default. However, you agree to start your corrective action within the 20 day period and proceed with the cure diligently to its completion.

(b) If you do not correct a default under this Agreement within any time period allowed for its cure, we can terminate this Agreement by giving you a notice of termination sent in accordance with Section 20 below. The termination will be effective at the time described in Section 20 whether or not you actually receive the notice.

(c) If applicable law requires that we give you more than 20 days to cure the default, you will have the time required by law within which to correct the default. See the State-Specific Addendum below for the details of any such requirements.

16.04 If we decide not to enforce, or are prevented by law from enforcing, any of the immediate termination provisions of Sections 16.01 or 16.02 above, the provisions of subsection 16.03 will apply to the concerned default.

16.05 If you maintain that we have committed a violation of a material term of this Agreement, you agree to give us written notice of the claimed default. We must correct any actual default within 20 days after you have given us notice of the condition that constitutes the violation. If the default is of such a nature that more than 20 days are reasonably required to cure the violation, we will have the additional time that is reasonably necessary to cure the default. However, we agree to start our corrective action within the 20 day period and proceed with the cure diligently to its completion. If we do not cure the default within the designated time period, you can pursue all rights allowed to you by applicable law.

16.06 (a) Upon the termination of this Agreement for any reason, including its expiration at the end of its term, you must, without delay:

i) Bring all accounts with us and our affiliates current;

(ii) Stop using our trade names, trademarks, service marks, logotypes, commercial symbols, trade dress, designs, patents, copyrighted items, recipes, proprietary techniques, confidential information, trade secrets, proprietary material and other intellectual property;

(iii) If we have notified you that we do not intend to purchase the restaurant from you as described in Section 16.08 below, discontinue the use of any color schemes, interior and exterior decoration, signs, displays, marketing and promotional material and all other items that are distinctive to *Sweethoney Dessert* restaurants and redecorate the restaurant so that it will be distinctly different from a *Sweethoney Dessert* restaurant. In this regard, at our direction you agree to remove at your own cost and expense all furniture, décor, equipment, trade fixtures and other items, reasonably associated with *Sweethoney Dessert* restaurants. You also agree not to use any furniture, fixtures, décor, recipes, uniforms, menus or other items identifiable with *Sweethoney Dessert* restaurants;

(iv) At your expense, send us all of our manuals and all other material that you obtained from or through us or that you received by virtue of being a *Sweethoney Dessert* franchisee;

(v) Obtain a new telephone listing and telephone number and, at our election and in the manner we specify, assign your previous telephone listing and telephone number, as well as all Internet-related addresses and other items to us or to any other person or entity we designate;

(vi) Cancel any fictitious business name or equivalent registrations and all listings indicating that you are in any way affiliated with *Sweethoney Dessert* restaurants; and

(vii) Notify all of your suppliers, customers, utilities, landlords, creditors and concerned others, including those with which you have placed advertisements, that you are no longer affiliated with *Sweethoney Dessert* restaurants.

(b) You also agree not to identify yourself, any entity that owned any interest in this franchise, and any present or future business in which you may have an interest, as having been associated with *Sweethoney Dessert* restaurants. This provision will not prevent you from responding honestly to inquiries about your employment history but, rather, is intended to prevent you from indicating your former affiliation with us to the public.

16.07 (a) Until you have completed all of the duties described in Section 16.06 above, you agree to pay us on a monthly basis an amount equal to the monthly average of the royalty and Marketing Fund fees you were required to pay over the 12 month period just prior to the termination or expiration of this Agreement. This obligation does not permit you to continue to use our names, marks, trade dress, restaurant format, manuals, recipes, intellectual property or proprietary material or information or to carry any merchandise which is identified in any way with *Sweethoney Dessert* restaurants.

(b) In addition to the amounts due under subsection 16.07(a), if you do not return our manuals and other materials within 10 days of the termination or expiration of this Agreement, you agree to pay us $50.00 per day for each item you have not returned until all such items are returned to us. If you have not returned our material after 30 days following the end of this Agreement, you agree to pay us immediately upon the conclusion of the 30 day period $500.00 per item per day. Even if you pay any or all of these amounts, you are not allowed to disclose the contents of our manuals and other proprietary material to third parties or to use them for any purpose since our manuals and materials constitute our trade secrets and have their own value independent of our franchise and the operation of our restaurants.

16.08 (a) Upon the termination of this Agreement for any reason, including its expiration at the end of its term, we have the right to purchase from you any or all equipment, decor, furniture, fixtures and any or all other tangible property used in the operation of your *Sweethoney Dessert* restaurant. If we so choose, you agree to sell us your entire *Sweethoney Dessert* restaurant and assign us your right to occupy the restaurant's premises.

(b) We will pay you the fair market value of the assets we purchase from you. The fair market value of the items is to be determined as of the date this Agreement came to an end without any allowance for any claimed going business value, goodwill or any other intangible asset and without consideration that the restaurant is or was a *Sweethoney Dessert* restaurant.

(c) We will notify you whether we will purchase some or all of the assets of your *Sweethoney Dessert* restaurant during the period from 60 days before to 30 days after the termination, cancellation, expiration or nonrenewal of this Agreement. If we give you this notice, you agree to meet with us promptly to try to agree on the fair market value of the assets we propose to purchase.

(d) If we cannot agree on the fair market value of the assets we propose to purchase within 20 days after we give you notice of our desire to purchase those assets, we each must appoint a professional business appraiser each of whom will separately determine the fair market value of the concerned assets. The appraisers will be instructed to make and deliver their appraisals to us both within 20 days of their appointment. If we cannot agree on the fair market value of the concerned assets within 10 days of the delivery of the appraisals, the two appraisers will be instructed to appoint a third party arbitrator who will be instructed to pick within 20 days after his or her appointment which of the appraisals he or she deems to be closest to the fair market value of the concerned assets and that value shall then be the purchase price of the assets. The arbitrator can hold such hearings as he or she may determine to assist at arriving at a decision. Each of us will bear the cost of our own appraiser, attorneys and expert witnesses and shall divide equally the cost of the third party arbitrator and any expert witnesses called exclusively by the third party arbitrator. If either of us fails to appoint an appraiser within the required time period, the determination of fair market value by the single appointed appraiser shall be the purchase price.

(e) Once the fair market value of the assets we propose to purchase has been determined, either by agreement or as set forth in subsection (d) above, we each agree to enter into a standard purchase and sale of assets agreement within 10 days after the purchase price has been determined. If we have not entered into such an agreement within 20 days after the purchase price is determined, the terms of the agreement can be determined by the Superior Court of California for the County of Alameda and will be deemed complete and binding as of the date specified by the court whether or not the agreement is signed by either or both of us. Unless we mutually agree otherwise, we will have the right to allocate the purchase price among the assets we purchase and will pay any resulting sales tax on the transaction. We will divide equally any costs imposed by the court in connection with the court proceeding, any escrow fees and any costs related to searching for liens and encumbrances on the assets we are purchasing, including those on the real property on which your restaurant is located if we are taking over the occupancy of the premises. You will be responsible for prompt compliance with any applicable bulk sale, or equivalent, law and will bear the costs of that compliance. Each side will bear its own attorneys' and expert witness fees in the determining the terms of the purchase and sale transaction.

(f) Transfer of the assets we purchase will occur not later than 20 days after the purchase and sale agreement is completed or upon completion of compliance with any applicable bulk sale law unless the purchase and sale agreement states otherwise.

(g) Unless we otherwise agree in writing, our election to purchase some or all of the assets of your restaurant and the purchase procedure set forth above, will not extend the term of this Agreement, will not waive or cure any default that has resulted in the termination of this Agreement, nor will it extend any period within which you have had the opportunity to correct any condition of default.

(h) If we elect to purchase any or all of the physical assets of your restaurant as described above, we will pay you the purchase price for those assets in a lump sum at the closing of the transaction. We can reduce the purchase price by any amounts you owe us, our licensor or any of our affiliates and any of your indebtedness that we assume as part of the purchase price.

16.09 (a) Upon the termination of this Agreement for any reason, including its expiration at the end of its term, we have the option to have you assign your lease to us. If we do so, you will not be entitled to any compensation on account of the transfer.

(b) If we require an assignment of the lease, you agree promptly to bring the restaurant premises into full compliance with the requirements of the lease and with all laws, statutes, ordinances, rules, regulations, orders and the like, applicable to the premises. You also agree to bring all accounts with and other obligations to, the lessor, sublessor, etc. current as of the date on which we take over the premises.

(c) If we assume the lease, you agree to indemnify us against all losses and costs attributable to the period of your possession of the premises. Following our taking over possession of the premises, we agree to indemnify you against all losses and costs attributable to the period of our possession of the premises, except to the extent that any of those losses or costs are the result of any of your actions or inactions.

(d) If we are notified by the lessor, sublessor, etc. any time after we take over the lease that you have overpaid any costs or expenses attributable to your period of occupancy, we will refund those amounts to you to the extent that we have gained the benefit of those overpayments, such as by receiving credits for future payments we are required to make under the lease. To the extent you have underpaid any costs or expenses attributable to your period of occupancy, you agree to pay us those amounts promptly upon being notified of the basis for owing them and the amount due.

16.10 In addition to the remedies set forth in this Agreement, in the event of your default, we will have all other remedies available to us at law or in equity.

16.11 Any creation or increase in the value of any goodwill associated with the trademarks, service marks, logotypes, symbols and any other intellectual property we have licensed to you that you claim resulted from your operation of the restaurant belongs to us and you hereby assign any such increase to us without cost. Therefore, upon the termination, nonrenewal or expiration of this Agreement for any reason, no payment is due to you on account of any goodwill, going business value, lost equity or for any other intangible assets claimed to have resulted from your operation or ownership of the restaurant or otherwise.

16.12 All of the provisions of this Agreement that apply by their terms or by implication after this Agreement ends will survive the termination or expiration of this Agreement.

16.13 (a) If this Agreement is terminated because you default, we will lose your royalty and Marketing Fund fees as well as the goodwill we would have received from your operation of the restaurant before the scheduled expiration of this Agreement. Therefore, since the extent of the actual loss to us that will occur for these reasons will be extremely difficult to determine, if this Agreement is terminated because you default, you agree pay to us in equal monthly installments an amount equal to the monthly royalty and Marketing Fund fees that would have become due following the termination of this Agreement as defined below. The monthly payments shall begin on the first day of the month following the month during which this Agreement was terminated and shall continue until we have established another company-owned or franchised *Sweethoney Dessert* restaurant within your protected territory.

(b) The term "the monthly royalty and Marketing Fund fees that would have become due" means an amount determined by taking your gross receipts for the 12 months immediately before the date of termination, applying the royalty and Marketing Fund fee rates called for by this Agreement to your gross receipts and dividing that number by 12. If your *Sweethoney Dessert* restaurant has been open less than 12 months prior to the termination of this Agreement, the actual gross receipts of the restaurant for the time it was open, annualized as appropriate, is to be used in the concerned calculation.

(c) If this Agreement is terminated because you default before your restaurant opens for business, we can use the gross receipts of a restaurant we reasonably consider to be equivalent to your restaurant as the basis for the foregoing calculation.

16.14 After you have satisfied all of your payment and performance requirements following the termination or expiration of this Agreement, we both agree to sign a mutual release that will relieve us both from further liability to each other except for the continuing obligations described in this Agreement that apply following the termination or expiration of this Agreement, such as your promise not to use or reveal our trade secrets and your agreement not to compete with *Sweethoney Dessert* restaurants for the period and in the areas described in Section 17 below.

17. Covenants Not to Compete.

17.01 You agree that as long as this Agreement is in effect you will not be an owner, employee, consultant, officer, director, shareholder, member, partner or otherwise participate in or own a business or any interest in any entity that owns a business at any location a principal activity of which is the sale of items similar to those sold in *Sweethoney Dessert* restaurants.

17.02 (a) Except as otherwise provided in this Agreement, you agree that for 2 years following the expiration, termination, nonrenewal or transfer of this Agreement you will not be an owner, employee, consultant, officer, director, shareholder, member, partner or otherwise participate in or own a business or any interest in any entity that owns a business a principal activity of which is the sale of non-generic items of a type similar to those provided by *Sweethoney Dessert* restaurants within the area that was granted to you as a protected territory or within 5 miles of any *Sweethoney Dessert* restaurant then existing or one that is under construction.

(b) The foregoing prohibition will not apply to your passive ownership of 5% or less of the shares in a public corporation regardless of the nature of its business.

17.03 You agree that at no time will you or any person or entity over whom or which you have control make any unauthorized disclosure or use of our trade secrets, intellectual property or other proprietary material, including the contents of our manuals, any financial information concerning any *Sweethoney Dessert* restaurant or the *Sweethoney Dessert* system, and any other proprietary information which you obtained from or through us or in connection with the operation of your *Sweethoney Dessert* restaurant.

17.04 You agree not to attempt to persuade or induce any of our employees, the employees of our licensor, those of our affiliates or the employees of any other *Sweethoney Dessert* franchisee to leave their employment during the term of this Agreement, any renewals or extensions hereof and within one year thereafter.

17.05 You agree that the foregoing covenants survive the expiration, termination, nonrenewal or transfer of this Agreement and that they will apply whether this Agreement terminated at the end of its term, by the default of either party or for any other reason.

17.06 If a court or arbitration tribunal determines that the foregoing covenants cannot be enforced as written in the jurisdiction in which your restaurant is located, the court or arbitration tribunal is hereby authorized to alter the terms of the covenants to the extent required to permit the covenants to be enforced to the greatest extent possible in the concerned jurisdiction.

18. Dispute Resolution

Mediation

18.01(a) If there is ever a dispute or claim between us related to this Agreement, its inducement or its breach, except those involving the validity or infringement of our tradenames, trademarks, trade secrets, intellectual property or other proprietary property, before taking any further action the parties agree to refer the matter to mediation pursuant to the rules of JAMS at its office in or nearest to the city in which our main business office is located at the time. You agree to attend or to have a member of your senior management attend the mediation on your behalf. You agree that the person who attends the mediation will have the authority to settle the dispute on your behalf.

(b) Unless we both agree otherwise at the time, the mediation will be limited to one day with the costs of the mediation divided equally between us. If any party that is required to attend the mediation refuses to attend and participate in good faith, that party will be responsible for the costs incurred by the other party or parties in connection with the mediation, including the costs of any action to compel attendance at a subsequent mediation, reasonable attorneys' fees, mediation charges for the original and subsequent mediation, travel and living costs and so forth.

(c) We both agree that no legal or other action will be filed, except as permitted below, prior to the completion of the foregoing process unless a party refuses to participate in the mediation process. If a party does refuse to participate in the mediation, either expressly or by any other action or inaction, that party agrees not to bring an action of any type on his, her or its claims until after it gives at least 14 days prior written notice to the other party of his, her or its intent to bring such an action in order to permit the other party or parties to seek to enforce the mediation provisions set forth above.

Jurisdiction and Venue

18.02 (a) We both agree that the venue for any dispute resolution proceedings involving this Agreement, our relationship, your *Sweethoney Dessert* business or any related transactions, including the inducement and/or execution of this Agreement, the performance of any party to this Agreement or lack thereof, the inducement and/or execution of any other agreement between us or the performance or any party to such other agreement or lack thereof or any action involving anyone owing us a duty by virtue of this franchise will be in the county in which our main business office is located at the time such action is instituted. You agree to submit to the jurisdiction of the courts located in that county. You agree that any process issued by those courts will be effective when delivered to you as though you were present in that county at the time of delivery. If service of process cannot be made on any party after commercially reasonable efforts are made to do so, service may be made by notice of other similar method as allowed by applicable law.

(b) Any action concerning the validity or infringement of our Marks may be brought only in the federal court serving the district in which our main business office is located at the time of the action if its jurisdictional requirements are otherwise met.

Attorneys' Fees and Costs

18.03 In the event any party to this Agreement files a legal action against the other party or parties concerning the inducement, execution, breach, compliance with or enforcement of or otherwise related to this Agreement, our Marks or our franchise relationship, the court or, if arbitration is later agreed to, the arbitrator, may designate one or more of the parties as the "prevailing party". If the court or arbitrator does so, the court or arbitrator shall award the prevailing party its reasonable attorneys' fees, expert witnesses' fees and court costs in the matter and, in the case of an arbitration award, reimbursement of the prevailing party's share of the costs imposed by the arbitration administrator and the arbitrator.

Limitations on Damages and Time Limit on Filing Actions

18.04 We both agree that:

(a) Neither party shall be entitled to punitive or exemplary damages from the other;

(b) Any claim either of us may have against the other will expire one-year from the date that the claim arises unless through the exercise of reasonable diligence the complaining party could not have learned of the claim in which case the one-year period will begin when the complaining party learns of the claim, or through the use of reasonable diligence could have learned of the claim, but, in any event, the claim shall expire at the conclusion of any statutory statute of limitations that would otherwise apply even if the basis for the claim has not yet been discovered.

No Class Actions

18.05 No class action shall be filed based on claims for which class action certification would otherwise be possible.

19. Modification of This Agreement.

19.01 This Agreement can be modified only by a written agreement signed by the parties to this Agreement.

19.02 We can modify our manuals, our operating procedures and all other aspects of the *Sweethoney Dessert* system, whether those manuals, procedures or aspects now exist or are developed at a later time. You agree to adhere to any such changes at such times and in the manner we require, subject to the specific limitations contained in this Agreement.

20. Notices and Approvals.

20.01 (a) In order to be effective, all notices, approvals and consents required by this Agreement or related to it must be in writing. By giving a facsimile number and or an electronic mail address to the other party, the party providing that number or address agrees that notices, approvals and consents can be transmitted to them electronically as long as the method of electronic communication creates a record that can be retained, retrieved and reviewed by the recipient and can be directly reproduced on paper through an automated process.

(b) Notices, approvals and consents shall be deemed to have been received by the addressee at the earlier of when delivered to the addressee, when an acknowledgment of receipt is signed by the addressee or an agent of the addressee, the next weekday when sent to the addressee by facsimile transmission or by electronic mail, the next weekday after deposit with a recognized overnight express delivery service or 4 days after the deposit in the United States mail, when sent by certified mail, postage prepaid and properly addressed to the party to whom or which the notice is being sent.

(c) All notices of default must be sent by hard copy via United States certified mail, postage prepaid and properly addressed to the party to whom or which the notice is being sent or by means of a recognized overnight express delivery service which can provide proof of receipt even if those notices have also been sent in a manner described in subsection 20.01(b) above. The notices of default will be effective when receipt is acknowledged as described in subsection 20.01(b) or when delivery is accomplished when sent as described in this subsection (c), whichever occurs earlier. If no acknowledgement is signed or delivery of the hard copy is refused or cannot be accomplished, the notice will be effective when delivery is attempted when sent as described in this subsection (c).

20.02 For purposes of notices, approvals, consents, payments, receipts or other communications, the parties designate the addresses listed at the beginning of this Agreement.

20.03 Any party can change his, her or its address by giving written notice of the change to the other party as provided above.

21. Consumer Price Index Adjustment.

21.01 Whenever in this Agreement any charge, fee or other payment is to be adjusted by the Consumer Price Index ("the Index"), that adjustment will be based upon any increase between the date of this Agreement or such other time as may be set forth in the provision requiring the adjustment and the date on which the concerned payment is due in the Consumer Price Index for All

Urban Consumers (base year 1982-84=100) for San Francisco-Oakland-San Jose, California, published by the United States Department of Labor, Bureau of Labor Statistics, most immediately preceding the concerned dates.

21.02 In no case will any adjustment occurring by virtue of this Section 21 result in the charge, fee or other payment that is subject to adjustment being adjusted below its original amount.

21.03 If the Index designated in Section 21.01 above is changed so that the base year or area differs from that in effect on the date of this Agreement, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term of this Agreement, including any extensions or renewals hereof, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would have been obtained had the Index not been discontinued or revised.

22. Heirs, Successors and Assigns.

22.01 This Agreement is binding on and inures to the benefit of the parties and their heirs, successors, representatives and assigns except to the extent and only on the conditions and in the manner more specifically set forth elsewhere in this Agreement, including the transfer requirements of Section 15 above.

23. Waivers.

23.01 The failure by either party to enforce any right that he, she or it may have or to declare any default by the other party shall not be deemed to be a waiver or abandonment of that right or default unless the concerned right or default is waived by a written document signed by the party who is waiving the right or default.

23.02 The waiver of any right or default in one instance shall not be deemed to be a continuing waiver of the concerned right or default or a waiver of the concerned right or default, or any other right or default, in any other instance.

23.03 The acceptance of money or other performance by either party shall not constitute a waiver of any right or default other than the one to which the payment or performance pertains and then only to the extent of the payment or performance accepted by the other party.

24. Severability.

24.01 The invalidity or unenforceability of any portion of this Agreement shall not affect the validity of any other portion of this Agreement and, unless the substantial performance of this Agreement taken as a whole is impaired by such a finding, this Agreement shall remain in full force and effect.

24.02 Any invalidity or unenforceability of any portion of this Agreement in any jurisdiction shall not invalidate that portion or any other portion in any other jurisdiction.

25. Covenant of Further Assurances.

25.01 Whenever in our sole judgment we decide that it is advisable to execute any other and further documents necessary or desirable to carry out the purposes of this Agreement, you agree to execute those documents promptly, provided that they do not substantially alter your rights or increase your duties or expenses under this Agreement.

25.02 You agree to respond promptly and accurately to all inquiries from our accountants, attorneys, auditors, lenders and others we authorize, concerning the status of this Agreement, the status and amounts of any accounts between us and/or any other matters pertaining to the rights and obligations of the parties to this Agreement.

26. Governing Law.

26.01 (a) This Agreement and its interpretation shall be governed by the laws of the state of California except for the noncompetition provisions of Section 17 which shall be governed by the laws of the state where your *Sweethoney Dessert* restaurant is located.

(b) Even though California law has been selected for the interpretation of this Agreement, if your restaurant is not located in California, California's choice of law and conflicts of law rules will not apply. You also agree that the California Franchise Investment Law, beginning at *California Corporations Code* Section 31000, the California Franchise Relations Act, beginning at *California Business and Professions Code* Section 20000, as well as the other substantive statutory law of California dealing with anything other than the interpretation of contracts, whether they now exist or are enacted at a later time, will not apply unless their jurisdictional requirements are met independently and not merely because of the reference to California law in this Agreement.

26.02 If a court or arbitration tribunal of competent jurisdiction determines that some or all of this Agreement must be governed by the laws of a state other than the state or states described in subsection 26.01(a) above, then the laws of that other state will govern the interpretation of this Agreement to the extent required by that court or tribunal.

26.03 If applicable law or regulations require there to be terms other than or in addition to the terms contained in this Agreement, then the required terms will be considered to be a part of this Agreement but only to the extent necessary to prevent the invalidity of this Agreement or any of its provisions or to prevent the imposition of any civil or criminal penalties or liability.

26.04 To the extent permitted by the laws of the state whose laws govern this Agreement, you hereby waive any provisions of law or regulations that render any portion of this Agreement altered, invalid or unenforceable in any respect.

27. Counterparts.

27.01 If more than one copy of this Agreement is signed by the parties, all of those copies taken together will represent only one agreement.

28. Headings and Gender.

28.01 The headings used in this Agreement are for convenience only and are not to be used in construing the provisions of this Agreement.

28.02 As used in this Agreement, the male or female gender shall include the other and the neuter. The singular shall include the plural and the plural shall include the singular, as appropriate.

29. Miscellaneous.

29.01 Time is of the essence in this Agreement.

29.02 The parties agree that in entering into this Agreement they intend to confer no benefit or right on any person or entity not a party to this Agreement except as specified regarding our licensor and our affiliates and the personal representatives of a party. Except for the benefits extended to those persons or entities, the parties agree that no third party shall have any right to claim any benefit or right as a third party beneficiary under any provision of this Agreement.

29.03 You are not entitled to claim any rights or benefits, including those of a third party beneficiary, under any contract, understanding or agreement between us and any other person or entity unless that contract, understanding or agreement specifically refers to you by name or to a class to which you belong and specifically grants rights or benefits to you or to the concerned class.

29.04 No fees, charges, royalties, marketing fees or other payments of any kind you make to us, or any that are made by someone else for your account, are refundable in whole or in part except as may be otherwise set forth in this Agreement.

29.05 The person or people signing this Agreement warrant that they have full power and authority to enter into this Agreement, and, if they have signed on behalf of a partnership, limited liability company, corporation or other entity, that it has been duly organized, is validly existing, is qualified to do business and is in good standing in the jurisdiction in which it was formed and, if necessary as a condition of doing business where your restaurant is located, in the jurisdiction where your *Sweethoney Dessert* restaurant will be situated.

30. Innovations.

30.01 If you or anyone affiliated with you develops, any innovations, inventions, discoveries, concepts, processes, practices, techniques, procedures, products, services, merchandise or ideas (cumulatively referred to in this Section 30 as "innovations") related to *Sweethoney Dessert* restaurants, you agree to advise us promptly in writing of the innovations.

30.02 Except as otherwise limited by law, all innovations that you, your employees, your agents or anyone associated with you develop in connection with, or applicable to, *Sweethoney Dessert* restaurants are our property.

30.03 It is solely within our complete and absolute discretion whether to authorize the use and/or dissemination of any innovations and, if we do so, the manner of their use.

30.04 You agree not to implement any innovations until we authorize you to do so in writing.

30.05 No compensation will be due and payable to you, or to any person or entity associated with you, on account of any innovations developed by you or by such person or entity whether or not we use, disseminate, authorize or otherwise employ the innovations.

31. Accord and Satisfaction.

31.01 No payment you make, any payment made by anyone for your account or any payment to any person or entity affiliated with us in an amount less than that required to be paid shall be deemed to be anything except a payment on account regardless of any endorsement to the contrary contained on the payment or in any oral or written communication transmitted in connection with the payment.

31.02 Neither by endorsing nor accepting any check nor by accepting any amount from you, or any amount paid on your behalf, are we bound by a claim that the endorsement or acceptance was an accord and satisfaction or other agreement to take less than the full amount due.

31.03 Payments made to us, our licensor and/or our affiliates shall be applied first to any late charges and/or interest owing and then to the earliest of the principal amounts due unless there is a signed agreement between you and the payee that specifies that the payment is to be applied otherwise.

31.04 Neither any payment to us, or licensor or our affiliates nor the acceptance of the payment shall prejudice or be deemed to be a waiver of our right, or that of our licensor or affiliates, to require full payment and performance of all of your duties and obligations under this Agreement or any other agreement under which the concerned obligation arose.

32. Joint and Several Liability.

32.01 If two or more persons, corporations, partnerships, limited liability companies or other entities, or any combination of them, sign this Agreement, the liability of each is joint and several.

33. Our Right to Act.

33.01 If you fail to perform any duty or obligation required under this Agreement, we have the right, but not the obligation, to perform that duty or obligation on your behalf, for your account and/or in your name. If we elect to do so, you agree to pay us immediately all costs and expenses we incur in that performance.

33.02 All sums required to be paid to us pursuant to Section 33.01 that are not immediately paid will subject to the late charge set forth in Section 11.04 of this Agreement.

33.03 No performance we undertake on your behalf will be a waiver or release of any claims we may have against you because of your failure to perform the concerned duty or obligation.

34. Entire Agreement.

34.01 This Agreement, any signed exhibits and/or addenda attached to this Agreement, and the Franchise Disclosure Document that accompanied this Agreement, contain the entire understanding between us and encompass all representations on which we both have relied.

34.02 This Agreement supersedes all negotiations, agreements, representations, promises, commitments, inducements, assurances, conditions and covenants between us whether direct, indirect or implied and whether oral or written, except for those contained in this Agreement, any signed exhibits or addenda to this Agreement and in the Franchise Disclosure Document accompanying this Agreement.

34.03 You acknowledge that we have made no promises that are not contained in this Agreement, any signed exhibits or addenda to this Agreement and the Franchise Disclosure Document that accompanied this Agreement, including promises or representations concerning your potential for success, the profitability of your restaurant or concerning any further or additional rights you may have.

34.04 You acknowledge that we have advised you that there can be no guaranty or assurance of sales levels, profitability or success in your restaurant and that your ability and dedication to your *Sweethoney Dessert* restaurant business is crucial to your success.

34.05 Except for any additional representations contained in the Franchise Disclosure Document that accompanied this Agreement, we both agree that this Agreement and any signed exhibits or addenda to this Agreement is intended to be the entire integration of all of our understandings of every type concerning the matters related to the subject matter of this Agreement, whether those understandings arose before or at the time we signed this Agreement.

34.06 We both agree that no agreements, representations, negotiations, understandings, promises, commitments, inducements, assurances, terms, conditions or covenants of any kind or nature exist between us except those set forth in this Agreement, in any signed exhibits or addenda to this Agreement and those contained in the Franchise Disclosure Document that accompanied this Agreement whether pertaining to this Agreement or to any future, further or additional rights of the parties or otherwise. To the extent that there may be any agreements, representations, negotiations, understandings, promises, commitments, inducements, assurances, terms, conditions, covenants, or the like, not contained in this Agreement, any signed exhibits or addenda to this Agreement or the Franchise Disclosure Document accompanying this Agreement, we both agree that they are waived.

34.07 YOU ACKNOWLEDGE THAT WE HAVE ADVISED YOU THAT YOU MUST INSURE THAT ALL PROMISES AND REPRESENTATIONS FOR PRESENT AND FUTURE RESULTS AND RIGHTS, WHETHER ABSOLUTE OR CONTINGENT, ARE CONTAINED IN THIS AGREEMENT OR IN AN EXHIBIT OR ADDENDUM TO THIS AGREEMENT SIGNED BY ALL PARTIES TO THIS AGREEMENT OR THEY MAY BE LOST.

______________________________ Sweethoney Dessert, Inc.

By ______________________________

Its ______________________________
Title

____
Signature

____
Typed or Printed Name

____
Title

STATE-SPECIFIC ADDENDUM TO
Sweethoney Dessert FRANCHISE AGREEMENT

The following provisions are applicable to franchises in the State of California:

1. Rather than being due upon the signing of the Franchise Agreement, the initial franchise fee is deferred until all of our initial obligations as to your first restaurant are complete and your restaurant is open for business.

2 *California Business and Professions Code* Sections 20000 through 20043, the California Franchise Relations Act, provide rights to franchisees concerning termination, nonrenewal or transfer of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

3. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.)

4. The Franchise Agreement contains a liquidated damages clause. Under *California Civil Code* Section 1671 certain liquidated damages clauses are unenforceable.

5. You must sign a general release if you relocate, renew or transfer your franchise. *California Corporations Code* Section 31512 voids a waiver of your rights under the Franchise Investment Law (*California Corporations Code* Sections 31000 through 31516). *Business and Professions Code* Section 20010 voids a waiver of your rights under the Franchise Relations Act (*Business and Professions Code* Sections 20000 through 20043).

Dated: ____________________

______________________________ Sweethoney Dessert, Inc.

______________________________ By ____________________________

Signature Its ____________________________
Title

____
Typed or Printed Name

____

EXHIBIT A
to Sweethoney Dessert Franchise Agreement

Location and Protected Territory

Immediately upon its execution by the parties, this Exhibit A becomes a part of the Franchise Agreement dated ______________________________, between Sweethoney Dessert, Inc. and ____.

We both agree that the location for your *Sweethoney Dessert* restaurant is:

____

____

The protected territory granted in connection with your restaurant is described as follows:

If a map that depicts your protected territory is attached, and there is a conflict between the map and the above-description, the above-description will control.

This EXHIBIT A is signed on________________________________.

___________________________________	Sweethoney Dessert, Inc.
___________________________________ Signature	By ________________________________ Its ________________________________
___________________________________ Typed or Printed Name	

EXHIBIT B
to *Sweethoney Dessert* Franchise Agreement

<u>Restaurant Opening Schedule</u>

If this Agreement covers more than one *Sweethoney Dessert* restaurant, you agree to comply with the following Restaurant Opening Schedule.

Your Development Area is ____

____

____.

If a map that depicts your Development Area is attached, and there is a conflict between the map and the above-description, the above-description will control.

Total number of restaurants covered by the Franchise Agreement is _______.

Number of restaurants to be open by date indicated:

Date:					
Number					

Exhibit A to the Franchise Agreement should be amended, or a new Exhibit A completed and signed, for each new restaurant to show the address of the restaurant and its protected territory.

This EXHIBIT B is signed on ______________________________.

______________________________ Sweethoney Dessert, Inc.

______________________________ By ______________________________
Signature Its ______________________________

____
Typed or Printed Name

EXHIBIT C
to *Sweethoney Dessert* Franchise Agreement

Licensed Mark

杏记
甜品
SWEETHONEY
DESSERT ®

This EXHIBIT C is signed on ______________________________.

________________________________ Sweethoney Dessert, Inc.

________________________________ By ______________________________
Signature Its ______________________________

____
Typed or Printed Name

EXHIBIT D

to *Sweethoney Dessert* Franchise Agreement

ADDENDUM TO LEASE AGREEMENT

This Agreement is made on ______________________________, 20____, by and between ____, referred to herein as "Lessor", ____, referred to herein as "Lessee", and Sweethoney Dessert, Inc., a California corporation, referred to herein as "Franchisor".

Lessor and Lessee have entered into a Lease Agreement dated ______________________, ("the lease") so that a Sweethoney Dessert restaurant can be opened and operated at ____ ("the premises") pursuant to a Franchise Agreement with Franchisor. As partial consideration for Franchisor approving the location and lease for the premises, the parties hereto have agreed to enter in to this Addendum.

1. (a) In the event that Lessor claims that Lessee is in default under any provision of the lease, Lessor agrees to notify Franchisor in writing of the claimed default and the time within which Lessee can cure the default prior to the default resulting in the termination of the lease.

(b) If Lessee fails to cure the claimed default, Lessor agrees to so notify Franchisor in writing and to allow Franchisor an additional reasonable period of time, which shall not be less than 15 days, within which to cure the default, if Franchisor elects to do so. If the nature of the default is such that more than 15 days are reasonably required to cure the default, Lessor shall allow Franchisor such additional time to cure the default as is reasonably necessary.

2. Both Lessee and Lessor agree that at the times Franchisor so requests, Lessor will provide to Franchisor copies of all sales reports and any other information Lessor may possess regarding the premises and the operation of Lessee's business at the premises.

3. (a) If Lessee's Franchise Agreement with Franchisor expires or is terminated for any reason, Lessor agrees that upon the election of Franchisor the lease shall be deemed assigned to Franchisor, or to such other entity as may be specified by Franchisor, upon written notice to Lessor. Notwithstanding any other provisions of the lease, upon the giving of such notice from Franchisor to Lessor, no additional consent of Lessor or any payment on account of the assignment to Lessor will be required to perfect the assignment to Franchisor or to the designated entity.

(b) The parties hereto agree that upon Franchisor's election to have the lease assumed, whether by Franchisor or by a designated person or entity, Lessee will be solely responsible for full performance of the terms of the lease until the effective date of the assumption of the lease and that the person or entity to whom or which the lease is assigned will be solely responsible for full performance of the lease after that date.

(c) Lessor agrees that Franchisor, or the person or entity who or which assumes the lease, will not be responsible for the performance of any duties or responsibilities, including any payments, arising during, becoming due during, or attributable to the period of Lessee's tenancy under the lease.

(d) It is agreed that neither Lessor, Franchisor, nor any person or entity whom or which may assume the lease, will be obligated to Lessee in any way because of the assignment of the lease to Franchisor or such person or entity pursuant to the terms of this Addendum or otherwise.

EXECUTED as of the date first written above.

LESSOR	LESSEE
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________

FRANCHISOR
Sweethoney Dessert, Inc.

By ______________________________

Its ______________________________

EXHIBIT E

to *Sweethoney Dessert* Franchise Agreement

GENERAL RELEASE

This General Release is made on ______________________________, by ____, hereinafter referred to as "Franchisee" in favor of Sweethoney Dessert, Inc., a California corporation, hereinafter referred to as "Franchisor"

This General Release is made with reference to the following facts:

A. Franchisor and Franchisee entered into a Franchise Agreement dated ____________________, hereinafter referred to as "the Franchise Agreement".

B. The Franchise Agreement is for a *Sweethoney Dessert* restaurant ("the restaurant") located at:

____

____.

As a condition of the relocation/renewal/transfer (delete inapplicable words) of the restaurant, Franchisee is required by the Franchise Agreement to provide Franchisor with this General Release.

NOW, THEREFORE, in consideration for Franchisor allowing the relocation/renewal/transfer of the restaurant, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and with the intent to be legally bound, the parties hereto agree as follows:

1. The facts set forth above are true.

2. Except for the obligations undertaken by Franchisor in this General Release, Franchisee hereby forever releases, forgives, and discharges Franchisor from any and all liability of any kind and nature whether arising out of the Franchise Agreement, its inducement, execution and performance, the franchise relationship between Franchisee and Franchisor or otherwise, including, but not limited to, any and all claims, demands, rights of action, causes of action and liability caused by errors, omissions, intentional acts and negligence, of any kind or character whatsoever, which Franchisee may now have or claim to have against Franchisor. Franchisee understands and agrees that this release covers all claims of every kind and nature, past and present, known and unknown, suspected and unsuspected, except for claims arising pursuant to obligations undertaken under this General Release. Franchisee expressly waives any and all rights or claims under Section 1542 of the California Civil Code, which states:

> ***A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if***

known by him or her must have materially affected his or her settlement with the debtor.

3. If any legal action, or other action or proceeding, is brought for the enforcement of this General Release, or because of a dispute, breach, default or misrepresentation in connection with any of the duties, obligations, covenants, representations, warranties, performance, promises or provisions of this General Release, the party prevailing in that action or proceeding shall be entitled to recover its reasonable attorneys' fees and all other costs incurred in that action or proceeding in addition to any other relief to which that party may be entitled.

4. Franchisee warrants and represents he, she or it, as appropriate, has full power and authority to enter into this General Release. Franchisee warrants and represents that no third party has any interest or right in any claim, potential claim, right of action or cause of action covered by this General Release and the consent of no third party is required for the effectiveness of this General Release.

5. It is agreed that the agreements and undertakings contained in this General Release shall be binding upon Franchisee and also upon Franchisee's heirs, successors, representatives, and assigns.

6. Unless prohibited by any applicable law, this General Release shall be construed and governed by the laws of the state of California. This General Release does not release any claims the forgiveness of which is specifically prohibited by any applicable law.

7. Should any provision of this General Release be found to be invalid or unenforceable under any law which may be found to govern this General Release, that invalidity or unenforceability shall not affect the validity or enforceability of any other portion of this General Release and, unless substantial performance of this General Release taken as a whole is prevented thereby, this General Release shall remain in full force and effect.

8. This General Release contains the entire understanding and agreement of the parties pertaining to the subject matter hereof and supersedes all prior and contemporaneous negotiations, inducements, assurances, conditions, agreements, contracts, representations, promises, commitments, covenants and understandings between them whether direct or implied and whether oral or written concerning Franchisee's release of claims as part of the effected relocation, renewal or transfer.

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

FRANCHISEE

By______________________________

Its ______________________________

EXHIBIT F
to *Sweethoney Dessert* Franchise Agreement

CONTINUING GUARANTY
(To be used to guaranty the obligations of a corporate or limited liability company franchisee or to guaranty the obligations of a franchisee other than the guarantor)

____ (hereinafter referred to as "Guarantor") whose address is ____, as a material inducement to and in consideration for Sweethoney Dessert, Inc. (hereinafter referred to as "Franchisor") entering into a Franchise Agreement ("the Franchise Agreement") with ________________________________ (hereinafter referred to as "Franchisee"), dated _____________________, unconditionally guarantees and promises to and for the benefit of Franchisor, and any other person or entity which is named herein, that Franchisee will perform faithfully and completely all of the provisions, obligations and duties that Franchisee has agreed to perform under the Franchise Agreement and/or any other obligations undertaken or to be undertaken by Franchisee in favor of Franchisor and/or Franchisor's licensor, parent, subsidiary or affiliated persons and/or entities. Guarantor also agrees to be bound by the confidentiality and noncompetition covenants in the Franchise Agreement.

If Guarantor is more than one person, Guarantor's obligations are joint and several. Guarantor's obligations are also independent of Franchisee's obligations. A separate action may be brought or prosecuted against any Guarantor whether or not the action is brought or prosecuted against any other Guarantor or against Franchisee or any or all of them or whether any other Guarantor or Franchisee is or are joined in the action.

Guarantor waives the benefit of any statute of limitations or other provision of law which in any way affects or limits Guarantor's liability under this Guaranty.

The provisions of the Franchise Agreement or other obligation involving Franchisee may be changed between Franchisor, or the other concerned party or entity, and Franchisee at any time and in any manner, either by written or oral agreement, by operation of law, by course of conduct or otherwise, without the consent of or notice to Guarantor. This Guaranty shall continue to guaranty the performance of Franchisee under the Franchise Agreement and/or other obligation as so modified without further agreement or act of Guarantor being required.

Assignment by Franchisee or by Franchisor of the Franchise Agreement or other obligation as permitted in that Agreement or the other obligation shall not affect this Guaranty as to the obligations of Franchisee and the obligations of Guarantor hereunder shall carry over to the transferee of the Franchise Agreement or of the concerned person or entity covered by this Guaranty.

This Guaranty shall not be affected, nor the obligations of Guarantor hereunder limited in any way, by Franchisor's, or any other person or entity's, delay in enforcement or failure to enforce any of its rights under the Franchise Agreement, other guaranteed obligation or under this Guaranty.

If Franchisee commits a breach of the Franchise Agreement or other guaranteed obligation, Franchisor, or any other person or entity covered by this Guaranty, can proceed immediately against

Guarantor or Franchisee or both or Franchisor, or other beneficiary of this Guaranty, can enforce against Guarantor or Franchisee, or both, any rights which Franchisor or such person or entity has under the Franchise Agreement, other obligation or pursuant to applicable law or both. If the Franchise Agreement or other obligation terminates, Franchisor and/or such other beneficiary can enforce any rights it has following such termination against Guarantor, Franchisee or both, without giving prior notice to Guarantor, Franchisee or either, and/or without making demand on Guarantor, Franchisee or either.

Guarantor waives the right to require Franchisor or other beneficiary to proceed against Franchisee before proceeding against Guarantor, to proceed against or exhaust any security that Franchisor or the other beneficiary holds from Franchisee, Guarantor or any other source, and/or to pursue any other remedy available to Franchisor or the concerned beneficiary prior to proceeding against Guarantor, Franchisee or either. Guarantor further waives any defense available to Guarantor, Franchisee or either, by reason of any disability of Franchisee and further waives any other defense based on the termination or limitation of Franchisee's liability by reason of any cause, event, term or condition including any defense or limitation available by operation of law.

Until all of Franchisee's obligations to Franchisor or any other beneficiary of the Guaranty have been satisfied and discharged in full, Guarantor waives any right of subrogation against Franchisee. Guarantor waives any right it may have to enforce any remedies that Franchisor or such beneficiary may now have against Franchisee or may have at a later time. Guarantor further waives all presentments, protests, demands of any type, notices of any type, including notices of protest, notices of dishonor and notices of acceptance of this Guaranty. Guarantor waives the foregoing as to present and/or future obligations and specifically waives any and all notices of the existence, creation or incurring of any new or additional obligations of Franchisee to Franchisor or any other concerned beneficiary.

If Franchisor or other beneficiary seeks to enforce Guarantor's obligations under this Guaranty by legal proceedings, and/or by the employment of an attorney or takes any other or additional collection or other action to enforce his, her or its rights hereunder, Guarantor agrees to pay to Franchisor and/or the concerned beneficiary all costs incurred by Franchisor and the beneficiary or beneficiaries in such proceedings, action, and/or employment, including court costs, costs of suit and attorneys' fees.

This Guaranty shall be binding upon Guarantor and each and all of them if more than one and upon his, her, its or their, successors, representatives and assigns.

Executed at ______________________________, on _________________________.

______________________________ ______________________________

______________________________ ______________________________

Disclosure and Confidentiality Agreement

EXHIBIT D
to Sweethoney Dessert Franchise Disclosure Document

DISCLOSURE AND CONFIDENTIALITY AGREEMENT

Sweethoney Dessert, Inc., a California corporation, is willing to disclose to you certain data, including trade secret material and proprietary information, relating to the site selection, leasing, design, construction, operations, and similar information, including allowing you to examine our manuals and other materials, concerning *Sweethoney Dessert* restaurants for your use in evaluating the purchase of a *Sweethoney Dessert* franchise.

Your signature below is your agreement on behalf of yourself and any organization or entity with which you are or may become associated to hold all such information in confidence, not to disclose the information to others and not to use the information for any purpose, whether commercial or noncommercial, or for the developing or improving of any business or any other enterprise, without the prior written consent of Sweethoney Dessert, Inc.. You agree that all of the information disclosed to you is the property of Sweethoney Dessert, Inc. and that its unauthorized disclosure will cause Sweethoney Dessert, Inc. irreparable injury.

This Agreement is effective from the date written below and is effective as long as there are any Sweethoney Dessert restaurants in operation unless Sweethoney Dessert, Inc. agrees in writing that your obligations under this Agreement can be terminated sooner or until you become a Sweethoney Dessert franchisee. If you become a Sweethoney Dessert franchisee, your obligations concerning the trade secret and proprietary information of Sweethoney Dessert, Inc. will be contained in your Franchise Agreement.

EXECUTED at ______________________, California, on ____________________,

______________________________	______________________________
Signature	Signature
______________________________	______________________________
Signature	Signature

ACKNOWLEDGMENT OF REVIEW

I/We hereby acknowledge that I/we reviewed the above-described manuals to my/our satisfaction on ___________________________, 20_____.

______________________________	______________________________
______________________________	______________________________

Acknowledgment at Closing

EXHIBIT E
to Sweethoney Dessert Franchise Disclosure Document

ACKNOWLEDGMENT AT CLOSING

In this document "Franchisee" means ____ and "Franchisor" means Sweethoney Dessert, Inc.

The execution of documents for the awarding of a *Sweethoney Dessert* franchise to Franchisee finalizes a process in which Franchisee reviews a great deal of information provided by the Franchisor and others. Much of this information has a significant impact upon the transaction. The information considered by Franchisee serves as the basis upon which Franchisee makes a decision whether to purchase a franchise.

Franchisee wishes to enter into a Franchise Agreement with Franchisor for a *Sweethoney Dessert* business to be located at ____.

In order to induce Franchisor to enter into a Franchise Agreement with Franchisee, Franchisee acknowledges that the following statements with regard to the documents, data and other material described below are true and are an accurate reflection of the transaction with Franchisor. **If they are not, Franchisee is instructed to insert the correct information where appropriate and to initial, and to have Franchisor initial, the changes**.

(1) Franchisee received the Franchise Disclosure Document for prospective franchisees required by the state in which Franchisee resides and/or in which his or her business will be operated at least 14 calendar days prior to the execution of any documents or the transfer of any funds by Franchisee or on behalf of Franchisee.

(2) Franchisee received and reviewed all completed contract documents at least 7 calendar days prior to the execution of those documents.

(3) Franchisee acknowledges that the success or failure of Franchisee's business depends primarily upon Franchisee's business ability, the quality and quantity of the effort put forth by Franchisee and upon Franchisee's compliance with the manuals, requirements, instructions and directives of Franchisor.

(4)) Franchisee acknowledges that neither Franchisor nor anyone purporting to act for Franchisor has made any promises or representations concerning Franchisee's business, the sales volumes that will be produced by Franchisee's business, the profits to be made in the business, the likelihood of success of the franchised business or any other matter in connection with the proposed franchise or the franchised business other than those that are set forth in the Franchise Disclosure Document, the Franchise Agreement and any other signed amendments or agreements between Franchisee and Franchisor. If any such promises have been made, Franchisee is instructed to make sure that they are set forth in writing in the Franchise Agreement or in an amendment or exhibit thereto which is signed by both parties. Franchisor in granting this franchise is relying on Franchisee to see that all such matters are reduced to writing, are signed by Franchisee and Franchisor and are attached to the Franchise Agreement. If they are not, Franchisee hereby waives any such representation, warranty and promise

and agrees that Franchisee will not be able to rely in any way on them and that Franchisor will not be bound by them.

Nothing in this Acknowledgment at Closing will alter the law of the state whose law governs this transaction.

IN WITNESS WHEREOF Franchisee has executed this Acknowledgment on

____

______________________________ ______________________________

Signature Signature

Name: ______________________ Name: ______________________

And if an entity:

____

Name of Entity

Title: ______________________ Title: ______________________

Franchisor acknowledges Franchisee's representations and commitments stated above and based on those assurances, among other things, Franchisor agrees to award Franchisee a *Sweethoney Dessert* franchise.

FRANCHISOR:
Sweethoney Dessert, Inc.

By: ______________________

Name: ______________________

Title: ______________________

RECEIPT

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

If Sweethoney Dessert, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

In New York, Sweethoney Dessert, Inc. must provide you with this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

If Sweethoney Dessert, 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your state agency.

The franchise seller or sellers with whom you have dealt in connection with this franchise offer is/are (Please check appropriate name or names):

[ ] Allen Guoliang Yang
[ ] Evonne Vun Ung
~~160 14th~~**28976 Hopkins** Street, Suite ~~801~~**F**
~~Oakland~~**Hayward**, CA ~~94612~~**94545**
(510) ~~717~~**918**-~~1109~~**1178**

The issuance date of this disclosure document is ~~May 31, 2017, as amended June~~**March** 30, ~~2017.~~**2018** The effective dates of this document in certain states are listed on the State Effective Dates page to this disclosure document.

I received a disclosure document dated ~~May 31, 2017, as amended June~~**March** 30, ~~2017~~**2018**, that included the following exhibits:

A. State Franchise Law Administrators and Agents for Service of Process
B. Financial Statements
C. Franchise Agreement
D Nondisclosure and Confidentiality Agreement
E. Acknowledgment at Closing

Dated: ______________________

If an entity, name of entity: ______________________________________

Name: ___________________________ Name: ___________________________

If an entity: Title ____________________ Title: ___________________________

You may return the signed Receipt by signing, dating and mailing it to Sweethoney Dessert, Inc. at ~~160 14th~~**28976 Hopkins** Street, Suite ~~801~~**F**, ~~Oakland~~**Hayward**, CA ~~94612~~**94545**.

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