

## FRANCHISE DISCLOSURE DOCUMENT

Chocolate Works NY, LLC  
a New York limited liability company  
396 Rockaway Avenue  
Valley Stream, New York 11581  
516-551-2976  
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TM

The franchise described in this Disclosure Document is to operate a business that sells an exclusive line of high-quality chocolates and other confections, including boxed chocolates, custom packed chocolate assortments, gift baskets and towers, chocolate dipped fruit, cookies and pretzels, hard candy, ice cream and seasonal items under the Chocolate Works™ brand. The Chocolate Works™ franchise will sell products, some of which will be made on-premises at the Store, at retail as well as under organizational programs, and will host chocolate making parties and other events.

The total investment necessary to begin operation of a Chocolate Works™ franchise is estimated to be between \$284,800 and \$466,600. This includes between \$92,300 to \$130,900 that must be paid to the franchisor and/or its affiliate, as appropriate.

If you sign an Area Development Agreement to develop at least three Chocolate Works™ Store, you will pay (at the time you sign) a reservation fee equal to \$20,000 multiplied by the total number of Chocolate Works™ franchises to be developed, plus an additional Initial Franchise Fee of \$30,000 for the first Store and \$20,000 for each additional Store you open. The total investment under the Area Development Agreement will vary depending on the number of Chocolate Works™ franchises to be developed by you under the agreement.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the 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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format, such as a PDF sent by email or in the form of a CD ROM, that is more convenient for you. To discuss the availability of disclosures in different formats, contact Joseph Whaley at 396 Rockaway Avenue, Valley Stream, New York 11581 and 516-551-2976.

You may have elected to receive an electronic version of your disclosure document. If so, you may wish to print or download the disclosure document for future reference. You have the right to receive a paper copy of the disclosure document until the time of sale. To obtain a paper copy, contact Joseph Whaley at 396 Rockaway Avenue, Valley Stream, New York 11581 and 516-551-2976.

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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

*Issuance Date:* August 27, 2012

## 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 DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE DEPARTMENT OF LAW. NOR DOES IT MEAN THAT THE DEPARTMENT OF LAW HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.**

Call the state franchise administrator listed in Exhibit A for information about the franchisor or about franchising in 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 AND AREA DEVELOPMENT AGREEMENTS REQUIRE YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN NEW YORK. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO LITIGATE WITH US IN NEW YORK THAN IN YOUR OWN STATE
2. THE FRANCHISE AND AREA DEVELOPMENT AGREEMENTS STATE THAT NEW YORK LAW GOVERNS THE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THE FRANCHISOR MAY TERMINATE THE FRANCHISE AGREEMENT AND RETAIN THE INITIAL FRANCHISE FEE IF A LOCATION IS NOT FOUND WITHIN 90 DAYS OF SIGNING THE AGREEMENT. THE FRANCHISOR MAY ALSO TERMINATE THE FRANCHISE AGREEMENT AND RETAIN THE FEE IF THE LOCATION IS NOT OPENED WITHIN 4 MONTHS OF APPROVING THE LOCATION OR 7 MONTHS AFTER SIGNING.
4. IF FRANCHISOR TERMINATES THE FRANCHISE AGREEMENT WITH CAUSE, YOU MUST PAY FRANCHISOR LIQUIDATED DAMAGES EQUAL TO THE ROYALTIES EARNED FROM YOUR STORE DURING THE 12 MONTHS OF OPERATION BEFORE THE TERMINATION MULTIPLIED BY (A) 24, BEING THE NUMBER OF MONTHS IN TWO FULL YEARS, OR (B) THE NUMBER OF MONTHS REMAINING IN THE FRANCHISE AGREEMENT HAD WE NOT TERMINATED IT, WHICHEVER IS HIGHER.
5. FRANCHISOR DOES NOT YET HAVE A FEDERAL REGISTRATION FOR ITS PRINCIPAL TRADEMARK. THEREFORE, THE TRADEMARK DOES NOT HAVE AS MANY LEGAL BENEFITS AND RIGHTS AS A FEDERALLY REGISTERED TRADEMARK. IF FRANCHISOR'S RIGHT TO USE THE TRADEMARK IS CHALLENGED BEFORE THE EFFECTIVE DATE OF ITS REGISTRATION, OR IF ITS APPLICATION FOR REGISTRATION IS DENIED, YOU MAY HAVE TO CHANGE TO AN ALTERNATIVE TRADEMARK, WHICH MAY INCREASE YOUR EXPENSE.
6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

**Effective Date: August 27, 2012**

**FOR USE ONLY IN THE STATE OF NEW YORK**

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**Exhibits**

- A - List of State Agencies/Agents for Service of Process**
- B - Franchise Agreement**
- C - Area Development Agreement**
- D - List of Franchisees and Area Developers**
- E - Franchisees and Area Developers Who Have Left the System**
- F - Financial Statements**
- G - Operations Manual Table of Contents**
- H - State Specific Addenda**
- I - Form of General Release**
- J - Franchisee Disclosure Acknowledgment Statement**

**Receipts**

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

The Franchisor is Chocolate Works NY, LLC. We are a New York limited liability company formed on June 20, 2012. Our principal business address is 396 Rockaway Avenue, Valley Stream, New York 11581. We do business under our corporate name and the trade name and mark “Chocolate Works™.”

For ease of reference, Chocolate Works NY, LLC will be referred to as “we”, “us”, or “Franchisor” in this Disclosure Document. We will refer to the person or entity who signs the Franchise Agreement or Area Development Agreement as “you” throughout this Disclosure Document. If you are a corporation or other legal entity, certain provisions of the Franchise Agreement and Area Development Agreement apply to your some or all of your owners and will be noted.

Our agents for service of process in the states which require franchise registration are disclosed in Exhibit A.

**Our Parents, Predecessors and Affiliates**

We have no predecessor or corporate parent, but we have a corporate Affiliate, 5th Avenue Chocolatiere, Ltd. (“5th Avenue”). Its principal business address is 396 Rockaway Avenue, Valley Stream, New York 11581. 5th Avenue is a family-owned business that has been engaged in manufacturing and selling gourmet chocolates for almost 40 years.

5th Avenue has operated a chocolate store similar to the franchises being offered under this Disclosure Document, at 396 Rockaway Avenue, Valley Stream, New York 11581, since 2009. It has also owned and operated a chocolate store under the name 5th Avenue Chocolatiere, at 693 Third Avenue, New York, NY, since 2006. Prior to that it operated a store at 510 Madison Avenue, New York, NY since 1973.

Joseph Whaley, our President, owns 50% of a third chocolate store located at 641 Amsterdam Avenue, in New York City (the “Amsterdam Avenue store”), which was opened in February, 2012 and operates under the Chocolate Works™ name. Since July of 2011, 5th Avenue has licensed a third party to operate a store at 450 Central Park Avenue, Scarsdale, New York (the “Scarsdale store”). Both the Amsterdam Avenue store and the Scarsdale store are converting to Chocolate Works™ franchises upon the effectiveness of our franchise registration in New York.

5th Avenue may provide products and services to our Franchisees either directly or through one or more Affiliates. 5th Avenue will not guarantee any of our liabilities or any liabilities of our Franchisees.

Neither Franchisor nor 5th Avenue, nor any of their respective Affiliates, has ever offered franchises in any line of business.

Both Franchisor and 5th Avenue are headquartered at our Valley Stream address.

**Chocolate Works™ History**

Franchisor was formed in New York on June 21, 2012. It is owned by Joseph Whaley and was formed for the specific purpose of marketing and selling the franchises described in this Disclosure Document.

5th Avenue, which is owned by members of the Whaley family, has operated a chocolate factory and store serving retail customers, as well as corporate, charitable and other institutional customers ("Institutional Customers") for almost 40 years. It uses over 12,000 different chocolate molds to craft its handmade chocolates. We believe this to be one of the largest collections of chocolate molds in the world. 5th Avenue has licensed to us the right to use its molds and its proprietary recipes in order to permit us to make them available to our Franchisees.

### **The Franchise Offered**

We are offering franchises for Stores that operate under the name "Chocolate Works™" according to the terms of our Franchise Agreement which is attached to this Disclosure Document as Exhibit B (sometimes referred to as a "Chocolate Works™ Store", "Store" or "Franchised Business") using the proprietary marks and system we have developed (the "System").

Each Chocolate Works™ Store will offer three different lines of products and services. It will sell fine chocolates and related products ("Products") from a retail store located on its premises. It will also market custom-made chocolate products to Institutional Customers for distribution to their employees, customers, vendors, and others. Finally, it will host chocolate-making parties and similar events for children and adults in specially designed party spaces at the Store.

Chocolate Works™ Stores use certain trademarks and commercial symbols, including the mark "Chocolate Works™", a certain Store design, decor and image developed for Chocolate Works™ Stores (the "Trade Dress") and certain logos. We refer to all of these items as our "Proprietary Marks". The Proprietary Marks are owned by us. We may modify the Proprietary Marks or substitute new Proprietary Marks.

You must operate your Chocolate Works™ Store in accordance with the standards and procedures set out in our Confidential Operations Manuals (the "Manuals"). We will lend you a copy of the Manuals for the duration of the Franchise Agreement (or, at our option, we may make these available to you electronically).

### **Area Development Agreement**

We also may offer an area development agreement (the "Area Development Agreement") (included as Exhibit C to this Disclosure Document) to qualified individuals and entities (an "Area Developer"), which grants the right to establish and operate a specific number of Chocolate Works™ Stores in a specified area (the "Development Area") at locations approved by us, each under a separate Franchise Agreement.

Any Area Development Agreement we offer will provide for the opening of at least three Chocolate Works™ Stores by an Area Developer. The terms of the Franchise Agreement in use at the time each of the Franchise Agreements is signed under the Area Development Agreement may be significantly different from the terms of the Franchise Agreement described in this Disclosure Document.

Area Developers will be granted an exclusive territory ("Development Area") and will be required to open each Chocolate Works™ Store within the Development Area according to the Development Schedule described in Exhibit B to the Area Development Agreement. The size of the Development Area will vary depending upon local market conditions and the number of Chocolate Works™ Stores to be developed.

When we refer to the "Agreements" in this Disclosure Document, we mean both the Area Development Agreement and the Franchise Agreement.



## **Market and Competition**

You will offer your products and services to the general public, as well as to companies and other institutional customers. The market for the products and services offered by the Chocolate Works™ Stores is highly competitive, as is the market for obtaining Store locations in high traffic venues. However, we believe our three-tiered operational system and highly specialized products give us a substantial advantage over our competitors. You will compete with a variety of businesses, from locally owned to national and chain businesses, such as Godiva, Lindt, and Neuhaus.

Our Products are not seasonal, but we do experience heavy sales during certain holidays and events (for example, Christmas, Valentine's Day, Easter, Administrative Assistant Week, Mother's Day and the Jewish holidays) and sales are generally slower during the warmer weather months.

## **Industry Specific Laws and Regulations**

The retail food industry is regulated on the federal, state and local levels. You must comply with all laws, rules and regulations that apply to your Store. These laws include the Pure Food and Drugs Act of 1906; the Federal Food, Drug and Cosmetic Act, the Americans with Disabilities Act and the rules and policies of the Food and Drug Administration. You must also comply with all state and local laws and regulations. State requirements relating to food safety typically relate to sanitation and handling. Local inspectors may also enforce sanitation and handling rules created on the state and/or local level.

Among the licenses and permits you may need are: Zoning or Land Use Approvals, Sunday Sale Permits, Sales and Use Tax Permits, Special Tax Stamps, Fire Department Permits, Food Establishment Permits, Health Permits, Alarm Permits, Occupational Permits, Retail Sales Licenses, Chain Store Permits, Dairy Permits, and Wastewater Discharge Permits.

There may be other laws, rules or regulations that affect your Chocolate Works™ Store, including minimum wage and labor laws, workmen's compensation laws, discrimination, employment, and sexual harassment laws, along with ADA, OSHA and EPA regulations. We recommend that you consult with your attorney concerning these and other laws and ordinances that may affect the operation of your Franchised Business.

## **ITEM 2** **BUSINESS EXPERIENCE**

### **Chief Executive Officer – Joseph Whaley**

Joseph Whaley has been our Chief Executive Officer since our inception. He has served as Chief Executive Officer of 5th Avenue Chocolatiere, Ltd., our Affiliate, for more than five years.

### **President – John Whaley**

John Whaley has been president since our inception. Before that, he served as president of 5th Avenue Chocolatiere, Ltd. for more than five years. John will be in charge of our Franchisee training program.

### **Chief Operating Officer – Colleen Whaley**

Colleen Whaley has been our chief operating officer since our inception, with primary responsibility for our party operations. Colleen has served as Chief Operating Officer of 5th Avenue Chocolatiere, Ltd. since 2008. For more than one year prior to that date, she had served as a part-time manager of 5th Avenue Chocolatiere, Ltd.

### **Senior Vice President of Marketing – Michael Harmon**

Michael Harmon has been our Senior Vice President of Marketing since our inception and has served as Vice President of 5<sup>th</sup> Avenue since 2010. He is responsible for marketing and sales activities including trademark and logo design, as well as product presentation. He also oversees our catalog and website, as well as media placement.

### **Assistant Operating Officer of Parties – Anita Jones**

Anita Jones has been Assistant Operating Officer of 5th Avenue since September 2009 and currently serves in the same capacity with Franchisor. For more than three years prior to September 2009, Anita worked as a teacher's aide for kindergarten children on Long Island. Anita will assist in our staff training program.

### **ITEM 3 LITIGATION**

No litigation required to be disclosed in this Item.

### **ITEM 4 BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

### **ITEM 5 INITIAL FEES**

#### **Franchise Agreement**

The “Initial Franchise Fee” is \$50,000 and is payable in a lump sum when you sign the Franchise Agreement. This amount includes \$10,000 that we will expend for your grand opening. The Initial Franchise Fee is non-refundable.

If you do not locate and secure a location for your Store that is reasonably acceptable to us within 90 days after you sign the Franchise Agreement, we have the right either to terminate your agreement and retain your Initial Franchise Fee, or to grant you an extension to locate a suitable site. If you do not locate a suitable site before the extension ends, we may terminate the agreement and retain your Initial Franchise Fee.

#### **Area Development Agreement**

If you sign an Area Development Agreement, the Initial Franchise Fee for your first Chocolate Works™ Store will be \$30,000, and the Initial Franchise Fee for each additional Store you develop will be \$20,000. The Initial Franchise Fee is payable in a lump sum when you sign the Franchise Agreement for each Store. The Initial Franchise Fee paid by an Area Developer is in

addition to the \$20,000 Reservation Fee for each Store, and is not refundable under any circumstances.

The Initial Franchise Fees for Franchisees and Area Developers are uniform, except that no Initial Franchise Fees will be paid by the Amsterdam Avenue store or the Scarsdale store when they convert to Franchises. All other Franchisees and Area Developers will pay the Initial Franchise Fees described above.

### **Reservation Fee**

If you sign an Area Development Agreement, you must pay us a Reservation Fee equal to \$20,000 for each Chocolate Works™ Store you commit to develop when you sign the Area Development Agreement. The Reservation Fee is not refundable and cannot be credited against any other fees you must pay to us.

### **Initial Inventory Purchase**

You must purchase your initial inventory of prepared chocolate candies and bulk chocolate from us before your Store opens for business. The cost of the initial inventory you must purchase will depend on the size of your Store and the time of year in which you will open your Store. You must pay us for such inventory in full at the time you place your order. For example, if you have a large store and are opening near a holiday, your initial inventory will cost more than for the same size store that opens at another time of the year. We anticipate that the cost of your initial inventory will range from \$42,300 to \$80,000, which includes both Products and packaging.

### **Grand Opening Program**

We will arrange a grand opening advertising and marketing program that will be conducted within 90 days of the date on which your Store first opens. We will devote approximately \$10,000 to the program. If we believe the size or location of your Store or other factors call for spending more than \$10,000, we may require you to contribute up to \$5,000 to fund additional advertising, marketing and promotional activities. We will have no obligation to arrange or pay for any grand opening advertising or marketing for the Amsterdam Avenue or Scarsdale Stores when they convert to Chocolate Works™ Stores.

You do not need to make any other purchases from and/or payments to us or our Affiliates before your Store opens for business.

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**ITEM 6**  
**OTHER FEES**

<b>Type of Fee (Note 1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	3% of Gross Revenue, except on sales to institutional customers. For institutional customers, Franchisor and Franchisee each receive 50% of net profits. See Note 3 below.	Payable each Wednesday for the prior week ending Sunday	This fee must be paid by electronic funds transfer, which is set up when you sign your Franchise Agreement. See Note 2 below.
Advertising Fund Contributions	\$300 per month	Payable on the 1st of each month	We may change this fee from time to time in our discretion. We may modify any individual Franchisee's contribution based on individual circumstances. See Note 2 below.
Local Advertising	1% of Gross Revenue	Must be spent monthly	You will pay your local advertising suppliers directly. Any advertising that you want to use (and that we have not prepared or previously approved) must be approved by us before you may use it.
Advertising Cooperative Contributions	As determined by the cooperative members	As determined by the cooperative members	Any amounts you contribute to an advertising cooperative will count toward your local advertising requirement. See Note 2 below.
Company-wide or Regional Meetings	Expenses of your attendees	As incurred	We may hold regional and/or company-wide meetings to promote our System and to communicate new or revised procedures. The cost of these meetings may be paid by us from the Advertising Fund. You must pay for the expenses incurred by your attendees, including travel, lodging, meals and wages.

<b>Type of Fee (Note 1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Training Program (for New or Additional Employees only)	Our then-current training fee, plus expenses  Current training fee = \$1,500  (There is no charge for initial training of up to 3 persons prior to opening of store.)	Our fee is payable before the training program begins	We will train up to three people, one of whom must be you, at no additional charge. If you request us to train additional employees at any time, you must pay our then-current training fee. You must also pay for all of your trainees' expenses while attending training, including travel, lodging, meals and wages.
Additional On-Site Assistance or Training	Our then current fee per trainer, plus expenses  Current per day fee = \$500	Upon demand	If you ask us to provide training at your Store, you must pay our then current daily fee for each trainer we send to you, and you must reimburse our trainers' expenses, including travel, lodging and meals.
Transfer Fee	50 % of our then-current initial franchise fee	With request for approval of transfer of your franchise	The transfer fee includes initial training for up to 3 of the transferee's personnel. We do not charge a transfer fee for a one-time transfer to a corporate entity that you have formed for convenience of ownership of the franchise.
Renewal Fee	\$10,000	At time of renewal	This fee is payable in connection with the renewal of your franchise agreement.
Interest	18% per annum or the highest legal rate, whichever is less	At time the overdue payments are paid	Interest is payable on any overdue or underpaid amounts owed to us and/or our Affiliates. Interest will accrue from the original due date until the amount is paid in full.
Audit	Any underpaid amount revealed by the audit, plus interest. The cost of the audit is reimbursable to us in certain circumstances	Upon demand	You must reimburse our costs for the audit if (a) the audit is done because you fail to provide required reports, or (b) if the audit shows you understated your Gross Revenue by 2% or more.

<b>Type of Fee (Note 1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Costs and Legal Fees	Will vary under circumstances	Upon demand	If you default under your agreement, you must reimburse us for the expenses we incur (such as attorneys' fees) in enforcing or terminating the agreement.
Indemnification	Will vary under circumstances	Upon demand	You must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Franchised Business or in connection with any offer of your securities, for costs associated with defending claims that you used the trademarks in an unauthorized manner or for damages arising out of your breach of your franchise agreement.
Insurance Premiums	The cost of the insurance premiums, plus our expenses incurred in obtaining insurance	Upon demand	We have the right (but not obligation) to buy insurance coverage for you if you do not do so.
Product/Supplier Testing	The costs of testing and evaluation	Upon demand if incurred	If you ask us to consider a new product or supplier for our approval, you must pay the costs we incur in evaluating the product or supplier.
Store Refurbishment	Will vary under the circumstances	As incurred	We may require you to refurbish your Store from time to time to comply with our then current Trade Dress. We will not make this request more than once every five years.
Liquidated Damages	See Note 4	15 days after termination	Payable only if your franchise agreement is terminated by us for cause or by you without cause.

<b>Type of Fee (Note 1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Products	Will vary under the circumstances	As incurred	You must purchase all chocolate truffles and all bulk chocolate from us. All other products and all furniture, fixtures and equipment must be purchased from us or from suppliers designated or approved by us. See Note 5 below.
Prohibited Product or Service Fine	\$250 per day of use of unauthorized products or services	If incurred	Payable if you offer or sell products or services not approved by us.
Management Fee	5% of Gross Revenue, plus expenses	As incurred	If we must step in to temporarily operate your Store for you in certain circumstances, you must pay us a fee for managing your Store. You must also reimburse our representative's expenses, including travel, lodging and meals.
Relocation Fee	50% of then-current initial franchise fee	If incurred	If you request to relocate your Store.
Mystery Shopper	Our then-current fee  Currently up to \$150 per month	As incurred	We may engage a mystery shopper service as a means of verifying the quality of products and services provided by your Stores. We may require you to pay the mystery shopper service directly, or reimburse us if we pay him.

1. Except as noted in the chart above, all fees are imposed by and payable to us. All fees paid to us are non-refundable.
2. You must pay your royalties to us weekly. Royalties for any week are payable on Wednesday of the following week. We may require you to pay Royalties and other amounts owing to us by automatic debit from your bank account or by EFT (electronic funds transfer). In either such case, you must file any bank forms required in connection with the debiting of your account. You must also sign an Authorization Agreement for Prearranged Payments (Direct Debits), which is Exhibit J to the Franchise Agreement. You must make the necessary funds available in your account for us to withdraw. We may require you to make Royalty or other payments in a manner other than automatic debit or EFT, and you must comply with our payment instructions.

In the case of sales to Institutional Customers, Franchisor processes, packs and delivers the Product, collects payment and remits 50% of net profits to you.

In the case of debit payments, if you do not report your Store's Gross Revenue in any week, we may debit your account for 120% of the last Royalty Fee that you paid to us. If the amount we debit is less than the amount you actually owe us, we will debit your account for the balance once the actual amount is determined. If the amount we debit is greater than the amount you actually owe us, we will credit the excess to your account during the following week.

If any state imposes a sales or other tax on the Royalty, then we will collect this tax from you.

You must pay advertising fund contributions monthly in advance. You must pay for all purchases of Products and ingredients from us or our Affiliates within 20 days after receipt of invoice. If you meet our criteria, including credit score and other factors, we may extend to you a line of credit that you can use to purchase Products and ingredients from us.

If you are late in making any payments owing to us, the overdue amount will accrue interest at 18% per annum or the maximum legal rate, whichever is less, and you may be required to pay for purchases of Products and ingredients in cash in advance until all outstanding balances have been paid in full. In addition, any line of credit you may have with us may be suspended or terminated. Repeated or long-term late payments may also result in our refusal to sell you additional Products and ingredients until all outstanding balances have been paid in full, or in termination of your Franchise Agreement.

3. The term "Gross Revenue" as used in this Disclosure Document and in the Franchise Agreement means gross revenue from the sale of all products and services, whether for cash or credit and including any assumed gross revenue calculated in connection with any insurance claim for lost profits if the claim is paid by the insurer. Gross Revenue excludes: (a) sales or service taxes collected from customers and paid to the appropriate taxing authority; (b) customer refunds, adjustments and credits; and (c) sales revenues attributable to purchases by Institutional Customers where we fulfill such orders. The term "net profits" as used in this Disclosure Document and in the Franchise Agreement means Gross Revenue, less cost of goods, and selling, general and administrative expenses.
4. If we terminate the Franchise Agreement with cause, you must pay us liquidated damages equal to the Royalties we earned from your Store during the 12 months of operation before the termination multiplied by (a) 24, being the number of months in two full years, or (b) the number of months remaining in the Franchise Agreement had we not terminated it, whichever is higher.
5. You must purchase all chocolate truffles and all bulk chocolate used by you to make chocolate products on-premises from us or our affiliates. All other products and all furniture, fixtures and equipment must be purchased from suppliers designated or approved by us. You will be provided with two price lists - the first one is the cost to you to purchase Products and ingredients from us. The prices on this list generally include a mark-up of approximately 5% - 10%, but the markups on bulk chocolate purchases and purchase of certain equipment are substantially higher. This first price list is subject to change by us based on certain factors, including changes in commodity prices. The second list provided to you is a suggested retail price list for your customers.



**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>When Due</b>	<b>Method of Payment</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee (1)	\$50,000	On Signing Franchise Agreement	Lump Sum	Us
Cash Register and Scale (2)	\$3600 to \$7200	As Incurred	As Agreed	Designated Suppliers
Leasehold Improvements (3)	\$70,000 to \$145,000	As Incurred	As Agreed	Independent Contractors, Lessor
Fixtures and Equipment (4)	\$75,000 to \$95,000	As Incurred	As Agreed	Designated Suppliers
Architect Fees (5)	\$5,000 to \$10,000	As Arranged	As Agreed	Approved Supplier
Rent -3 months (6)	\$10,000 to \$30,000	As specified in lease or sublease	Lump Sum	Landlord
Insurance - 3 months (7)	\$1000 to \$1500	As Arranged	As Agreed	Insurance Carriers
Opening Inventory and Supplies (8)	\$42,300 to \$80,000	As Incurred	As Agreed	Us and Designated Suppliers
Signage and Awning (9)	\$9,000 to \$12,000	As Incurred	As Agreed	Designated Suppliers
Initial Training Expenses (10)	\$500 to \$5000	As Incurred	As Incurred	Airlines, Hotel, Restaurants
Grand Opening Advertising Program (11)	up to \$5,000, in certain circumstances.	Within 10 days after our request for such additional funds	As Agreed	Us or Outside Suppliers
Professional Fees (12)	\$2,500 to \$5,000	As Incurred	As Agreed	Attorney; Accountant
Advertising Funds- 3 Months (13)	\$900	1st of each month	EFT	Us
Additional Funds - 3 months (14)	\$15,000 to \$20,000	As Incurred	As Incurred	Various
<b>TOTAL ESTIMATED INITIAL INVESTMENT</b>	<b>\$284,800 to \$466,600</b>			

In general, none of the expenses listed in the above chart are refundable, except that any security deposits you must provide may be refundable.

## **Explanatory Note**

1. **Initial Franchise Fee.** This number represents the Initial Franchise Fee for franchises purchased under individual Franchise Agreements (including \$10,000 per Store for grand opening expenditures). The Initial Franchise Fee for the first franchise purchased under an Area Development Agreement will be \$30,000. The Initial Franchise Fee for each additional Store you develop will be \$20,000. The Scarsdale and Amsterdam Avenue Stores will not pay an Initial Franchise Fee when they convert to Chocolate Works™ franchises.
2. **Cash Registers and Scales.** You must purchase at least one cash register and one scale. Depending on the size and sales volume of your Store, you may want to have as many as four registers and scales.
3. **Leasehold Improvements.** The cost of leasehold improvements will vary depending on many factors, including: (i) the size, layout and existing condition of the premises; (ii) pre-construction costs (such as demolition of existing walls and removal of existing improvements and fixtures); and (iii) cost of materials and labor, which may vary based on geography and location. These amounts are based on the cost of adapting your space to meet our architectural and design plans and the cost of other leasehold improvements. These figures are our best estimate based on remodeling with finish-out rates. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. These costs may also vary depending on whether any of these costs will be paid by the landlord.
4. **Fixtures and Equipment.** All fixtures and equipment that you purchase for your Store must be approved by us. The fixtures and equipment you need include, under our low end estimate include: refrigerated display case, chocolate conveyor line, two 225 pound chocolate tanks, two chocolate pumps, shelving and display cases, freezers, party tables and chairs, storage racks, locks, fire extinguishers, telephone, computer and phone lines.

Under our high end estimate, the fixtures and equipment include: all of the equipment and fixtures described above, plus, at your option, and depending on the size and location of your Store and anticipated traffic, a chocolate fountain, M&M display, Jelly Belly display, Pucker Powder display, lollipop displays and a fudge machine.

5. **Architect Fees.** You must hire a qualified architect, whom we have approved or designated for use by our Franchisees, to adapt our standardized plans and specifications to your approved location.
6. **Rent.** If you do not own adequate real property, you must lease property for your Store. A typical Chocolate Works™ Store will need approximately 1,500 to 2,000 square feet of space for a strip center or free-standing location, or 600 to 1,000 square feet of space plus additional off-site storage for a mall location. In addition, mall locations may require smaller sized equipment and additional design adaptations to accommodate birthday parties and similar events. Lease costs will vary widely and may be significantly higher than projected in this table depending on factors such as property location, population density, economic climate, prevailing interest rates and other financing costs, and conditions of the property. You should investigate all of these costs in the area where you wish to establish a Store. We reserve the right to lease, or have one of our Affiliates lease, and sublease the property to you.

Landlords may vary the base rental rate and charge rent based on a percentage of gross revenue. In addition to base rent, the lease may require you to pay common area maintenance charges (“**CAM Charges**”), your proportionate share of the real estate taxes and insurance, and your proportionate share of other charges. The actual amount you pay under the lease will vary depending on the size of the Store, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords and the prevailing rental rates in the geographic region and particular locale of your Store.

If you choose to purchase real property on which to build your Store, your initial investment may be higher than what we estimate above. If you purchase real property, we cannot estimate how this purchase will affect your total initial investment

7. **Insurance.** The estimate represents approximately three months of coverage for the insurance you must have for your Store. Insurance costs will vary depending upon factors such as the size and location of the Store.
8. **Opening Inventory and Supplies.** You must purchase from us your bulk chocolate and all chocolate truffles. You must also purchase other supplies, such as paper goods, from suppliers we approve. You will need to re-stock your initial inventory on an as needed basis as food items and other supplies are used. The amount and cost of your initial and subsequent orders for all of these items will vary depending on various factors, including the size and anticipated volume and mix of your Store's sales.
9. **Signage.** The estimates include the costs for interior and exterior signage. The cost of signage may vary significantly depending on the location of your Store, market conditions and local codes. In some instances, the use of additional or larger signage may be possible, with our prior written approval. The costs of these optional items are not included in the line item total above.
10. **Initial Training Expenses.** We provide initial training at our training facility for up to three people, one of whom must be you, at no charge. These estimates include only your out-of-pocket costs associated with attending our initial training program, including travel, lodging, meals and applicable wages for the first three trainees. These amounts do not include any fees or expenses for training any other personnel. Your costs may vary depending on your selection of lodging and dining facilities and mode and distance of transportation. The lower end of our estimate assumes that the trainees live within driving distance of our training facility.
11. **Grand Opening Advertising Program.** We will pay up to \$10,000 for a grand opening advertising campaign to promote the opening of your Store. All advertisements used in your grand opening advertising campaign must be approved by us. The campaign will be conducted in the first 60 days after your Store opens. If we believe that the size or location of your Store or other factors we deem relevant call for the expenditure of more than \$10,000 in connection with your grand opening, we may require you to contribute up to \$5,000 to fund additional advertising, marketing and promotional activities.
12. **Professional Fees.** We expect that you will retain an attorney and an accountant to assist you with evaluating this franchise offering, forming your business entity, and negotiating your lease or purchase agreement for the approved location.
13. **Advertising Fund.** Because your contributions to the Advertising Fund are a fixed amount, our estimate includes your first three months of contributions to the Advertising Fund.

14. **Additional Funds.** This is an estimate of your start up expenses for an initial three-month period, excluding payroll costs, and does not include any revenue that your Store may earn in the first three months of operation. These figures are estimates only and we cannot guarantee that you will not have additional expenses starting your business. The amount of revenue you generate in the first three months of operation may depend, in part, on the time of year your Store opens. Your expenses will depend on factors such as how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions (including the local market for our products or services), the prevailing wage rate, competition and the sales level reached during the initial period. These are only estimates and your costs may vary based on actual rental prices in your area, and other site-specific requirements or regulations. The costs outlined in this Item 7 are not intended to be a forecast of the actual cost to you or to any particular Franchisee.

We have not included a separate table for the initial investment if you sign an Area Development Agreement. Other than the reduced Initial Franchise Fee, actual start-up costs for Stores opened under an Area Development Agreement are similar to those estimated above. Of course these costs are subject to potential increases due to changes in circumstances. If you sign an Area Development Agreement, your professional fees such as legal and financial fees may be higher.

#### **ITEM 8**

#### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

To insure that the highest degree of quality and service is maintained, you must operate your Chocolate Works™ Store in accordance with the methods, standards and specifications described in the Manuals or otherwise by us in writing. You must not deviate from these methods, standards and specifications without our prior written consent.

We may revise the contents of the Manuals, and you must comply with each new or changed standard and specification. You must at all times make sure that your copy of the Manuals is kept current and up to date.

You must sell or offer for sale only supplies purchased from us or from vendors that have been specifically designated by us or that have been expressly approved in writing by us. You must discontinue selling and offering for sale any Products obtained from any other sources. Similarly, you must use only fixtures, furnishings and equipment that have been purchased from us or from vendors designated or approved by us in writing.

All of the chocolate truffles must be purchased from us or our Affiliate. Also, all of the bulk chocolate used in the chocolate candies made by you on premises must be purchased from us or our Affiliate.

During the fiscal year ended December 31, 2011, we did not earn any revenue based on the sale of Products to our Franchisees.

If you want to purchase products, fixtures, furnishings or equipment that we have not previously approved, or if you want to purchase from a supplier who has not previously been designated or approved by us, you must ask us in writing to approve the products or proposed supplier. With the request you must provide us with evidence of conformity with our specifications

We may require that our representatives be permitted to inspect the supplier's facilities, and that samples be delivered to us or an independent testing facility for evaluation and testing. You must reimburse our costs in evaluating the proposed product or supplier.

We will notify you in writing of our approval or disapproval within 60 days after our receipt of your request. We may withhold our approval for any or no reason. If we do not give our written approval within 60 days, we will be deemed to have disapproved the proposed product or supplier. You must not sell or offer for sale any products until our written approval is received.

We may revoke our approval of particular products or suppliers when we determine, in our sole discretion, that they no longer meet our standards. When you receive written notice of such revocation, you must stop selling any disapproved products and stop purchasing from any disapproved supplier.

We are not required to provide you or any supplier with our specific criteria for approval.

We estimate that your purchases from us or approved suppliers, or that must conform to our specifications, will represent approximately 50% to 60% of your total purchases in establishing and opening any Store, and approximately 40% to 50% of your total purchases in the continuing operation of such Store.

Mr. Whaley owns 100% of the stock of 5th Avenue, which will supply the molds and recipes used by our Franchisees. Other than the interests described above, none of our officers has an ownership interest in any other approved supplier.

There are no purchasing or distribution cooperatives related to v Store Franchises. We do not provide any material benefit to Franchisees for use of approved suppliers.

We may negotiate purchase arrangements with some of our suppliers (including pricing and terms) for the benefit of our Franchisees, but we are under no obligation to do so.

We may receive payment, in the form of preferred pricing, commissions, or rebates, from designated and approved suppliers due to these suppliers' transactions with us or our Franchisees. The amount will vary depending on product usage and volume. We may receive consideration from our approved suppliers based upon Franchise purchases or use of their products and services and may use any amounts that we receive from our designated and approved suppliers for any purpose that we deem appropriate.

During the fiscal year ended December 31, 2011, we did not earn any revenue from approved suppliers based on purchases or leases from them by our Franchisees.

### **Insurance**

You must obtain and maintain at your own expense the insurance coverage that we and your Store's landlord periodically require. You must also meet the other insurance-related obligations in the Franchise Agreement. Our specific insurance requirements will be included in the Manuals, and these requirements may change over time. You must comply with any modified insurance requirement that we specify. You must obtain the required insurance coverages not later than the date you acquire the approved location for your Store.

As of the date of this Disclosure Document, you must maintain the following insurance coverages:

(1) public general liability insurance, including products liability coverage, in the minimum amount of \$3,000,000 combined single limit;

(2) fire and extended coverage insurance on the premises of your Store with full replacement coverage;

(3) fire-legal liability coverage in an amount equal to the value of the franchised location;

(4) business interruption insurance in amounts sufficient to cover 12 months of continuing fees payable to us, 12]months of rent, 12 months of insurance premiums and other fixed expenses;

(5) worker's compensation insurance and all other insurance required by law; and

(6) any other insurance that may be required by the lease or mortgage for your premises or that we may require in the future.

We may require you to buy insurance coverage for other risks or to increase the amount of coverage of certain risks. We may also require different or additional insurance during the term of your Franchise Agreement.

You must purchase your insurance from an insurance provider with an A.M. Best rating of "A" or higher. We reserve the right to designate the specific insurance company or broker that you must use. You must provide us with a certificate of insurance showing that you have obtained the required insurance before your Store opens. You must also provide us with updated certificates of insurance prior to expiration of each required policy.

Each insurance policy must:

(1) name us and our respective officers, directors, partners, and employees as additional named insureds and contain a waiver of all subrogation rights against us;

(2) provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in the Manuals; and

(3) provide for 30 days' prior written notice to us of any material modification, cancellation, or expiration of any policy.

Our insurance requirements will not limit your liability under the Franchise Agreement. You must pay all amounts owed to us or our affiliates, regardless of the limits of your insurance policies. If you fail or refuse to obtain the required insurance coverages, we may obtain insurance on your behalf and you must reimburse us for the premium costs.

Under an Area Development Agreement, we may require you to maintain insurance coverage in addition to the coverage described above.

**ITEM 9**  
**FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

<b>Obligation</b>	<b>Section in Agreements</b>	<b>Item in Disclosure Document</b>
(a) Site selection and acquisition/lease	Section 4 of Franchise Agreement; Section 6 of Area Development Agreement	Items 7, 8 and 11
(b) Pre-opening purchase/leases	Section 4 of Franchise Agreement	Items 5, 7 and 11
(c) Site development and other pre-opening requirements	Section 4 of Franchise Agreement	Items 8 and 11
(d) Initial and ongoing training	Section 5 of Franchise Agreement	Items 5, 6, 7 and 11
(e) Opening	Section 4 of Franchise Agreement	Item 11
(f) Fees	Sections 10, 12.1 and 12.2 of Franchise Agreement; Section 5 of Area Development Agreement	Items 5, 6,7 an 11
(g) Compliance with standards and policies/Operations Manual	Sections 5.4 and 11 of Franchise Agreement	Item 11
(h) Trademarks and proprietary information	Sections 6, 7, 8 and 9 of Franchise Agreement; Sections 7 and 8 of Area Development Agreement	Items 13 and 14
(i) Restrictions on products/services offered	Sections 11.2 and 11.3 of Franchise Agreement	Item 16
(j) Warranty and customer service requirements	Not applicable	Not applicable
(k) Territorial development and sales quotas	Section 3 of Area Development Agreement	Item 12
(l) On-going product/service purchases	Sections 11.2. and 11.3 of Franchise Agreement	Item 8
(m) Maintenance, appearance and remodeling requirements	Sections 4.11 and 11.1 of Franchise Agreement	Item 6
(n) Insurance	Section 11.9 of Franchise Agreement; Section 9.4 of Area Development Agreement	Items 6 and 8
(o) Advertising	Sections 4.9 and 12 of Franchise Agreement	Items 6, 8 and 11

<b>Obligation</b>	<b>Section in Agreements</b>	<b>Item in Disclosure Document</b>
(p) Indemnification	Sections 6.5 and 15 of Franchise Agreement; Section 13 of Area Development Agreement	Item 6
(q) Owner's participation/management/staffing	Section 11.8 of Franchise Agreement; Section 9 of Area Development Agreement	Items 11 and 15
(r) Records and reports	Sections 13 of Franchise Agreement; Section 9.5 of Area Development Agreement	Item 1111
(s) Inspection and audits	Section 14 of Franchise Agreement; Sections 9.4 and 9.5 of Area Development Agreement	Items 6 and 8
(t) Transfer	Section 16 of Franchise Agreement; Section 10 of Area Development Agreement	Items 6 and 17
(u) Renewal	Section 17 of Franchise Agreement	Items 6 and 17
(v) Post-termination obligations	Section 19 of Franchise Agreement; Section 12 of Area Development Agreement	Item 17
(w) Non-competition covenants	Sections 9, 16.3 and 19.4 of Franchise Agreement; Sections 3.6, 8 and 12.4 of Area Development Agreement	Item 17
(x) Dispute resolution	Section 21 of Franchise Agreement; Section 14 of Area Development Agreement	Item 17
(y) Liquidated damages	Section 19.7 of Franchise Agreement	Item 6

## **ITEM 10** **FINANCING**

We do not offer you any direct or indirect financing, except as described below. We do not guarantee your lease, note or other obligations.

If you meet our criteria, including credit score and other factors, we may extend to you a line of credit that you may use to purchase Products from us on an ongoing basis. If you qualify for this line of credit and use it, then any payments that are overdue will accrue interest at the rate of 18% per annum or the highest rate allowed by law, whichever is less, from the original due date until the amount is paid in full. The application for a line of credit is attached as Exhibit M to the Franchise Agreement. The credit line is not evidenced by any written loan agreement.

It is not our practice or intent to sell, assign or discount to any third party or any part of such financing arrangement.



If you are late in making any payments owing to us you may be required to pay for purchases of Products and ingredients in cash in advance until all outstanding balances have been paid in full. Checks that are dishonored will incur an administrative fee of \$50 per check.

Repeated or long-term late payments may also result in our refusal to sell you additional Products and ingredients until all outstanding balances have been paid in full. They may also result in termination or suspension of your line of credit, or termination of your Franchise Agreement. Interest is payable on any overdue or underpaid amounts owed to us and/or our Affiliates at the rate described above.

From time to time we may become aware of sources of financing that may be of interest to you. These potential funding sources, if any, will be independent entities in which we have no interest and from which we will receive no compensation of any kind. If we introduce you to, or provide you with contact information for, any such financing source, we do so solely as a matter of accommodation to you.

We do not endorse or recommend that you use or accept such financing from any such source. We will have no responsibility or liability of any kind to you if you choose to use such financing source for any of your financing needs. You should consult with legal and accounting professionals in connection with any transactions into which you may enter with any such financing sources.

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

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

**Pre-Opening Obligations**

**Franchise Agreement.** Before you open your Store under the Franchise Agreement, we will:

1. Consent to sites that meet our requirements. You must submit to us a complete site report, including our site request form, as described below. **(Franchise Agreement - Section 4.1).** We may, but have no obligation to, assist you with various phases of locating, approving and developing sites for Chocolate Works<sup>TM</sup> Stores. We may also refer you to real estate brokers to assist you in finding a location, if you request this assistance.

If you do not locate and secure an acceptable location for your Store within 90 days after you sign the Franchise Agreement, we have the right to terminate your agreement and retain 100% of your Initial Franchise Fee. Alternatively, we may grant you an extension to locate a suitable site. If after any extension we may grant, you have still not located a suitable site for your Store, your franchise agreement with us may be terminated without further notice to you.

2. Approve a lease or purchase agreement for the approved site, if the lease or purchase agreement meets our criteria. **(Franchise Agreement - Section 4.2).**

Our approval of a site or lease for your Store is not a representation, warranty or guaranty that you will be successful at that site or that you will achieve any particular level of sales. Our approval of a site or lease only means that the site meets our minimum requirements at the time of our review. You will need to make your own evaluation of any prospective site and should consult with your real estate and legal professionals to assist you in doing so.

3. Furnish specifications of our requirements for design, decoration, layout, equipment, furnishings, fixtures, color scheme, signs and other operating materials needed for the Chocolate Works™ Store to open. You must hire your own architect or employ a design firm and/or architecture firm approved by us to adapt the plans to your site with our approval. You must also hire a contractor to build the Chocolate Works™ Store in accordance with those approved plans. You must make sure that your Store complies with all local and other requirements relating to the plans, including zoning, local building codes, and the Americans with Disabilities Act (**Franchise Agreement - Section 4.3**).

4. Loan you, for your sole use, one copy of the Manuals which may consist of one or more handbooks or manuals as may be periodically modified by us. The Manuals may be provided to you electronically, such as on CD-ROM or via a password-protected website. (**Franchise Agreement - Section 5.4**).

5. Provide our standard initial training program for the operation of your Chocolate Works™ Store to you, your manager and one additional employee. (**Franchise Agreement - Section 5.1**).

6. Provide a representative to assist in the operation of the Chocolate Works™ Store for up to five days around the opening date of your Chocolate Works™ Store, at our cost. (**Franchise Agreement - Section 5.1.4**).

7. Sell or have our Affiliates or designated suppliers sell you Products and ingredients. (**Franchise Agreement - Section 4.7**).

**Area Development Agreement.** Before you begin operating under the Area Development Agreement, we will:

1. Grant you the right to develop a specific number of Chocolate Works™ Stores at locations we approve within your Development Area. (**Area Development Agreement - Section 3.1**).

2. Consent to sites that meet our requirements. (**Area Development Agreement - Section 6.1**).

3. If you are not in default under any of your Area Development or Franchise Agreements, and you obtain possession of a site we have approved, we will offer to you a franchise to operate a Chocolate Works™ Store at the approved site by delivering to you our then-current form of franchise agreement in form for signature. If you do not sign and return the Franchise Agreement to us along with payment of any fees due us within 15 days, we may terminate our offer to grant a franchise for a Chocolate Works™ Store at the approved site and withdraw our approval of the site. (**Area Development Agreement - Section 6.3**).

### **Opening**

We estimate it will take approximately four to seven months between when you sign the Franchise Agreement and when your Chocolate Works™ Store opens for business. This time may vary depending upon factors such as your ability to secure a suitable site, the location and condition of the site, weather, equipment or materials shortages, construction schedules, labor issues, and the like. You will sign your own lease or sublease and our Collateral Assignment of Lease which is attached as Exhibit D to your Franchise Agreement.

You must open your Store within four months after we approve the location for your Store or seven months after signing the Franchise Agreement, whichever occurs first. If your Store is not open to the public within this time, we may terminate your Franchise Agreement and retain the Initial Franchise Fee. If the reason for the delay is attributable to an act of God, war, strike or similar event beyond your control, we will extend this period by the length of the delay resulting from such event.

### **Continuing Obligations**

**Franchise Agreement.** During the operation of your Chocolate Works™ Store, we will:

- Furnish guidance to you with respect to:
- Chocolate Works™, specifications, standards and operating procedures;
- purchasing approved equipment, fixtures, signs, inventory, and operating materials and supplies;
- local advertising and promotional programs;
- administrative, bookkeeping, accounting, inventory control, and general operating and management procedures; and
- employee training programs.

This guidance will, in our discretion, be furnished in the form of the Manuals, bulletins, written reports and recommendations, other written materials, electronic reporting, refresher training programs and/or consultations by phone, at our offices or at your Chocolate Works™ Store. **(Franchise Agreement - Section 5).**

2. At your request, we will provide additional assistance or training at your Chocolate Works™ Store. You must pay our then-current daily fee for each trainer we send to your Store, and you must reimburse our trainers' expenses, including travel, lodging and meals. **(Franchise Agreement - Sections 5.1 and 5.2).**

3. License to you the right to use the Proprietary Marks and certain copyrighted works, and indemnify you from certain claims relating to your use of the Proprietary Marks and copyrighted works. **(Franchise Agreement - Sections 6 and 7).**

4. Sell or direct our Affiliates and designated suppliers to sell you Products and ingredients on an ongoing basis. **(Franchise Agreement - Section 11.3).**

5. Conduct periodic inspections of, and provide evaluations of the Products sold and services rendered at, the Franchised Business. **(Franchise Agreement - Section 14.1).**

6. Provide refresher training courses. You and your manager(s) may be required to take some or all of these courses. We will not charge a fee for any refresher training that we require, but you must pay for your trainees' expenses, including travel, lodging, meals and wages. **(Franchise Agreement - Section 5.2).**

7. Hold periodic regional or national meetings for all Chocolate Works™ Store owners, including Stores owned by us, our Affiliates and our Franchisees, to discuss new products, provide training and to discuss other matters relevant to the Chocolate Works™ System. Attendance at these

meetings may be required for you and/or your manager(s). We may use money from the Fund (described below) to pay for the cost of presenting these meetings, but you must pay the expenses incurred by your attendees, including travel, lodging, meals and wages. **(Franchise Agreement - Section 5.5).**

8. Set the minimum and maximum prices that you may charge to your customers. **(Franchise Agreement - Section 11.4)**

## **Advertising**

### **Advertising Fund**

We have established an advertising fund (referred to as the “Fund”) for advertising, marketing and public relations programs on a regional or national basis to promote Chocolate Works™ Stores. You must contribute to the Fund each month. All Stores in the System, whether owned by us, our Affiliates or our Franchisees, will contribute to the Fund at the same rate. We reserve the right to modify the rate of contributions for all Stores, as well as an individual Franchisee's monthly contribution based on individual circumstances.

We will direct all advertising and public relations programs financed by the Fund. We will have sole control over the creative concepts, materials, and endorsements used in this advertising. We will also determine the geographic market, media placement and allocation of advertising. The Fund may be used to pay the following:

- the costs of developing advertising ideas and concepts;
- developing market research and merchandising programs;
- preparing advertising campaigns; developing promotional ideas and strategies;
- preparing collateral creative materials;
- preparing advertisements; preparing public relations campaigns; establishing and maintaining a website;
- providing technical and professional advice in connection with any of the above; and
- placement of advertising.

We may also use monies from the Fund to present refresher training courses and periodic meetings for all Store owners. Advertising may be developed in-house and/or by regional and national advertising agencies. We will not spend any contributions to the Fund on the solicitation of new Franchisees, although advertisements may provide our contact information to prospective franchise purchasers.

Monies in the Fund are held by us and may be used to cover administrative costs and overhead incurred by us. These costs may include salary of employees working for the Fund and collecting and accounting for contributions to the Fund. You must participate in all advertising and public relations programs instituted by the Fund. The Fund may furnish you with samples of certain marketing, advertising and promotional formats and other such materials without charge.

The Fund will be accounted for separately from our other funds. We may spend in any fiscal year an amount greater or less than the total contribution of all Chocolate Works™ Stores to the Fund in that year. The Fund may borrow from us or other lenders at standard commercial interest rates to cover deficits of the Fund. We may cause the Fund to invest any surplus for future use by the Fund. Any monies remaining in the Fund at the end of any year will carry over to the next year.

You authorize us to collect and contribute to the Fund any advertising or promotional monies or credits offered by any supplier based upon your purchases. These advertising or promotional monies or credits will not be credited toward your required contribution to the Fund.

An unaudited statement of monies collected and costs incurred by the Fund will be prepared annually by us and will be furnished to you upon written request. We will have the right to cause the Fund to be incorporated or operated through an entity separate from us, and that entity will have all our rights and duties concerning the Fund.

The Fund is intended to increase recognition of the Proprietary Marks and the revenues of Chocolate Works™ Stores generally. We will attempt to use the Fund to develop advertising and marketing materials and programs, and to place advertising, to benefit all Chocolate Works™ Stores. However, we have no obligation to make sure that the amount spent by the Fund in any geographic area is proportionate or equal to the contributions made by the Chocolate Works™ Stores operating in that geographic area. Not every Chocolate Works™ Store will benefit directly or in proportion to its contribution to the Fund from the development of advertising and marketing materials or the placement of advertising. Your failure to realize any benefit will not serve as a basis for reducing or eliminating your obligation to contribute to the Fund. We have no fiduciary obligation to you in connection with the establishment of the Fund or the collection, administration or use of monies paid into the Fund. Except as provided in the Franchise Agreement, we will have no direct or indirect liability or obligation to you in connection with the direction or administration of the Fund. **(Franchise Agreement - Section 12.1)**

For the fiscal year ending December 31, 2011, no money was collected or spent by the Fund.

### **Advisory Council**

We may, in our discretion, form an advisory council to work with us to improve the System, our Products, our advertising programs, and other matters. The advisory council will include our representatives and Franchisee representatives. The Franchisee representatives may be chosen by us or by other Franchisees in the System. If you are selected and agree to participate in an advisory council, you must pay any expenses you incur related to this participation. These may include travel, lodging and meals related to council meetings. We will pay the similar expenses of our representatives.

If an advisory council is formed, it will act only in an advisory capacity, and will not have decision making authority. We will have the right to form, change, merge or dissolve any advisory council.

### **Local Advertising**

You must conduct local advertising to promote your Store and the Products.

If your landlord requires you to participate in any marketing or promotion fund, the amounts you pay may be applied towards satisfying your local advertising obligations, if first approved in writing by us. We must approve all advertising before you use it. You must not advertise or use the Proprietary Marks in any manner on the Internet, World Wide Web or in any other kind of advertising without our express written consent, which we are not required to provide. You must provide us with an advertising expense report within 30 days of our request to show that you have complied with the local advertising requirements.

Any advertising that you propose to use that has either not been prepared by us or has not been approved by us in the immediately preceding 12 months must be submitted to us for our approval before you may use it. We will have five business days after receipt of all materials to approve or disapprove of the proposed advertising materials. Our review of your proposed materials includes where you intend to place the advertising. Unless we provide our specific approval of the proposed advertising materials, the materials are deemed not approved. Any materials you submit to us for our review will become our property, and there will be no restriction on our use or distribution of these materials.

We reserve the right to require you to include certain language in your local advertising, such as “Franchises Available” and our website and telephone number.

### **Advertising Cooperative**

We may designate any geographic area in which two or more Stores are located as a region for purposes of establishing an advertising Cooperative. We may also approve of the formation of an advertising Cooperative by our Franchisees. The members of the Cooperative for any area will consist of all Chocolate Works™ Stores, whether operated by us, our Affiliates or our Franchisees. We will have the right to dissolve, merge or change the structure of the Cooperatives. Each Cooperative will be organized for the exclusive purposes of administering advertising programs and developing, subject to our approval as described above, promotional materials for use by the members in local advertising. If any advertising Cooperative is established for a geographic area where your Store is located when the Franchise Agreement is signed, or if any nationwide Cooperative is established during the term of the Franchise Agreement, you must become a member of the Cooperative. If the Cooperative will operate according to written documents, we must approve of these documents, and a copy of the Cooperative documents applicable to the geographic area in which your Store will be located will be provided to you if you request it.

The payments you make to a Cooperative may be applied by you toward satisfaction of your local advertising requirement. If the amount you contribute to a Cooperative is less than the amount you must spend on local advertising, you must spend the difference locally so that your local advertising requirement is met. All contributions to the Cooperative will be maintained and administered in accordance with the documents governing the Cooperative, if any. The Cooperative will be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above. No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without first obtaining our written approval, as described above. Currently there are no Cooperatives in the System. A Cooperative is not required to prepare an annual financial statement.

### **Grand Opening Advertising**

We will contribute \$10,000 to the cost of conducting a grand opening advertising campaign to promote the opening of your Store. The grand opening campaign will be conducted during the

first 60 days after your Store opens for business.

### **Website, Extranet, Telephone Numbers**

Websites (as defined below) are considered as “advertising” under the Franchise Agreement, and are subject to our review and prior written approval before they may be used. As used in the Franchise Agreement, the term “Website” means an interactive electronic document contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to your Store, the Proprietary Marks, us, or the System. The term Website includes all Internet and World Wide Web home pages.

The Franchise Agreement provides that, in order to avoid the inevitable confusion that would result from permitting each Franchisee to open its own website and to ensure that customers are directed to the closest local franchise, we will list your Store location on our website and will provide a prominent "Store Locator" button on our home page. Customers clicking on the Store Locator button will be directed to the Chocolate Works™ Stores in their vicinity. Accordingly, you may not establish a Website, nor may you offer, promote, or sell any products or services, or make any use of Proprietary Marks, through any Website without our prior written approval, which we are not required to provide. Your only presence on the Internet will be through our Website, as described above. You will not earn any revenue from Products we sell from our Website.

We will have the right to establish a website or other electronic system providing private and secure communications (*e.g.*, an extranet) between us, our Franchisees, and other persons and entities that we decide are appropriate. If we require, you must establish and maintain access to the extranet in the manner we designate. Additionally, we may periodically prepare agreements and policies concerning the use of the extranet with which you must comply and which you must, acknowledge and sign.

You must, at our option, sign the forms and documents that we deem necessary to appoint us your true and lawful attorney-in-fact with full power and authority for the sole purpose of assigning to us upon the termination or expiration of the Franchise Agreement:

- all rights to the telephone numbers of the Store and any related and business listings or advertisements; and
- Internet listings, domain names, Internet Accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, e-mail addresses or any other similar listing or usages related to the Store (if we permit you to advertise on-line).

If you establish your own Website without our prior approval, it will be a material default under your Franchise Agreement and you will have 30 days to take down the Website. If the Website is not removed in this 30 day period, your Franchise Agreement will automatically terminate.

You are strictly prohibited from promoting your Store or using the Proprietary Marks in any manner on social and/or networking Websites, such as Facebook, LinkedIn, MySpace and Twitter, without our express written consent.

### **Computer & POS Systems**

We currently do not designate a specific make or model of the cash register system that you must purchase, but you will need, depending on the size of your Store, one cash register with one

scale connected to the cash register or as many as four cash registers and four scales. We must approve of the cash registers and scales before you purchase them. We anticipate that the initial cost of these items will be between \$3,600 and \$7,200.

We recommend, but do not require, that you have an on-site maintenance contract for your cash registers and scales. We cannot estimate the cost of this contract, since it will depend on the services you choose, the rates charged by your provider and the length of the contract term. Neither we nor any of our Affiliates will have any responsibility to provide you with updates, upgrades or maintenance for your cash registers or scales.

We reserve the right to designate a specific point of sale system and/or computer system in the future, which you must purchase. In any case, we may require that we have independent access to your point of sale system so we may download sales and other data. We may also change our requirements for your computer system as technologies change and as our System matures. There are no contractual limitations on our right to require you to make changes to your point of sale or computer system or the cost of those changes.

### **Training**

You must staff and operate the Chocolate Works™ Store with properly trained personnel. Not later than 60 days before your Store opens, you, your manager and, at your option, one additional employee (a maximum of three persons) must complete to our satisfaction our initial training program in the operation of the Chocolate Works™ Store. The cost to train the first three people is included in the Initial Franchise Fee. If you request that we provide our training program to additional employees, whether before your Store opens or while it is operating, you must pay our then-current training fee. You must also pay all of the expenses your trainees incur while attending training, including travel, lodging, meals and wages.

If your initial manager does not complete the initial training program to our satisfaction, you will have 30 days to replace the manager and send the replacement manager to our training program, at your cost. The manager responsible for the day-to-day operation of your Store must complete our initial training program to our satisfaction and must be approved by us.

We will also provide one of our representatives to assist you for up to five days around the opening of your Store, at our expense. If you request additional days of opening assistance, you must pay our then-current per diem fee and reimburse our representative's expenses.

If you request additional on-site assistance or training at any time, you must pay our then-current per diem fee for each trainer we send to you. You must also reimburse the expenses our trainers incur while providing the additional on-site assistance or training, including travel, lodging and meals.

We may offer refresher training programs at various times, and we may designate that attendance at the refresher training is mandatory for you and/or your manager(s). We may use money from the Fund to pay for the cost of presenting the refresher training, but you must pay for all expenses incurred by your attendees, including travel, lodging, meals and wages. You will not have to attend more than five days of refresher training in any calendar year.

We may choose to conduct System-wide regional or national meetings to get feedback from Franchisees, to provide additional training, to roll out new promotions, to meet with suppliers that are important to company success, to hear opinions and suggestions from guest speakers, and other



activities of our choosing. We may provide that attendance at the refresher training is mandatory for you and/or your manager(s). We may use money from the Fund to pay for the cost of presenting these meetings, but you must pay for all expenses incurred by your attendees, including travel, lodging, meals and wages. A regional or national meeting will not be longer than three days in any calendar year.

### **Initial Training Program**

The initial training program is held at our headquarters in Valley Stream, NY, at one of our Stores, or another location that we designate. It will involve both in-store/on-the-job and classroom training and will last for approximately one week. We expect to conduct the initial training after you sign the Franchise Agreement and while your Chocolate Works™ Store is being developed. We reserve the right to modify our training program at any time as part of an overall change to the program, or to take into account the particular needs or experience of any individual trainee. We may train multiple Franchisees and their staff at the same time. We do not compensate training attendees for any incidental services they may perform while attending our training program.

The instructional materials used in the initial training consist of our Manuals, marketing and promotion materials, programs related to the operation of the point of purchase system, and other materials we believe will be beneficial to our Franchisees in the training process. We do not currently have a set training schedule (such as monthly or bi-monthly classes), and we will hold our initial training program based on the number of Franchisees that require training. The initial training program schedule is displayed on the chart that follows:

### **TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Operational Training	12	0	Valley Stream, NY, or another location designated by us
Personnel – Safety & security	4	0	Valley Stream, NY, or another location designated by us
Merchandising – Advertising	8	0	Valley Stream, NY, or another location designated by us
Retail Store Operations	0	24	Valley Stream, NY, or another location designated by us

Our training program is overseen by John Whaley, our President. We may also draw on the substantial experience of our other personnel in conducting Store operations training.

### **Confidential Operations Manual**

The table of contents to the Operations Manual is attached to this Disclosure Document as Exhibit G. Our Operations Manual includes approximately 75 pages.

## **ITEM 12** **TERRITORY**

### **Franchise Agreement**

The Franchise Agreement grants you the right to operate your Store only at the location we approve (“Approved Location”). If, when you sign the Franchise Agreement, a location for your Store has not been found by you and approved by us, you will be given an area in which you may obtain your Approved Location. While we will not grant exclusive territories except to area developers under our Area Development Agreements, we will use our reasonable best efforts to make sure that location decisions for your Store and other Stores are made wisely so that Franchisees within the same metropolitan area are not adversely affected.

Individual Franchisees may face competition from other Franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. If you enter into an Area Development Agreement, under which you commit to open at least three (3) Chocolate Works™ Stores, you will be granted an exclusive territory within which to locate your Stores. Such exclusivity will continue during the term of the Area Development Agreement.

You may not relocate your Store without our prior approval, which will not be unreasonably withheld. Our approval should not be considered a guaranty that the new site will be successful. Our review of a proposed relocated site is based on the same factors we use in reviewing your initial site. The Store at the relocated site must be open to the public as soon as is practical, but not more than 90 days after the original location closes.

You may sell our Products and related merchandise and services (including chocolate making parties and other events) to retail customers who visit your Store and to Institutional Customers, wherever located. You may not conduct promotional activities or sell our products or services through or on the Internet, the World Wide Web, or any other similar electronic delivery system (“Electronic Media”), except where customers are referred to your Store as a result of our listing your contact information on our Website. Also, you may not advertise or sell products or services through catalogs or other by mail directed to customers or prospective customers located anywhere. Similarly, you may not advertise or sell products or services by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. You may, however, place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located anywhere. You have no options, rights of first refusal, or similar rights to acquire additional franchises.

Except as limited by the exclusive territories granted to Area Developers, we and our Affiliates may sell products under the Proprietary Marks anywhere and through any method of distribution, including the Internet, catalog sales, telemarketing or other direct marketing sales (“alternative distribution channels”). You may not use alternative distribution channels to make sales anywhere and you will not receive any compensation for our sales through alternative distribution channels. Alternative distribution channels include outlets such as 1-800-Flower Business Gift Services Group, which solicit group sales for all of the 1-800-Flowers brands, or similar outlets.

If we engage in electronic commerce through any Internet, World Wide Web or other computer network site or sell through any other alternative distribution channel, and we receive orders for any products offered by a Chocolate Works™ Store, then we will have the responsibility for fulfilling the orders, and we are not required to offer you the opportunity to fulfill an order in your area nor are we required to compensate you for any sales we make over the Internet to customers located within your area.

Except for the two 5<sup>th</sup> Avenue Chocolatiere stores currently operated by the Company and the Amsterdam Avenue and Scarsdale stores, neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned stores that sell our Products under a different trade name or trademark. However, we reserve the right to do so in the future, without first obtaining your consent.

There are no minimum sales goals, market penetration or other contingency that you must meet to maintain your rights under the Franchise Agreement.

### **Area Development Agreement**

Under an Area Development Agreement, a form of which is attached as Exhibit B, we grant you the right to develop a number of Chocolate Works™ Stores in the Development Area. The number of Stores you may open is specified in the Development Schedule attached to the Area Development Agreement. The Development Area is typically described in terms of municipal or county boundaries but may be defined as a specified trade area in a municipality. The actual size of the Development Area will vary depending upon the availability of adjoining markets, our long range development plans, your financial and operational resources, population and market conditions. Our designation of a particular Development Area is not an assurance or warranty that there are a sufficient number of suitable sites for Chocolate Works™ Stores in the Development Area for you to meet your Development Schedule. The responsibility to locate and prepare a sufficient number of suitable sites is solely yours and we have no obligation to approve sites which do not meet our criteria in order for you to meet the Development Schedule.

During the term of the Area Development Agreement, we will not establish or operate, and we will not grant a franchise for the operation of, Chocolate Works™ Stores within the Development Area to anyone else, except as described below. These exclusive rights will not prevent our Franchisees located outside the Development Area from advertising in publications that may be distributed to customers located within your Development Area. We have the right to terminate your exclusivity if you are not in full compliance with all of the terms and conditions of the Area Development Agreement and all of the Franchise Agreements.

If you do not comply with a deadline under the Development Schedule (a “Missed Deadline”), you will be in default under the Area Development Agreement. For one Missed Deadline, we will provide you with an opportunity to cure your default and we will notify you of a new deadline for that one Missed Deadline (without changing the remainder of the Development Schedule). If you fail to come into compliance by that new deadline, or if a second Missed Deadline occurs, we may terminate your Area Development Agreement, or we may elect to take one or more of the following actions:

- eliminate the limited exclusivity or reduce the scope of protections granted to you within the Development Area;
- reduce the scope of the Development Area; or

- reduce the number of Stores for you to develop.

If we choose to take one or more of these actions, we will provide written notice of our decision, and the Area Development Agreement will be amended to reflect the changes.

In no event will any portion of the Reservation Fees paid to us under your Area Development Agreement be refunded to you by reason of any such action.

There are no other circumstances that permit us to modify your territorial rights.

**ITEM 13**  
**TRADEMARKS**

Under the Franchise Agreement, we grant you the non-exclusive right to use the Proprietary Marks. The Area Development Agreement does not grant to you the right to use the Proprietary Marks or the System. The Proprietary Marks that you will use and which have been registered or applied for registration with the United States Patent and Trademark Office (“USPTO”) are as follows:

Mark	Application Date	Serial Number	Registration Date	Registration Number
Chocolate Works™ (word mark and stylized design)	November 9, 2011	85468869		

We do not yet have a federal registration for our principal trademark, although we have an application pending. Therefore, our trademark does not currently have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged before the effective date of our registration, or if our application for registration is denied, you may have to change to an alternative trademark, which may increase your expenses.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringements, opposition or cancellation proceedings or material litigation, involving the Proprietary Marks. There are no agreements currently in effect which significantly limit our right to use or license the use of the Proprietary Marks in any manner material to you.

Your right to use the Proprietary Marks comes only from your rights under the Franchise Agreement. That right is limited to your operation of a Chocolate Works™ Store in compliance with the Franchise Agreement and the standards, specifications and operating procedures in effect during the term of such agreement. Any unauthorized use of the Proprietary Marks by you constitutes a breach of your Franchise Agreement and an infringement of our rights in and to the Proprietary Marks. Your use of the Proprietary Marks and any goodwill established by your use will be for our exclusive benefit. The Franchise Agreement does not give you any rights to goodwill or other interests in the Proprietary Marks. All provisions of the Franchise Agreement relating to the Proprietary Marks will apply to any other trademarks, service marks, commercial symbols and trade dress we license to you after you sign the Franchise Agreement.

You must use the Proprietary Marks as the sole trade identification of the Chocolate

Works™ Store and you must identify yourself as the independent owner of the Chocolate Works™ Store in the manner we indicate. You may not use any Proprietary Mark or variation of such Proprietary Mark:

- as part of any corporate name;
- with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form;
- in connection with the offer or sale of any unauthorized services or products;
- as part of the domain name or address of a Website; or
- in any other manner we have not expressly authorized in writing. You must display the Proprietary Marks prominently in the manner we prescribe.

You must give the notices of trademark and service mark registrations that we specify and obtain the business name registrations as required by law.

You must immediately notify us of any apparent infringement of or challenge to your use of any Proprietary Mark or claim by any person of any rights in any Proprietary Mark. You may not communicate with anyone except us and our counsel with respect to any infringement, challenge or claim. We will have the exclusive right to take the action we feel is appropriate in connection with any infringement, challenge or claim. We will have the sole right to control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Proprietary Mark. You must sign all documents and provide any other assistance our lawyers may request to protect our interests in any litigation or proceeding and to protect our interests in the Proprietary Marks.

We will indemnify you against and reimburse you for all damages you incur in any proceeding arising out of your use of any Proprietary Mark in compliance with your Franchise Agreement. We will also indemnify you against and reimburse you for all costs you reasonably incur in the defense of any claim in which you are named as a party, if you have notified us of the claim in a timely manner, have given us sole control of the defense and settlement of the claim and have otherwise complied with the Franchise Agreement. If any action we take with respect to any claim or proceeding results in any monetary recovery for you which exceeds your costs, then you must pay your own costs and share equally in our costs up to the amount of the monetary recovery.

If we believe it is desirable for you to modify or discontinue the use of any Proprietary Mark or for the Chocolate Works™ Store to use any additional or substitute trade or service marks, you must immediately comply with our direction to do so after we notify you. We will have no obligation to reimburse you for any expenses incurred by you in connection with any such discontinuance or modification.

As of the date of this Disclosure Document, we do not actually know of either superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state. We are aware, however, of other local retail candy stores operating under the name “Chocolate Works™ ” or similar names in various locations in New York, Massachusetts and California. We have conducted a trademark search that does not show registration or an application for registration of any such name by any such store or any other party. If such stores’ use of the name predates our use, we may not be able to stop such use, but the user of the name will not be able to prevent your use of the mark once our registration application becomes effective.

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

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

**Confidential Manuals**

You must operate the Store in accordance with the standards and procedures specified in the Manuals. One copy of the Manuals will be loaned to you by us for the term of the Franchise Agreement. We may provide the Manuals to you by CD-ROM, by password-protected access to website, or by another method.

You must treat the Manuals and any other manuals created or approved for use in your operation of the Store, and the information contained in them, as confidential. You must use all reasonable efforts to keep this information secret and confidential. You must not duplicate, copy, record or otherwise reproduce these materials, in whole or in part, or make them available to any unauthorized person. The Manuals remain our sole property and must be kept in a secure place on the Store premises.

We may revise the contents of the Manuals and you must comply with each new or changed standard. You must also make sure that the Manuals are kept current at all times. If there is a dispute as to the contents of the Manuals, the terms of the master copy maintained by us at our home office will be controlling. You must return to us all pages that are replaced in the Manuals, if we provide you with a hard copy of the Manuals.

**Confidential Information**

We claim proprietary rights in certain recipes and other information included in the Manuals and which are trade secrets. Neither you nor any of your principals may at any time communicate, or use for your own benefit or the benefit of anyone else, any confidential information, knowledge or know-how concerning the operation of the Store that is provided to you or any of your principals or that you may learn about, including these trade secrets. You and each of your principals may divulge this confidential information only to your employees who must have it to operate the Store. Neither you nor your principals are permitted at any time, without first obtaining our written consent, to copy, record or otherwise reproduce any such materials or information or to make them available to any unauthorized person. All information, knowledge, know-how and techniques related to the System that we communicate to you, including the Manuals, plans and specifications, marketing information and strategies and site evaluation, selection guidelines and techniques, belong to us and are considered confidential.

If we ask, you must have your manager(s) and any of your personnel who have received or will have access to confidential information deliver to us signed copies of written covenants of confidentiality. Your principals also must sign these covenants.

If you, your principals or your employees develop any new concept, process or improvement in the operation or promotion of the Store, you must promptly notify us and give us all necessary information, free of charge. You, your principals and/or your employees must acknowledge that any of these concepts, processes or improvements will become our property and we may give the information to other Franchisees.

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

Under the Franchise Agreement and Area Development Agreements, you must use your

best efforts to develop and expand the market for the Products and other products and services offered by Chocolate Works™ Stores and cooperate with us to accomplish the purposes of the Franchise Agreement and Area Development Agreement.

Under the Area Development Agreement, you must designate a person acceptable to us to act as Senior Operating Manager. The Senior Operating Manager will be identified in an exhibit to the Area Development Agreement and may, if you choose, own 10% or more of the voting equity interests in the area developer. If your relationship with the Senior Operating Manager terminates, you must promptly designate a replacement acceptable to us. The replacement must, at your expense and subject to our then-current charges, satisfactorily complete our training. You must hire and maintain the number and level of management personnel required for the conduct of business under the Area Development Agreement. You must hire adequate management and supervisory personnel for all Chocolate Works™ Stores developed under the Area Development Agreement. You must make sure that your personnel are properly trained to perform their duties. We may require you to obtain signed confidentiality and/or noncompetition agreements from certain of your employees.

Under the Franchise Agreement, you or a Principal Owner who owns at least 10% of the Franchisee and who is approved by us must personally supervise the operation of the Chocolate Works™ Store. Such person is not required to participate in its day-to-day operations. You or this Principal Owner will be our primary contact for all operational issues. If the Principal Owner leaves or is no longer associated with you, you must designate a new Principal Owner within 30 days.

You must maintain a full-time manager who has completed our training and the number of employees required for adequate staffing of the Chocolate Works™ Store. We prefer, but do not require, that you act as the manager for your Store. You must keep us informed of the identity of the manager at all times. The Chocolate Works™ Store must at all times be under the direct, on-site supervision of a manager whose identity has been disclosed to us, who has completed our training program to our satisfaction, and who is approved by us. Your manager does not need to have an ownership interest in you. We may require you to obtain and deliver to us signed confidentiality and/or non-competition agreements from your managers and from some of your other employees.

We expect that each Store will have a primary manager plus several employees. During off-peak periods a Store may be run by one employee. During peak season cycles, however, as many as 10 employees per shift may be needed in the Store.

If you are a corporation, limited liability company or partnership, each Principal Owner must personally guarantee your obligations under the Franchise and Area Development Agreements and also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement pursuant to the Principal Owner's Agreement attached to the Franchise Agreement and to the Area Development Agreement.

## **ITEM 16**

### **RESTRICTIONS ON WHAT THE FRANCHISE MAY SELL**

There is no provision in the Area Development Agreement restricting the goods or services offered by you, because these things are controlled by the Franchise Agreement. However, you will be bound by the provisions of each Franchise Agreement signed under the Area Development Agreement with respect to restrictions on goods and services offered by each Chocolate Works™

Store you develop.

We may sell products through the Internet, toll-free telephone numbers, catalogs, or other similar means of distribution to customers located anywhere. In order to avoid the inevitable confusion that would result from permitting each Franchisee to open its own website and in order to ensure that customers are direct in to the closest local franchise, we will list your Store location on our website and will provide a "Store Locator" button on our home page. Customers clicking on the Store Locator button will be directed to the nearest Chocolate Works™ Store locations in their area. Individual Franchisees are not permitted to sell products through the Internet except through our website, and may not establish their own websites displaying any of our Proprietary Marks or offering any of the Products for sale.

You must offer for sale all of the chocolate Products listed in our Chocolate Works™ product list, as it is amended from time to time, provide parties, and participate in our corporate services program. Certain other related products, such as Jelly Belly jelly beans, M&M's and other products not produced by us or by you must be purchased from designated suppliers or suppliers approved by us in writing. We have the right to change the types of authorized products and services offered at Chocolate Works™ stores, and there are no limits on our right to do so. We do not impose restrictions regarding the customers to whom you may sell.

We reserve the right to review or approve any product or any other item or service. You must promptly stop selling or providing any product or any other such item we disapprove.

You are prohibited from offering at the Chocolate Works™ Store or any other location in conjunction with the Proprietary Marks any other products or services which we have not approved for Chocolate Works™ Stores.

#### ITEM 17

#### RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

**This table lists certain important provisions of the franchise and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this disclosure document.**

#### THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement	Summary
(a) Term of the Franchise	Section 3.1	Five years.
(b) Renewal Franchise or extension of the term	Section 17.1	Two renewal terms of five years each, if you meet certain requirements and pay the renewal fee (\$10,000).
(c) Requirements for you to obtain a renewal franchise	Article 17	You provide notice, maintain possession and remodel or obtain new approved location and develop in compliance with standards, full



Provision	Section in Franchise Agreement	Summary
		<p>compliance during the initial term of the agreement and at the time of renewal, sign then current form of Franchise Agreement and ancillary agreements, pay fee, sign a general release.</p> <p>You may be asked to sign a Franchise Agreement with materially different terms and conditions than your original contract, but the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing Franchisees.</p>
(d) Termination by you	Not Applicable	You may terminate the Franchise Agreement on any grounds available by law.
(e) Termination by us without cause	Not Applicable	We have no right to terminate without cause.
(f) Termination by us with cause	Section 18.1 and section 18.2	We can terminate if you fail to comply with the Franchise Agreement or any mandatory specification, standard or operating procedure we prescribe.
(g) “Cause” defined - curable defaults	Section 18.1	10 days for monetary and reporting defaulting and 15 days for all other curable defaults, but if it cannot be cured within 15 days, begin efforts to cure within 10 days and continue cure efforts until completion.
(h) “Cause” defined – Defaults which cannot be cured	Section 18.2	<p>(1) Fail to obtain possession of the approved site or develop Chocolate Works™ Store and begin operations within time provided; (2) abandon, surrender or transfer control without our prior written approval; (3) make material misrepresentation or omission on application; (4) conviction of you or any of your owners of a felony or other crime, offense or misconduct which adversely affects your or our reputation or the goodwill of the Proprietary Marks; (5) unauthorized transfer; (6) you or your affiliates or owners make any unauthorized use, duplication or disclosure of Confidential Information, the proprietary Marks, any copyrighted works, the Manuals or challenge or seek to challenge our rights in any of these items; (7) lose the right to possess the premises and fail to relocate in accordance</p>

Provision	Section in Franchise Agreement	Summary
		<p>with the Franchise Agreement; (8) insolvency, receivership or a judgment against you is unsatisfied for more than 30 days; (9) violation by you, your Principal Owners or members of their immediate families of the in-term- non-compete provision or other non-compete agreement; (10) knowingly maintain false records or submit false reports to us; (11) three or more defaults within 12 months or two or more of the same default within 12 months whether or not cured; (12) fail to purchase or maintain required insurance; (13) pose a threat to public health or safety; (14) refuse us permission to inspect the Chocolate Works™ Store or your books and records; (15) you or any of your affiliates or owners interfere with our ability to license the Proprietary Marks or the System to others; (16) you or any of your affiliates or owners interfere with our contractual relations with others; or (17) a Franchise Agreement or Area Development Agreement with you or your affiliates is terminated by us, or is terminated by you in a way that is not in compliance with the applicable agreement.</p>
(i) Your obligations on termination/ non-renewal	Article 19	<p>Pay all amounts owed; stop using Proprietary Marks; remove all signs; return to us or destroy all materials containing any Proprietary Marks; cancel assumed or fictitious name registrations; transfer your lease or sublease and all telephone numbers to us; stop using all Copyrighted Works; if we do not purchase the Chocolate Works™ Store you must make de-identify the premises; furnish us evidence of compliance with the above; return Manuals; comply with post-term covenant not to compete; pay liquidated damages (if applicable).</p>
(j) Assignment of contract by us	Section 16.1	<p>No restriction on our right to assign. However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement.</p>

Provision	Section in Franchise Agreement	Summary
(k) "Transfer" by you – definition	Section 16.2	Includes transfer of any interest in the Agreement, the Franchise, you, the Chocolate Works™ Store and some or all of its assets.
(l) Our approval of transfer by you	Section 16.2 through 16.7	We have the right to approve all transfers.
(m) Conditions for our approval of transfer	Section 16.3	<p>You and your owners must be in full compliance with the Franchise Agreement; transferee meets our criteria; transferor signs or delivers other required documents, including a general release.</p> <p>If the transfer is of the Agreement, a Principal Owner's interest in you or a controlling interest in you, transferee may not engage in a competitive business; all amounts due from you and the transferee are paid in full; personnel of transferee sign non-compete and confidentiality agreement; completion of training; transferee and its owners agree to be bound by all obligations under the Franchise Agreement or sign our then-current form of franchise agreement, at our option; pay transfer fee; lessor consents to assignment of lease; we approve the terms and conditions of the transfer; all obligations of the transferee to you are subordinate to us; transferor and principal Owner sign non-competition covenant; transferee agrees to upgrade the Chocolate Works™ Store to then-current standards; transferee signs guarantee of obligations under Franchise Agreement; transfer is made in compliance with all laws.</p>
(n) Our right of first refusal to acquire your business	Section 16.8	We have the right to match offers from third parties to buy an interest in the Franchise Agreement, the Franchise, the Chocolate Works™ May Store, assets of the Chocolate Works™ Store or ownership interests in you.
(o) Our option to purchase your business	Section 19.6	We have the right to purchase the assets of the Chocolate Works™ Store on termination or non-renewal for fair market value (excluding any value for good will).

Provision	Section in Franchise Agreement	Summary
(p) Your death or disability	Section 16.5	Interest must be transferred to approved party within six months.
(q) Non-competition covenants during the term of the franchise	Section 9	<p>No involvement by you, your Principal Owners and members of their immediate families in a Competitive Business anywhere.</p> <p>If you are a corporation or partnership, you may not engage in any business other than the development and operation of Chocolate Works™ May Stores. You</p>
(r) Non-competition covenants after the franchise is terminated or expires	Section 19.4	No involvement by you, your Principal Owners or members of their immediate families in a Competitive Business for two years within 25 miles of any Chocolate Works™ Store in the System.
(s) Modification of the agreement	Section 21.8	No modifications unless in writing and signed, but Operating Manual subject to change.
(t) Integration/ merger clause	Section 21.9	Only terms of the Franchise Agreement are binding.
(u) Dispute resolution by arbitration or mediation	Section 21.5	Arbitration in New York.
(v) Choice of forum	Section 21.5	New York or the court nearest our executive office at the time action is filed.
(w) Choice of law	Section 21.5	New York law applies.

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## THE AREA DEVELOPER RELATIONSHIP

<b>Provision</b>	<b>Section in Area Development Agreement</b>	<b>Summary</b>
(a) Term of the agreement	Section 4	Until the end of the Development Schedule.
(b) Renewal Franchise or extension of the term	Not applicable	If you wish to develop more Chocolate Works™ Stores, you may negotiate a new agreement with us.
(c) Requirements for you to obtain a renewal franchise	Not applicable	Not applicable.
(d) Termination by you	Not applicable	You may terminate the Agreement on any grounds available by law.
(e) Termination by us without cause	Not applicable	Not applicable.
(f) Termination by us with cause	Article 11	We can terminate only if you fail to comply with the Area Development Agreement.
(g) “Cause” defined – defaults which can be cured	Section 11.1	10 days for monetary defaults and 15 days cure for all other curable defaults, but if not possible to cure within 15 days, begin efforts to cure within 10 days and continue until completion.

<b>Provision</b>	<b>Section in Area Development Agreement</b>	<b>Summary</b>
(h) “Cause” defined – defaults which cannot be cured	Section 11.3	(1) fail to meet the Development Schedule; (2) fail to make payments due; (3) insolvency, receivership or a judgment against you is unsatisfied for more than 30 days; (4) material misrepresentation or omission on application; (5) conviction of you or any of your owners of a felony or other crime, offense or misconduct which adversely affects yours or our reputation or the goodwill of the Proprietary Marks; (6) unauthorized transfers; (7) notice of termination of a Franchise Agreement delivered or you or your Controlled Affiliate improperly terminates a Franchise Agreement; (8) you or your owners or affiliates interfere with our ability to franchise or license others to use the Proprietary Marks or System; (9) you or your owners or affiliates interfere with our contractual relations with others; (10) you or your owners or affiliates make any unauthorized use, duplication or disclosure of Confidential Information, the Proprietary Marks, the Copyrighted Works, the Manuals or challenge or seek to challenge our rights in any of these items; (11) violation of the in-term non-compete provision; (12) three or more defaults within 12 months whether or not cured or two or more of the same default within 12 months whether or not cured.
(i) Your obligations on termination/ non-renewal	Article 12	Pay amounts owed to us, stop using Marks and Copyrights, comply with covenants to maintain confidentiality of confidential information and covenants not to compete.
(j) Assignment of contract by us	Section 10.1	No restriction on our right to assign. However, no assignment will be made except to an assignee who, in our good faith and judgment, is willing and able to assume our obligations under the Area Development Agreement.
(k) “Transfer” by you – definition	Section 10.2	Includes transfer of any interest in the Area Development Agreement and in you.
(l) Our approval of transfer by you	Section 16.2 and 16.3	We may withhold our approval in our reasonable discretion.

<b>Provision</b>	<b>Section in Area Development Agreement</b>	<b>Summary</b>
(m) Conditions for our approval of transfer	Section 16.2	Not applicable.
(n) Our right of first refusal to acquire your business	Section 16.8	We have the right to purchase at the same price and on the same terms as set forth in any bona fide third party offer.
(o) Our option to purchase your business	Not applicable	Not applicable.
(p) Your death or disability	Section 10.4	Interest must be transferred to an approved party within six months.
(q) Non-competition covenants during the term of the franchise	Section 8	No involvement by you, your Principal Owners and members of their immediate family in a Competitive Business anywhere. If you are a corporation or partnership, you may not engage in any business other than the development and operation of Chocolate Works™ Stores.
(r) Non-competition covenants after the franchise is terminated or expires	Section 12.4	No involvement by you, your Principal Owners or their immediate families in a Competitive Business for two years within 25 miles of any Chocolate Works™ Store in the System.
(s) Modification of the agreement	Section 14.9	No modifications unless in writing and signed, but Operating Manual subject to change.
(t) Integration/ merger clause	Section 14.10	Only terms of Area Development Agreement are binding (subject to state law).
(u) Dispute resolution by arbitration or mediation	Section 14.5	Arbitration in New York.
(v) Choice of forum	Section 14.5	New York or the court nearest our executive office at the time action is filed.
(w) Choice of law	Section 14.5	New York law applies.

**ITEM 18**  
**PUBLIC FIGURES**

We do not use any public figure to promote our franchise.

**ITEM 19**  
**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 this 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 the franchisor's management by contacting [name, address, and telephone number], the Federal Trade Commission, and the appropriate state regulatory agencies.

If you are purchasing an existing Store, we may provide you with the actual records of that Store. If anyone provides you any other financial performance information or projections of your future income, you should report it to the Franchisor's management by contacting Joseph Whaley at 396 Rockaway Avenue, Valley Stream, New York 11581 and 516-551-2976, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

**System-wide Outlet Summary**  
**For years ending December 2009, 2010, 2011**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2009	0	0	0
	2010	0	0	0
	2011	0	0	0
Company-Owned	2009	0	0	0
	2010	0	0	0
	2011	0	0	0
Total Outlets	2009	0	0	0
	2010	0	0	0
	2011	0	0	0

**Table No. 2**

**Transfers of Outlets from Franchisees to new owners (other than the franchisor)**  
**for years ending December 2009, 2010, 2011**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
New York	2009	0
	2010	0
	2011	0
	2009	0
	2010	0
	2011	0

**Table No. 3**

**Status of Franchised Outlets  
For years ending December 31, 2009, 2010, 2011**

<b>Col. 1</b>	<b>Col. 2</b>	<b>Col. 2</b>	<b>Col. 2</b>	<b>Col. 2</b>	<b>Col. 2</b>	<b>Col. 2</b>	<b>Col. 2</b>	<b>Col. 2</b>
<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Termination</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations – Other Reasons</b>	<b>Outlets at End of the Year</b>
New York	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
Total	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0

**Table No. 4**

**Status of Company-Owned Outlets  
For years ending December 31, 2009, 2010, 2011**

<b>Col. 1</b>	<b>Col. 2</b>	<b>Col. 3</b>	<b>Col. 4</b>	<b>Col. 5</b>	<b>Col. 6</b>	<b>Col. 7</b>	<b>Col. 8</b>
<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Outlets Reacquired From Franchisee</b>	<b>Outlets Closed</b>	<b>Outlets Sold to Franchisee</b>	<b>Outlets at End of the Year</b>
New York	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0
Total	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0

**Table No. 5**

**Projected Openings as of December 31, 2011**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Opened</b>	<b>Projected New Franchised Outlet In The Next Fiscal Year</b>	<b>Projected New Company-Owned Outlet In the Next Fiscal Year</b>
New York	0	4	0
	0	0	0

A list of the names of all Franchisees and area developers and the addresses and telephone numbers of their businesses will be provided in Exhibit D to this Disclosure Document when applicable.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every Franchisee or area developer who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement or Area Development Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document will be listed on Exhibit E to this Disclosure Document when applicable. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have not had any Franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Chocolate Works™ System.

There are no trademark-specific organizations formed by our Franchisees that are associated with the Chocolate Works™ System.

**ITEM 21**  
**FINANCIAL STATEMENT**

Attached to this Disclosure Document as Exhibit F is our audited balance sheet as of June 29, 2012. Franchisor is a start-up business and does not have any financial statements other than the attached balance sheet.

Our fiscal year is a 52 week period ending on December 31.

**ITEM 22**  
**CONTRACTS**

The following agreements are attached as exhibits to this Disclosure Document:

Franchise Agreement -	Exhibit B
Area Development Agreement -	Exhibit C
Assignment of Lease -	Exhibit D
Form of General Release -	Exhibit I

**ITEM 23**  
**RECEIPTS**

Two copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document. Please return one signed copy to us and retain the other for your records.