

FRANCHISE DISCLOSURE DOCUMENT

Chocolate Bash Franchising, LLC
A Wyoming limited liability company
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www.chocolatebash.com



The franchised business is to operate a shop offering sweet crepes and waffles, fruit salads and Belgian chocolate dipped fruits under the trade name “Chocolate Bash”.

The total investment necessary to begin operation of a Chocolate Bash franchise is \$194,400 to \$385,000. This includes \$43,000 to \$57,000 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation under a three to five unit Multi-Unit Development Agreement (including the first unit) is \$245,400 to \$490,000. This includes \$93,000 to \$147,000 that must be paid to the franchisor. There is no minimum number of Chocolate Bash units that you are required to develop under the Multi-Unit Development 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 this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

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, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

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STATE COVER SHEETS

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information.

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit D includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Chocolate Bash business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be an Chocolate Bash franchisee?	Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit C.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation on in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **Financial Condition.** The franchisors most recent audited financial statements reflect that the franchisor may not have the financial resources to provide services or support to you.
3. **Early Stage Company.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

Certain states may require other risks to be highlighted. Check your “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted.

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EXHIBITS

- A. State Administrators and Agents for Service of Process
 - B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
 - C. Multi-Unit Development Agreement
 - D. Financial Statements
 - E. State Addenda to Disclosure Document
- Receipt (2 copies)

Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

In this disclosure document, “we”, “us,” or “our” refers to Chocolate Bash Franchising, LLC. “You” means the person to whom we grant a franchise. If you are a corporation, limited liability company, or other entity, each owner of the franchise entity must sign our Guaranty and Non-Compete Agreement, which means that all of the franchise agreement’s provisions also will apply to your owners.

Us, Any Parents, and Certain Affiliates

Our name is Chocolate Bash Franchising, LLC. Our principal business address is 5820 Casson Drive, Yorba Linda CA 92886. We do not have any parent entities. We do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees.

Our Predecessors

We do not have any predecessors.

Our Business Name

We use the names “Chocolate Bash Franchising, LLC” and “Chocolate Bash”. We do not intend to use any other names to conduct business.

Agent for Service of Process

Our agent for service of process in Wyoming is Registered Agents, Inc., and the agent’s principal business address is 5820 Casson Drive, Yorba Linda CA 92886. Our agents for service of process in other states are disclosed in Exhibit A.

Business Organization

We are a Wyoming limited liability company. We were formed on 2/19/2019.

Information About Our Business and the Franchises Offered

We do not operate businesses of the type being franchised.

We do not have any other business activities. We have not offered franchises in other lines of business.

If you sign a franchise agreement with us, you will develop and operate a business with a menu of sweet crepes and waffles, fruit salads and Belgian chocolate dipped fruits under the trade name Chocolate Bash. If you sign a Multi-Unit Development Agreement (attached as Exhibit C to this disclosure document), you will develop multiple Chocolate Bash outlets, on an agreed-upon schedule. For each future unit franchise, we will require you to sign our then-current form of

franchise agreement, which may be different from the form of franchise agreement included in this disclosure document.

The general market for Chocolate Bash is anyone who enjoys sweets and has disposable income to spend on food products and snack foods. This market is highly developed and competitive. Our customers are primarily families with children. Sales are not seasonal, but may depend on your market.

You will compete against national chains, regional chains, and independent owners. Some of these competitors are franchised.

Laws and Regulations

The restaurant industry has certain laws and regulations specific to it. The U.S. Food and Drug Administration, the U.S. Department of Agriculture, and various state and local health departments administer and enforce laws and regulations that govern food preparation and service, waste disposal, and sanitary conditions. State and local agencies inspect restaurants for compliance with these requirements. Certain provisions of these laws impose limits on emissions resulting from commercial food preparation. Some states have also adopted or are considering proposals to regulate indoor air quality.

The menu labeling provisions of the Patient Protection and Affordable Health Care Act require restaurant chains with 20 or more units to post caloric information on menus and menu boards, and to provide additional written nutrition information available to consumers upon request. For smaller chains, some states and local governments may require you to comply with laws relating to the labeling that is included on your menus, menu boards, and related materials. Some state and local authorities have also adopted, or are considering adopting, laws or regulations that would affect the content or make-up of food served in restaurants, such as the level of trans-fat contained in a food item.

You alone are responsible for investigating and complying with all applicable laws and regulations, despite any information that we may give you. You should consult with a legal advisor about legal requirements that may apply to your business.

Prior Business Experience

We have offered franchises since the effective date of this Disclosure Document. None of our affiliates has offered franchises in other lines of business. Some of our affiliates provide products or services to our franchisees.

Our affiliate, Albasha, LLC has operated Chocolate Bash in Newport Beach, California since 4/2015, the actual store address is 2233 W. Balboa 92663 This affiliate has the same business address as us. We opened a second location on 7/2018 in Los Angeles under Albasha, LLC which is located at 10897 W. Pico Blvd, Los Angeles, CA 90064.

Item 2 BUSINESS EXPERIENCE

Rasha Albasha: CEO. Ms. Albasha has been CEO of Chocolate Bash Franchising, llc since the company's inception 2/2019. Since 4/2015, Ms. Albasha has been CEO of Albasha, llc From 2008 to 7/2014 Ms. Albasha worked as an Administrator for Dargana International School in Jeddah, Saudi Arabia. From 7/2014 to 4/2015 Ms. Albasha was preparing to open Albasha llc.

**Item 3
LITIGATION**

No litigation is required to be disclosed in this Item.

**Item 4
BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

**Item 5
INITIAL FEES**

When you sign your franchise agreement, you must pay us a \$15,000 franchise fee, a \$15,000 training fee and a \$5,000 site selection fee. These fees are uniform and not refundable.

When you purchase the Franchise, you will buy the initial inventory from us. The total investment for these items is \$8,000 to \$12,000.

These are the items which will be purchased directly from us:

- 1- Pancake mix
- 2- Waffle mix
- 3- Crepe mix
- 4- Belgium chocolate (milk-dark-white)
- 5- Pistachio spread
- 6- Karak tea
- 7- Turkish coffee
- 8- Uniforms for Staff
- 9 - Specialty Dine In Plates

Multi-Unit Development

If you and we agree that you will develop multiple franchises, then you will sign our Multi-Unit Development Agreement ("MUDA") in the form of Exhibit C to this disclosure document. Your franchise fees will be reduced to \$25,000 for second and subsequent units. You will pay all franchise fees upon signing the MUDA. They are not refundable.

**Item 6
OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty	6% of your gross sales	Monthly by the 5 th day of the following month	See Note 1 and Note 2.
Marketing Fund Contribution	1% of your gross sales	Monthly by the 5 th day of the following month	
Market Cooperative Contribution	As determined by co-op. Currently, none.	Monthly by the 5 th day of the following month	We have the right to establish local or regional advertising cooperatives. There is no maximum on the contribution determined by the co-op.
New Manager Training fee	Currently, \$15,000	Prior to attending training	If you send a manager or other employee to our training program after you open, we will charge our then-current training fee.
Third party vendors	Pass-through of costs, plus reasonable administrative charge. Currently, none.	Varies	We have the right to require franchisees to use third-party vendors and suppliers that we designate. Examples can include computer support vendors, mystery shopping, and customer feedback systems. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for these vendors together a reasonable markup or charge for administering the payment program.
Software subscription	Currently, \$100 - \$150 per month	Monthly	We require you to use certain software as described in Item 11. You pay subscription fees directly to the software supplier, and not to us.
Non-compliance fee	\$500	On demand	We may charge you \$500 if your business is not in compliance with our system specifications or the franchise agreement and you fail to correct the non-compliance after 30 days' notice. Thereafter, we may charge you \$250 per week until you correct such non-compliance.
Reimbursement	Amount that we spend on your behalf, plus 10%	Within 15 days of invoice	If we pay any amount that you owe or are required to pay to a third party, you must reimburse us.

Type of Fee	Amount	Due Date	Remarks
Late fee	\$100 plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law)	On demand	We may charge a late fee if you fail to make a required payment when due.
Insufficient funds fee	\$30 (or, if such amount exceeds the maximum allowed by law, then the maximum allowed by law)	On demand	We may charge an insufficient funds fee if a payment made by you is returned because of insufficient funds in your account.
Costs of collection	Our actual costs	As incurred	Payable if we incur costs (including reasonable attorney fees) in attempting to collect amounts you owe to us.
Special support fee	Our then-current fee, plus our expenses. Currently, \$600 per day.	On demand	If we provide in-person support to you in response to your request, we may charge this fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).
Customer complaint resolution	Our expenses		We may take any action we deem appropriate to resolve a customer complaint about your business. If we respond to a customer complaint, we may require you to reimburse us for our expenses.
Records audit	Our actual cost	On demand	Payable only if (1) we audit you because you have failed to submit required reports or other non-compliance, or (2) the audit concludes that you under-reported gross sales by more than 3% for any 4-week period.
Special inspection fee	Currently \$600, plus our out-of-pocket costs	On demand	Payable only if we conduct an inspection of your business because of a governmental report, customer complaint or other customer feedback, or your default or non-compliance with any system specification.

Type of Fee	Amount	Due Date	Remarks
Non-compliance cure costs and fee	Our out-of-pocket costs and internal cost allocation, plus 10%	When billed	We may cure your non-compliance on your behalf (for example, if you do not have required insurance, we may purchase insurance for you), and you will owe our costs plus a 10% administrative fee.
Transfer fee	\$2,000	When transfer occurs	Payable if you sell your business.
Liquidated damages	An amount equal to royalty fees and marketing fund contributions for the lesser of (i) 2 years or (ii) the remaining weeks of the franchise term.	On demand	Payable if we terminate your franchise agreement because of your default, or if you terminate the franchise agreement without the right to do so.
Indemnity	Our costs and losses from any legal action related to the operation of your franchise	On demand	You must indemnify and defend (with counsel reasonably acceptable to us) us and our affiliates against all losses in any action by or against us related to, or alleged to arise out of, the operation of your franchise (unless caused by our misconduct or negligence).
Prevailing party's legal costs	Our attorney fees, court costs, and other expenses of a legal proceeding, if we are the prevailing party	On demand	In any legal proceeding (including arbitration), the losing party must pay the prevailing party's attorney fees, court costs and other expenses.

All fees are payable only to us (other than software subscription charges). All fees are imposed by us and collected by us (other than software subscription charges). All fees are non-refundable. All fees are uniform for all franchisees, although we reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate. There are currently no marketing cooperatives, purchasing cooperatives, or other cooperatives that impose fees on you.

Notes

1. "Gross Sales" is defined in our franchise agreement as the total dollar amount of all sales generated through your business for a given period, including, but not limited to, payment for any services or products sold by you, whether for cash or credit. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected, (iii) sale of used equipment not in the ordinary course of business, or (iv) sales of prepaid cards or similar products (but the redemption of any such card or product will be included in Gross Sales).

2. We currently require you to pay royalty fees and other amounts due to us by pre-authorized bank draft. However, we can require an alternative payment method.

Item 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT - FRANCHISE AGREEMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Franchise fee (see Note 1)	\$15,000 - \$15,000	Check or wire transfer	Upon signing the franchise agreement	Us
Training fee	\$15,000 - \$15,000	Check or wire transfer	Upon signing the franchise agreement	Us
Site Selection fee	\$5,000 - \$5,000	Check or wire transfer	Upon signing the franchise agreement	Us
Rent and Lease Security Deposit (see Note 2)	\$2,500 - \$16,000	Check	Upon signing lease	Landlord
Utilities	\$100 - \$500	Check, debit, and/or credit	Upon ordering service	Utility providers
Leasehold Improvements	\$50,000 - \$100,000	Check	As incurred or when billed	Contractors
Market Introduction Program	\$6,000 - \$15,000	Check, debit, and/or credit	As incurred or when billed	Vendors and suppliers
Furniture, Fixtures, and Equipment	\$40,000 - \$100,000	Check, debit, and/or credit	As incurred	Vendors and suppliers
Computer Systems	\$1,000 - \$2,000	Check, debit, and/or credit	As incurred	Vendors and suppliers
Insurance	\$300 - \$4,000	Check	Upon ordering	Insurance company
Signage	\$3,000 - \$8,000	Check, debit, and/or credit	Upon ordering	Vendor
Office Expenses	\$1,000 - \$2,000	Check, debit, and/or credit	As incurred	Vendors
Inventory	\$8,000 - \$12,000	Check, debit, and/or credit	Upon ordering	Us, Vendors

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Licenses and Permits	\$2,000 - \$5,000	Check	Upon application	Government
Professional Fees (lawyer, accountant, etc.)	\$1,500 - \$3,000	Check, debit, and/or credit	As incurred or when billed	Professional service firms
Travel, lodging and meals for initial training	\$4,000 - \$7,500	Cash, debit or credit	As incurred	Airlines, hotels, and restaurants
Additional funds (for first 3 months) (see Note 3)	\$40,000 - \$75,000	Varies	Varies	Employees, suppliers, utilities
Total (see Note 5)	\$194,400 - \$385,000			

YOUR ESTIMATED INITIAL INVESTMENT - MULTI UNIT DEVELOPMENT AGREEMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
First franchise (see table above)	\$194,400 - \$385,000	Varies	Varies	Varies
Additional initial franchise fees (2-4 Units) (see Note 4)	\$50,000 - \$100,000	Check or wire transfer	Upon signing the MUDA	Us
Business planning and miscellaneous expenses	\$1,000 - \$5,000	Check	As incurred	Vendors and suppliers
Total (see Note 5)	\$245,400 - \$490,000			

Notes

1. Your lease security deposit and utility deposits will usually be refundable unless you owe money to the landlord or utility provider. None of the other expenditures in this table will be refundable. Neither we nor any affiliate finances any part of your initial investment.

2. Our estimates in this table assume you pay one month rent plus a security deposit before you open for business. For this to occur, you would need to negotiate a “free rent” period for the time it takes to build out your business. We expect that you will rent your location. If you choose to purchase real estate instead of renting, your costs will be significantly different.

3. This includes any other required expenses you will incur before operations begin and during the initial period of operations, such as payroll, additional inventory, rent, and other operating expenses in excess of income generated by the business. In formulating the amount

required for additional funds, we relied on the following factors, basis, and experience: the development of a Chocolate Bash business by our affiliate, and our general knowledge of the industry.

4. This estimate assumes you sign a Multi-Unit Development Agreement for three to five franchises. The franchise fee for your first unit is counted in the “Estimated Initial Investment – Franchise Agreement” table. Your initial franchise fees are reduced to \$25,000 for the Second and subsequent franchises purchased. You will pay all franchise fees upon signing the MUDA.

5. These figures are estimates, and we cannot guarantee that you will not have additional, or higher, expenses. You should review these figures carefully with a business advisor before making any decision to purchase a franchise.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Generally

We have the right to require you to purchase or lease all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating your business (1) either from us or our designee, or from suppliers approved by us, or (2) according to our specifications.

Specific Obligations

The following are our current specific obligations for purchases and leases:

A. Real Estate. Your business location is subject to our approval and must meet our specifications. You must use reasonable efforts to have your landlord sign our form of Rider to Lease Agreement (attached to this disclosure document as Exhibit D).

B. Insurance. You must obtain insurance as described in the Franchise Agreement and in our Manual, which includes (i) “Special” causes of loss coverage forms, including fire and extended coverage, crime, vandalism, and malicious mischief, on all property of the Business, for full repair and replacement value (subject to a reasonable deductible); (ii) Business interruption insurance covering at least 12 months of income; (iii) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit, (iv) Workers Compensation coverage as required by state law. Your policies (other than Workers Compensation) must list us and our affiliates as an additional insured, must include a waiver of subrogation in favor of us and our affiliates, must be primary and non-contributing with any insurance carried by us or our affiliates, and must stipulate that we receive 30 days’ prior written notice of cancellation.

C. Point-of-sale software and hardware, and related software and hardware. You must purchase (or lease) the point-of-sale software and hardware, and related software and hardware, that we specify. See Item 11 for more details.

D. Inventory, Supplies and Equipment. You must purchase inventory, supplies and some of the equipment from us. For items which are not purchased from us, you will purchase from approved suppliers.

Us or our Affiliates as Supplier

We are a supplier of some of the goods and inventory which you must purchase.

These are the items which will be purchased directly from us:

- 1- Pancake mix
- 2- Waffle mix
- 3- Crepe mix
- 4- Belgium chocolate (milk-dark-white)
- 5- Pistachio spread
- 6- Karak tea
- 7- Turkish coffee
- 8- Uniforms for Staff
- 9 - Specialty Dine In Plates

Ownership of Suppliers

Outside of your requirement to purchase some items directly from us or our Affiliates, None of our officers owns an interest in any supplier to our franchisees.

Alternative Suppliers

If you want to use a supplier that is not on our list of approved suppliers, you must request our approval in writing. We will grant or revoke approvals of suppliers based on criteria appropriate to the situation, which may include evaluations of the supplier's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Our criteria for approving suppliers are not available to you. We permit you to contract with alternative suppliers who meet our criteria only if you request our approval in writing, and we grant approval. There is no fee for us to review or approve an alternate supplier. We will provide you with written notification of the approval or disapproval of any supplier you propose within 30 days after receipt of your request. We may grant approvals of new suppliers or revoke past approvals of suppliers on written notice to you, or by updating our Manual.

Issuing Specifications and Standards

We issue specifications and standards to you for applicable aspects of the franchise in our Manual and/or in written directives. We may issue new specifications and standards for any aspect of our brand system, or modify existing specifications and standards, at any time by revising our Manual and/or issuing new written directives (which may be communicated to you by any method we choose). We will generally (but are not obligated to) issue new or revised specifications only after thorough testing in our headquarters, in company-owned outlets, and/or a limited market test in multiple units.

Revenue to Us and Our Affiliates

We currently do derive revenue from the required purchases and leases by franchisees. Because we are a new Franchisor, we have derived \$8,420 and 10% of our total revenue from required purchases and leases.

Proportion of Required Purchases and Leases

We estimate that the required purchases and leases to establish your business is 50% - 70% of your total purchases and leases to establish your business.

We estimate that the required purchases and leases of goods and services to operate your business is 50% to 60% of your total purchases and leases of goods and services to operate your business.

Payments by Designated Suppliers to Us

We do not currently receive payments from any designated suppliers based on purchases by you or other franchisees. However, the franchise agreement does not prohibit us from doing so.

Purchasing or Distribution Cooperatives

No purchasing or distribution cooperative currently exists.

Negotiated Arrangements

We do negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees.

Benefits Provided to You for Purchases

We do not provide any material benefit to you based on your purchase of particular goods or services, or your use of particular suppliers.

Item 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in agreement	Disclosure document item	Section in MUDA
a. Site selection and acquisition/lease	§§ 6.1, 6.2	Item 11	N/A
b. Pre-opening purchase/leases	§§ 6.2, 6.3	Items 5, 7, 8 and 11	N/A

Obligation	Section in agreement	Disclosure document item	Section in MUDA
c. Site development and other pre-opening requirements	Article 6	Items 5, 7, 8 and 11	N/A
d. Initial and ongoing training	§§ 5.4, 6.4, 7.6	Items 5, 6, 8 and 11	N/A
e. Opening	§§ 6.5, 6.6	Items 7, 8 and 11	N/A
f. Fees	Article 4, §§ 5.5, 7.8, 10.5, 11.2, 11.3, 14.5, 15.2, 16.1, 17.6	Items 5, 6 and 7	§1
g. Compliance with standards and policies/operating manual	§§ 6.3, 7.1, 7.3, 7.5, 7.9 – 7.13, 7.15, 10.1, 10.4, 11.1	Items 8, 11 and 14	N/A
h. Trademarks and proprietary information	Article 12, § 13.1	Items 13 and 14	N/A
i. Restrictions on products/services offered	§ 7.3	Items 8, 11 and 16	N/A
j. Warranty and customer service requirements	§§ 7.3, 7.8, 7.9	Item 8	N/A
k. Territorial development and sales quotas	N/A	Item 12	§3
l. Ongoing product/service purchases	Article 8	Items 6 and 8	N/A
m. Maintenance, appearance, and remodeling requirements	§§ 3.2, 7.12, 7.13, 15.2	Items 6, 7 and 8	N/A
n. Insurance	§ 7.15	Items 6, 7 and 8	N/A
o. Advertising	Article 9	Items 6, 7, 8 and 11	N/A
p. Indemnification	Article 16	Items 6 and 8	N/A
q. Owner's participation/management/staffing	§ 2.4	Items 15	N/A
r. Records and reports	Article 10	Item 11	N/A
s. Inspections and audits	§§ 10.5, 11.2	Items 6 and 11	N/A
t. Transfer	Article 15	Items 6 and 17	N/A
u. Renewal	§ 3.2	Item 17	N/A

Obligation	Section in agreement	Disclosure document item	Section in MUDA
v. Post-termination obligations	Article 13, § 14.3	Item 17	N/A
w. Non-competition covenants	§ 13.2	Item 17	N/A
x. Dispute resolution	Article 17	Items 6 and 17	§7

Item 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligations.

Item 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

Our Pre-Opening Obligations

Before you open your business:

A. *Your site.* We will review and advise you regarding potential locations that you submit to us. (Section 5.4). If you sign a Multi-Unit Development Agreement, we will approve the location of future sites and territories for those sites, and our then-current standards for sites and territories will apply. We are not obligated to further assist you in locating a site or negotiating the purchase or lease of the site.

- (i) We generally do not own your premises.
- (ii) If your site is not already known and approved by us when you sign your franchise agreement, then we and you will specify in your franchise agreement the area in which you must select a site (Franchise Agreement, Summary Page). We do not select your site. Your site is subject to our approval. To obtain our approval, you must provide all information and documents about the site that we require.
- (iii) The factors we consider in approving sites are general location and neighborhood, competition, trade area demographics, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms.
- (iv) The time limit for us to approve or disapprove your proposed site is 30 days after you submit all of our required documents and information. (Section 6.1). If we and you cannot agree on a site, you will be unable to comply with your obligation to develop and open the franchise by the deadline stated in the franchise agreement. Unless we agree to extend the deadline, you will be in default and we may terminate your franchise agreement.

- (v) We are not obligated to assist you in conforming the premises of your site to local ordinances and building codes and obtaining any required permits. This will be your responsibility.

B. *Constructing, remodeling, or decorating the premises.* We will provide you with a set of our standard building plans and specifications and/or standard recommended floor plans, and our specifications for required décor. (Section 5.4)

C. *Hiring and training employees.* We will provide you with our suggested staffing levels (Section 5.2), suggested guidelines for hiring employees (Section 5.2), operational instructions in the Manual which you can use as part of training new employees (Section 5.3), and our initial training program described below. Our opening support (as described below) includes assisting you in training employees. All hiring decisions and conditions of employment are your sole responsibility.

D. *Necessary equipment, signs, fixtures, opening inventory, and supplies.* We will provide you a list of our specifications and approved suppliers for equipment, signs, fixtures, opening inventory, and supplies necessary to open your business. (Section 5.4) We do not provide these items directly; we only provide the names of approved suppliers. We do not deliver or install these items.

E. *Operating Manual.* We will give you access to our Operating Manual (Section 5.1).

F. *Initial Training Program.* We will conduct our initial training program. (Section 5.4). The current initial training program is described below.

G. *Market introduction plan.* We will advise you regarding the planning and execution of your market introduction plan. (Section 5.4)

H. *On-site opening support.* We will have a representative provide on-site support for at least 3 days in connection with your business opening. (Section 5.4)

Length of Time to Open

The typical length of time between signing the franchise agreement and the opening of your business is 6 months. Factors that may affect the time period include your ability to obtain a lease, obtain financing, develop your location, obtain business permits and licenses, and hire employees.

Our Post-Opening Obligations

After you open your business:

A. *Developing products or services you will offer to your customers.* Although it is our intent and practice to refine and develop products or services that you will offer to your customers, the franchise agreement does not obligate us to do so.

B. *Hiring and training employees.* We will provide you with our suggested staffing levels (Section 5.2), suggested guidelines for hiring employees (Section 5.2), and operational instructions in the Manual which you can use as part of training new employees (Section 5.3). All hiring decisions and conditions of employment are your sole responsibility.

C. *Improving and developing your business; resolving operating problems you encounter.* If you request, we will provide advice to you (by telephone or electronic communication) regarding improving and developing your business, and resolving operating problems you encounter, to the extent we deem reasonable. If we provide in-person support in response to your request, we may charge a fee (currently \$600 per day) plus any out-of-pocket expenses (such as travel, lodging, and meals for our employees providing onsite support). (Section 5.5)

D. *Establishing prices.* Upon your request, we will provide recommended prices for products and services. (Section 5.5). We have the right to determine prices charged by our franchisees for goods and services (but only to the extent permitted by applicable law).

E. *Establishing and using administrative, bookkeeping, accounting, and inventory control procedures.* We will provide you our recommended procedures for administration, bookkeeping, accounting, and inventory control (Section 5.5). We may make any such procedures part of required (and not merely recommended) procedures for our system.

F. *Marketing Fund.* We will administer the Marketing Fund. (Section 5.5)

G. *Website.* We will maintain a website for the Chocolate Bash brand, which will include your business information and telephone number. (Section 5.5)

Advertising

Our obligation. We will use the Marketing Fund only for marketing and related purposes and costs. Media coverage is primarily local. We use outside vendors and consultants to produce advertising. We are not required to spend any amount of advertising in the area or territory where any particular franchisee is located. We will maintain the brand website (which will be paid for by the Marketing Fund). We have no other obligation to conduct advertising.

Your own advertising material. You may use your own advertising or marketing material only with our approval. To obtain our approval, you must submit any proposed advertising or marketing material at least 14 days prior to use. If we do not respond, the material is deemed rejected. If you develop any advertising or marketing materials, we may use those materials for any purpose, without any payment to you.

Advertising council. We do not have an advertising council composed of franchisees. The franchise agreement does not give us the power to form an advertising council.

Local or Regional Advertising Cooperatives. We do not currently have any local or regional advertising cooperatives. We have the right to require you to participate in a local or regional advertising cooperative. We will define the area of the cooperative based on media markets, or other geographic criteria that we deem appropriate. Each franchisee in the area would

have one vote per outlet (unless the franchisee is in default under its franchise agreement). The amount you must contribute to the cooperative will be determined by vote of the members, but not less than 1% of gross sales. If our own outlets are members of a cooperative, they must contribute to the cooperative on the same basis as franchisees, and they will vote on the same basis as other members. If our outlets have controlling voting power, there is no maximum on fees that could be imposed. We administer the cooperative, but we have the right to delegate responsibility for administration to an outside company such as an advertising agency or accounting firm, or to the franchisee members of the cooperative. We have the right to require the cooperative to operate from written bylaws or other governing documents that we determine. The documents are not currently available for you to review. Cooperatives will prepare annual financial statements which will be made available for review only by us and by the members of cooperative. We have the power to require cooperatives to be formed, changed, dissolved, or merged.

Advertising Fund. You and all other franchisees must contribute to our Marketing Fund. Your contribution is 1% of gross sales per week. We reserve the right to have other franchisees contribute a different amount or at a different rate. Outlets that we own are not obligated to contribute to the Marketing Fund. We administer the fund. The fund is not audited. We will make unaudited annual financial statements available to you upon request.

Because we are a new franchisor, we did not spend any money from the Marketing Fund in our most recently concluded fiscal year.

If less than all marketing funds are spent in the fiscal year in which they accrue, the money will remain in the Marketing Fund to be spent in the next year.

No money from the Marketing Fund is spent principally to solicit new franchise sales.

Market introduction plan. You must develop a market introduction plan and obtain our approval of the plan at least 30 days before the projected opening date of your business.

Required spending. After you open, you must spend at least 4% of gross sales each month on marketing your business.

Point of Sale and Computer Systems

We require you to buy (or lease) and use a point-of-sale system and computer system as follows:

- Clover POS + Required Apps
- One Computer
- QuickBooks or Related Bookkeeping System

The system provides management tools, operating systems and required platforms to manage the day to day business with. These systems will generate or store data such as customer contact data, financial data and inventory data to operate the business.

We estimate that these systems will cost between \$1,000 and \$2,000 to purchase.

We are not obligated to provide any ongoing maintenance, repairs, upgrades, or updates. We do not require you enter into any such contract with a third party.

You must upgrade or update any system when we determine. There is no contractual limit on the frequency or cost of this obligation.

We estimate that the annual cost of any optional or required maintenance, updating, upgrading, or support contracts will be \$100 - \$250 per month depending on the level of support you choose.

You must give us independent access to the information that will be generated or stored in these systems. The information that we may access will include sales, customer data, and reports. There is no contractual limitation on our right to access the information.

Operating Manual

Manual Section	Number of Pages
Preface & Introduction	13
Establishing the Business	38
Personnel	77
Administrative Procedures	26
Daily Procedures	43
Marketing	23
Total Number of Pages	220

Training Program

Our training program consists of the following:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Establishing the Franchised Business - Setting up your entity - Insurance - Administrative - Branding - Location Design - Vendors/Suppliers - Understanding for the Market	8	8	Our Location, Yorba Linda, CA or Your Location.

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Front of House Management - Greeting Guests - Service - Staffing - Menu - Presentation - Branding	16	16	Our Location, Yorba Linda, CA or Your Location.
Back of House Management - POS - Equipment - Inventory - Vendors - Staffing	24	16	Our Location, Yorba Linda, CA or Your Location.
Leveraging Resources - Vendors - Franchisor - Other Franchisees	4	4	Our Location, Yorba Linda, CA or Your Location.
Marketing and Promotions - Getting out in your Community - Local Advertising - Regional - Franchise Advertising - Branding - Who we are and where we fit in the Food Service market segment - Web Marketing	8	8	Our Location, Yorba Linda, CA or Your Location.
Strategic Planning - Business Plan - Working with Franchisor - Executing your Plan	4	4	Our Location, Yorba Linda, CA or Your Location.
TOTALS:	64 Hours	56 Hours	

Training classes will be scheduled in accordance with the needs of new franchisees. We anticipate holding training classes four to six times per year. Training will be held at our offices

and business location in Los Angeles, California. We reserve the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the initial training program.

The instructional materials consist of the Operating Manual and other materials, lectures, discussions, and on-the-job demonstration and practice.

Training classes will be led or supervised by Rana Albasha. Her experience is described in Item 2. She has 6 years of experience in our industry, and 6 years of experience with us or our affiliates.

There is no fee for up to 3 people to attend training. You must pay the travel and living expenses of people attending training.

You must attend training. You may send any additional persons to training that you want (up to the maximum described above). You must complete training to our satisfaction at least two weeks before opening your business.

Your business must at all times be under your on-site supervision or under the on-site supervision of a general manager who has completed our training program. If you need to send a new general manager to our training program, we will charge a fee, which is currently \$150 per day. Otherwise, we do not currently require additional training programs or refresher courses, but we have the right to do so.

Item 12 TERRITORY

Your Location

Your franchise is for a specific location. If the specific location is not known at the time you sign a franchise agreement, then your location is subject to our approval.

Grant of Territory

Your franchise agreement will specify a territory, which will be determined by us. Your territory will have a population of approximately 50,000-100,000 Population Base. Although the areas will be defined by population base, there will be geographic, state or county lines that actually document the areas that will constitute territories. Other factors to determine the specific territory will include: average household income (or other wealth indicators), population density, existence of competition, capabilities of the buyer, etc. The territory area will be determined for each franchisee at the time of the signing of the franchise agreement and will most likely have the location as the epicenter of the territory boundaries.

Relocation; Establishment of Additional Outlets

You do not have the right to relocate your business, and we have no obligation to approve any request for relocation. Our policy is to approve relocation of a franchisee's business on case-

by-case basis, considering factors such as changes in demographics, profitability of your current business, or a loss of your premises due to circumstances beyond your control.

You do not have the right to establish additional franchised outlets unless you sign a Multi-Unit Development Agreement (“MUDA”) in the form attached as Exhibit C to this disclosure document. If you and we sign a MUDA, then you will have the right establish a mutually-agreed number of additional outlets. Under the MUDA, your right to develop additional outlets is subject to (1) you must comply with the mutually-agreed development schedule, (2) you must have sufficient financial and organizational capacity to develop, open, operate, and manage each additional Chocolate Bash business, (3) you must be in compliance with all brand requirements at your open Chocolate Bash business(es), and (4) you must not be in default under any other agreement with us. We will approve the location of future sites and territories for those sites, and our then-current standards for sites and territories will apply.

Options to Acquire Additional Franchises

You do not receive any options, rights of first refusal, or similar rights to acquire additional franchises.

Territory Protection

We grant you an exclusive territory. In your territory, we will not open a Chocolate Bash outlet, nor license or franchise another party to open a Chocolate Bash outlet. The continuation of your territorial protection does not depend on achieving a certain sales volume, market penetration, or other contingency. There are no circumstances that permit us to modify your territorial rights.

Restrictions on Us from Soliciting or Accepting Orders in Your Territory

There are no restrictions on us from soliciting or accepting orders from consumers inside your territory. We reserve the right to use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory using our principal trademarks or using trademarks different from the ones you will use under your franchise agreement. We do not pay any compensation to you for soliciting or accepting orders from inside your territory.

Soliciting by You Outside Your Territory

There are no restrictions on you from soliciting or accepting orders from consumers outside of your territory, except that we reserve the right to control all internet-based marketing.

Competition by Us Under Different Trademarks

Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark selling goods or services similar to those you will offer. However, the franchise agreement does not prohibit us from doing so.

Item 13 TRADEMARKS

Principal Trademark

The following is the principal trademark that we license to you. This trademark is owned by our Affiliate, Albasha, LLC. It is registered on the Principal Register of the United States Patent and Trademark Office.

Trademark	Registration Date	Registration Number	Renewal Date
Chocolate Bash	7/11/2017	5240379	7/11/23
	7/18/2019	5244703	7/18/25

Because the federal trademark registration is less than six years old, no affidavits are required at this time. The registration has not yet been renewed

Determinations

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings.

Litigation

There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

Agreements

Albasha, LLC, our affiliate, owns the trademarks described in this Item. Under an Intercompany License Agreement between us and Albasha, LLC, we have been granted the exclusive right to sublicense the trademarks to franchisees throughout the United States. The agreement is of perpetual duration. It may be modified only by mutual consent of the parties. It may be canceled by our affiliate only if (1) we materially misuse the trademarks and fail to correct the misuse, or (2) we discontinue commercial use of the trademarks for a continuous period of more than one year. The Intercompany License Agreement specifies that if it is ever terminated, your franchise rights will remain unaffected.

Protection of Rights

We protect your right to use the principal trademarks listed in this Item, and we protect you against claims of infringement or unfair competition arising out of your use of the trademarks, to the extent described in this section.

The franchise agreement obligates you to notify us of the use of, or claims of rights to, a trademark identical to or confusingly similar to a trademark licensed to you. The franchise agreement does not require us to take affirmative action when notified of these uses or claims. We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you.

If you use our trademarks in accordance with the franchise agreement, then (i) we will defend you (at our expense) against any legal action by a third party alleging infringement by your use of the trademark, and (ii) we will indemnify you for expenses and damages if the legal action is resolved unfavorably to you.

Under the franchise agreement, we may require you to modify or discontinue using a trademark, at your expense.

Superior Prior Rights and Infringing Uses

We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks.

Item 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

We do not own rights in, or licenses to, patents that are material to the franchise. We do not have any pending patent applications.

Copyrights

All of our original works of authorship fixed in a tangible medium of expression are automatically protected under the U.S. Copyright Act, whether or not we have obtained registrations. This includes our Operating Manual as well as all other sales, training, management and other materials that we have created or will create. You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for your franchised business.

We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court regarding any copyright.

There are no agreements currently in effect that limit our right to use or license the use of our copyrighted materials.

We have no obligation to protect any of our copyrights or to defend you against claims arising from your use of copyrighted items. The franchise agreement does not require us to take affirmative action when notified of copyright infringement. We control any copyright litigation. We are not required to participate in the defense of a franchisee or indemnify a franchisee for

expenses or damages in a proceeding involving a copyright licensed to the franchisee. We may require you to modify or discontinue using the subject matter covered by any of our copyrights.

We do not know of any copyright infringement that could materially affect you.

Proprietary Information

We have a proprietary, confidential Operating Manual and related materials that include guidelines, standards and policies for the development and operation of your business. We also claim proprietary rights in other confidential information or trade secrets that include all methods for developing and operating the business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

You (and your owners, if the franchise is owned by an entity) must protect the confidentiality of our Operating Manual and other proprietary information, and you must use our confidential information only for your franchised business. We may require your managers and key employees to sign confidentiality agreements.

Item 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Your Participation

You are not required to participate personally in the direct operation of your business. However, we recommend that you participate.

You must designate one person as your “Principal Executive”. The Principal Executive is the executive primarily responsible for your business and has decision-making authority on behalf of the business. The Principal Executive must own at least 10% of the business. The Principal Executive must complete our initial training program. The Principal Executive must complete any post-opening training programs that we develop in the future. The Principal Executive must make reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls), including regional or national brand conferences, that we require. The Principal Executive cannot fail to attend more than three consecutive required meetings.

If your business is owned by an entity, all owners of the business must sign our Guaranty and Non-Compete Agreement (see Attachment 3 to Exhibit B).

“On-Premises” Supervision

You are not required to personally conduct “on-premises” supervision (that is, act as general manager) of your business. However, we recommend on-premises supervision by you.

There is no limit on who you can hire as an on-premises supervisor. The general manager of your business (whether that is you or a hired person) must successfully complete our training program.

If the franchise business is owned by an entity, we do not require that the general manager own any equity in the entity.

Restrictions on Your Manager

If we request, you must have your general manager sign a confidentiality and non-compete agreement. We do not require you place any other restrictions on your manager.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale only goods and services that we have approved.

You must offer for sale all goods and services that we require. We have the right to change the types of authorized goods or services, and there are no limits on our right to make changes.

We do not restrict your access to customers, except that all sales must be made at or from your premises.

Item 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	Franchise Agreement (FA): § 3.1 Multi-Unit Development Agreement (MUDA): none	10 years from date of franchise agreement.
b. Renewal or extension of the term	FA: § 3.2 MUDA: none	You may obtain a successor franchise agreement.

Provision	Section in franchise or other agreement	Summary
c. Requirements for franchisee to renew or extend	FA: § 3.2 MUDA: none	For our franchise system, “renewal” means that at the end of your term, you sign our successor franchise agreement. You may be asked to sign a contract with materially different terms and conditions than your original contract. To renew, you must give advance notice to us; be in compliance with all contractual obligations to us and third parties; renovate to our then-current standards; sign then-current form of franchise agreement and related documents (including personal guaranty); sign general release (unless prohibited by applicable law).
d. Termination by franchisee	FA: § 14.1 MUDA: § 4	If we violate a material provision of the franchise agreement and fail to cure or to make substantial progress toward curing the violation within 30 days after notice from you. If you sign a MUDA, you may terminate it at any time.
e. Termination by franchisor without cause	Not Applicable	
f. Termination by franchisor with cause	FA: § 14.2 MUDA: § 4	We may terminate your agreement for cause, subject to any applicable notice and cure opportunity. If you sign a Multi-Unit Development Agreement, termination of your MUDA does not give us the right to terminate your franchise agreement. However, if your franchise agreement is terminated, we have the right to terminate your MUDA.
g. “Cause” defined--curable defaults	FA: § 14.2 MUDA: none	Non-payment by you (10 days to cure); violate franchise agreement other than non-curable default (30 days to cure).

Provision	Section in franchise or other agreement	Summary
h. “Cause” defined--non-curable defaults	FA: § 14.2 MUDA: § 4	FA: Misrepresentation when applying to be a franchisee; knowingly submitting false information; bankruptcy; lose possession of your location; violation of law; violation of confidentiality; violation of non-compete; violation of transfer restrictions; slander or libel of us; refusal to cooperate with our business inspection; cease operations for more than 5 consecutive days; three defaults in 12 months; cross-termination; charge or conviction of a felony, or accusation of an act that is reasonably likely to materially and unfavorably affect our brand; any other breach of franchise agreement which by its nature cannot be cured. MUDA: failure to meet development schedule; violation of franchise agreement or other agreement which gives us the right to terminate it.
i. Franchisee’s obligations on termination/non-renewal	FA: §§ 14.3 – 14.6 MUDA: none	Pay all amounts due; return Manual and proprietary items; notify phone, internet, and other providers and transfer service; cease doing business; remove identification; purchase option by us.
j. Assignment of agreement by franchisor	FA: § 15.1 MUDA: § 7	Unlimited
k. “Transfer” by franchisee - defined	FA: Article 1 MUDA: Background Statement	For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) direct or indirect ownership interest of more than 25% of the business, or (iv) control of the business.
l. Franchisor’s approval of transfer by franchisee	FA: § 15.2 MUDA: § 7	No transfers without our approval.

Provision	Section in franchise or other agreement	Summary
m. Conditions for franchisor's approval of transfer	FA: § 15.2 MUDA: none	Pay transfer fee; buyer meets our standards; buyer is not a competitor of ours; buyer and its owners sign our then-current franchise agreement and related documents (including personal guaranty); you've made all payments to us and are in compliance with all contractual requirements; buyer completes training program; you sign a general release; business complies with then-current system specifications (including remodel, if applicable).
n. Franchisor's right of first refusal to acquire franchisee's business	FA: § 15.5 MUDA: none	If you want to transfer your business (other than to your spouse, sibling, or child), we have a right of first refusal.
o. Franchisor's option to purchase franchisee's business	Not Applicable	
p. Death or disability of franchisee	FA: §§ 2.4, 15.4 MUDA: none	If you die or become incapacitated, a new principal operator acceptable to us must be designated to operate the business, and your executor must transfer the business to a third party within nine months.
q. Non-competition covenants during the term of the franchise	FA: § 13.2 MUDA: none	Neither you, any owner of the business, or any spouse of an owner may have ownership interest in, or be engaged or employed by, any competitor.
r. Non-competition covenants after the franchise is terminated or expires	FA: § 13.2 MUDA: none	For two years, no ownership or employment by a competitor located within five miles of your former territory or the territory of any other Chocolate Bash business operating on the date of termination.
s. Modification of the agreement	FA: § 18.4 MUDA: § 7	No modification or amendment of the agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Manual or system specifications.

Provision	Section in franchise or other agreement	Summary
t. Integration/merger clause	FA: § 18.3 MUDA: § 7	Only the terms of the agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement (or MUDA) may not be enforceable. However, no claim made in any franchise agreement (or MUDA) is intended to disclaim the express representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	FA: § 17.1 MUDA: § 7	All disputes are resolved by arbitration (except for injunctive relief) (subject to applicable state law).
v. Choice of forum	FA: §§ 17.1; 17.5 MUDA: § 7	Arbitration will take place where our headquarters is located (currently, Yorba Linda, California) (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law).
w. Choice of law	FA: § 18.8 MUDA: § 7	California (subject to applicable state law).

Item 18 PUBLIC FIGURES

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

Item 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Rasha Albasha, 5820 Casson Drive, Yorba Linda CA 92886, and 714-582-9166, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary
For years 2019 to 2021

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2019	0	0	0
	2020	0	1	+1
	2021	1	2	+1
Company-Owned	2019	2	3	+1
	2020	3	3	0
	2021	3	3	0
Total Outlets	2019	2	3	+1
	2020	3	4	+1
	2021	4	5	+1

Table 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2019 to 2021

Column 1 State	Column 2 Year	Column 3 Number of Transfers
CA	2019	0
	2020	0
	2021	1
Total	2019	0
	2020	0

Column 1 State	Column 2 Year	Column 3 Number of Transfers
	2021	1

Table 3
Status of Franchised Outlets
For years 2019 to 2021

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Termi- Nations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
CA	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2
Totals	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2

Table 4
Status of Company-Owned Outlets
For years 2019 to 2021

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired From Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
California	2019	2	1	0	0	0	3
	2020	3	0	0	0	0	3
	2021	3	1	0	0	1	3
Totals	2019	2	1	0	0	0	3
	2020	3	0	0	0	0	3
	2021	3	1	0	0	1	3

Table 5
Projected Openings As Of December 31, 2021

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets In The Next Fiscal Year	Column 4 Projected New Company- Owned Outlets In the Next Fiscal Year
Arizona	0	1	0
California	2	3	2
Nevada	0	1	0
Totals	2	5	2

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with our franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

List of Current Franchisees

The following is a list of the current franchisees in our system:

Voo Roo Jack, Inc.
Mira Rezvani
1 N Indian Hill Blvd., Suite D-101, Claremont, CA 91711
909-709-8658

Southcoast Marine International
2233 W Balboa Blvd., Suite 110, Newport Beach CA 92663
949-449-7057

List of Terminated Franchisees

The following is a list of the franchisees who have had an unit terminated, cancelled, transferred, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with Franchisor within 10 weeks of the application date:

None.

List of Units for Sale

The following is a list of the franchised units now under Franchisor control that Franchisor is selling:

None.

Item 21
FINANCIAL STATEMENTS

We have not been in business for three years or more, and therefore cannot include all financial statements required by the Franchise Rule of the Federal Trade Commission. Exhibit D contains our audited financial statements from 12/31/2021, 12/31/2020 and 12/31/2019. Our fiscal year end is December 31.

Item 22
CONTRACTS

Copies of all proposed agreements regarding this franchise offering are attached as the following Exhibits:

- B. Franchise Agreement (with Guaranty, Non-Compete Agreement, Rider to Lease Agreement, General Release, and State Addenda)
- C. Multi-Unit Development Agreement

Item 23
RECEIPTS

Detachable documents acknowledging your receipt of this disclosure document are attached as the last two pages of this disclosure document.

EXHIBIT A**STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

We may register this Disclosure Document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

State	State Administrator	Agent for Service of Process (if different from State Administrator)
California	Commissioner of Department of Financial Protection and Innovation 1515 K Street Suite 200 Sacramento, CA 95814-4052 866-275-2677	
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, HI 96810 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	

State	State Administrator	Agent for Service of Process (if different from State Administrator)
Minnesota	Minnesota Department of Commerce Securities-Franchise Registration 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Commissioner of Commerce Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500
New York	New York State Department of Law Investor Protection Bureau 28 Liberty St. 21st Floor New York, NY 10005 212-416-8236	Secretary of State 99 Washington Avenue Albany, NY 12231
North Dakota	North Dakota Securities Department 600 East Boulevard Ave., State Capital Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex-69-1 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Insurance Securities Regulation 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760	
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 Madison, WI 53701 (608) 266-2801	Securities And Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue, Suite 300 Madison, WI 53703

EXHIBIT B
FRANCHISE AGREEMENT



FRANCHISE AGREEMENT

SUMMARY PAGE	
1. Franchisee	_____
2. Franchise Fee	\$ _____
3. Development Area	_____
4. Principal Executive	_____
5. Franchisee's Address	_____

FRANCHISE AGREEMENT

This Agreement is made between Chocolate Bash Franchising, LLC, a Wyoming limited liability company (“CB Franchising”), and Franchisee effective as of the date signed by CB Franchising (the “Effective Date”).

Background Statement:

A. CB Franchising have created and own a system (the “System”) for developing and operating a shop offering sweet crepes, waffles, fruit salads and Belgian chocolate dipped fruits under the trade name “Chocolate Bash”.

B. The System includes (1) methods, procedures, and standards for developing and operating a Chocolate Bash business, (2) plans, specifications, equipment, signage and trade dress for Chocolate Bash businesses, (3) particular products and services, (4) the Marks, (5) training programs, (6) business knowledge, (7) marketing plans and concepts, and (8) other mandatory or optional elements as determined by CB Franchising from time to time.

C. The parties desire that CB Franchising license the Marks and the System to Franchisee for Franchisee to develop and operate a Chocolate Bash business on the terms and conditions of this Agreement.

ARTICLE 1. DEFINITIONS

“**Action**” means any action, suit, proceeding, claim, demand, governmental investigation, governmental inquiry, judgment or appeal thereof, whether formal or informal.

“**Approved Vendor**” means a supplier, vendor, or distributor of Inputs which has been approved by CB Franchising.

“**Business**” means the Chocolate Bash business owned by Franchisee and operated under this Agreement.

“**Competitor**” means any business which offers dessert products from a retail location focusing on chocolate.

“**Confidential Information**” means all non-public information of or about the System, CB Franchising, and any Chocolate Bash business, including all methods for developing and operating the Business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

“**Gross Sales**” means the total dollar amount of all sales generated through the Business for a given period, including, but not limited to, payment for any services or products sold by Franchisee, whether for cash or credit. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected by Franchisee, (iii) sales of used equipment not in the ordinary course of business, or (iv) sales of prepaid cards or similar products (but the redemption of any such card or product will be included in Gross Sales).

“Input” means any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Business.

“Location” means the location stated on the Summary Page. If no location is stated on the Summary Page, then the Location will be determined in accordance with Section 6.1.

“Losses” includes (but is not limited to) all losses; damages; fines; charges; expenses; lost profits; reasonable attorneys’ fees; travel expenses, expert witness fees; court costs; settlement amounts; judgments; loss of CB Franchising’s reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

“Manual” means CB Franchising’s confidential Operating Manual(s), including any supplements, additions, or revisions from time to time, which may be in any form or media.

“Marketing Fund” means the fund established (or which may be established) by CB Franchising into which Marketing Fund Contributions are deposited.

“Marks” means the trade name and logo contained on the Summary Page, and all other trade names, trademarks, service marks and logos specified by CB Franchising from time to time for use in a Chocolate Bash business.

“Owner” means each person or entity which directly or indirectly owns or controls any equity of Franchisee. If Franchisee is an individual person, then “Owner” means Franchisee.

“Remodel” means a refurbishment, renovation, and remodeling of the Location to conform to the building design, exterior facade, trade dress, signage, fixtures, furnishings, equipment, decor, color schemes, presentation of the Marks, and other System Standards in a manner consistent with the image then in effect for a new Chocolate Bash business.

“Required Vendor” means a supplier, vendor, or distributor of Inputs which CB Franchising requires franchisees to use.

“System Standards” means, as of any given time, the then-current mandatory procedures, requirements, and/or standards of the System as determined by CB Franchising, which may include without limitation, any procedures, requirements and/or standards for appearance, business metrics, cleanliness, customer service, design (such as construction, decoration, layout, furniture, fixtures and signs), equipment, inventory, marketing and public relations, operating hours, presentation of Marks, product and service offerings, quality of products and services (including any guaranty and warranty programs), reporting, safety, technology (such as computers, computer peripheral equipment, smartphones, point-of-sale systems, back-office systems, information management systems, security systems, video monitors, other software, backup and archiving systems, communications systems (including email, audio, and video systems), payment acceptance systems, and internet access, as well as upgrades, supplements, and modifications thereto), uniforms, and vehicles.

“**Territory**” means the territory stated on the Summary Page. If no territory is stated on the Summary Page, then the Territory is determined in accordance with Section 6.1.

“**Transfer**” means for Franchisee (or any Owner) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the Business, (ii) this Agreement, (iii) direct or indirect ownership interest of more than 25% of the Business, or (iv) control of the Business.

ARTICLE 2. GRANT OF LICENSE

2.1 Grant. CB Franchising grants to Franchisee the right to operate a Chocolate Bash business solely at the Location. If no Location is stated on the Summary Page when this Agreement is signed, then the parties will determine the Location in accordance with Section 6.1. Franchisee shall develop, open and operate a Chocolate Bash business at the Location for the entire term of this Agreement.

2.2 Protected Territory. CB Franchising shall not establish, nor license the establishment of, another Chocolate Bash business within the Territory. CB Franchising retains the right to:

- (i) establish and license others to establish and operate Chocolate Bash businesses outside the Territory;
- (ii) operate and license others to operate businesses anywhere that do not operate under the Chocolate Bash brand name; and
- (iii) sell and license others to sell products and services in the Territory through channels of distribution (including the internet) other than Chocolate Bash outlets.

2.3 Franchisee Control. Franchisee represents that Attachment 1 (i) identifies each owner, officer and director of Franchisee, and (ii) describes the nature and extent of each owner’s interest in Franchisee. If any information on Attachment 1 changes (which is not a Transfer), Franchisee shall notify CB Franchising within 10 days.

2.4 Principal Executive. Franchisee agrees that the person designated as the “Principal Executive” on the Summary Page is the executive primarily responsible for the Business and has decision-making authority on behalf of Franchisee. The Principal Executive must have at least 10% ownership interest in Franchisee. The Principal Executive does not have to serve as a day-to-day general manager of the Business, but the Principal Executive must devote substantial time and attention to the Business. If the Principal Executive dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to be the executive primarily responsible for the Business, Franchisee shall promptly designate a new Principal Executive, subject to CB Franchising’s reasonable approval.

2.5 Guaranty. If Franchisee is an entity, then Franchisee shall have each Owner sign a personal guaranty of Franchisee’s obligations to CB Franchising, in the form of Attachment 3.

2.6 No Conflict. Franchisee represents to CB Franchising that Franchisee and each of its Owners (i) are not violating any agreement (including any confidentiality or non-competition

covenant) by entering into or performing under this Agreement, (ii) are not a direct or indirect owner of any Competitor, and (iii) are not listed or “blocked” in connection with, and are not in violation under, any anti-terrorism law, regulation, or executive order.

ARTICLE 3. TERM

3.1 Term. This Agreement commences on the Effective Date and continues for 10 years.

3.2 Successor Agreement. When the term of this Agreement expires, Franchisee may enter into a successor agreement subject to the following conditions prior to each expiration:

- (i) Franchisee notifies CB Franchising of the election to renew between 90 and 180 days prior to the end of the term;
- (ii) Franchisee (and its affiliates) are in compliance with this Agreement and all other agreements with CB Franchising (or any of its affiliates) at the time of election and at the time of renewal;
- (iii) Franchisee has made or agrees to make (within a period of time acceptable to CB Franchising) renovations and changes to the Business as CB Franchising requires (including a Remodel, if applicable) to conform to the then-current System Standards;
- (iv) Franchisee and its Owners execute CB Franchising’s then-current standard form of franchise agreement and related documents (including personal guaranty), which may be materially different than this form (including, without limitation, higher and/or different fees), except that Franchisee will not pay another initial franchise fee and will not receive more renewal or successor terms than described in this Section; and
- (v) Franchisee and each Owner executes a general release (on CB Franchising’s then-standard form) of any and all claims against CB Franchising, its affiliates, and their respective owners, officers, directors, agents and employees.

ARTICLE 4. FEES

4.1 Franchise Fee. Upon signing this Agreement, Franchisee shall pay a franchise fee of \$15,000 to CB Franchising. This fee is not refundable.

By order of the California Department of Business Oversight, all initial fees payable to the Franchisor are deferred until Franchisor has delivered all pre-opening obligations and Franchisee is open for business.

4.2 Training Fee. Upon signing this Agreement, Franchisee shall pay a training fee of \$15,000 to CB Franchising. This fee is not refundable.

By order of the California Department of Business Oversight, all initial fees payable to the Franchisor are deferred until Franchisor has delivered all pre-opening obligations and Franchisee is open for business.

4.3 Site Selection Fee. Upon signing this Agreement, Franchisee shall pay a site selection fee of \$5,000 to CB Franchising. This fee is not refundable.

By order of the California Department of Business Oversight, all initial fees payable to the Franchisor are deferred until Franchisor has delivered all pre-opening obligations and Franchisee is open for business.

4.4 Royalty Fee. Franchisee shall pay CB Franchising a weekly royalty fee (the “Royalty Fee”) equal to 6% of Gross Sales. The Royalty Fee for any given month is due by the 5th day of the following month.

4.5 Marketing Contributions.

(a) Marketing Fund Contribution. Franchisee shall pay CB Franchising a contribution to the Marketing Fund (the “Marketing Fund Contribution”) equal to 1% of Franchisee’s Gross Sales (or such lesser amount as CB Franchising determines), at the same time as the Royalty Fee.

(b) Market Cooperative Contribution. If the Business participates in a Market Cooperative, then Franchisee shall contribute to the Market Cooperative a percentage of Gross Sales (or other amount) determined by the Market Cooperative.

4.6 Replacement / Additional Training Fee. If Franchisee sends an employee to CB Franchising’s training program after opening, CB Franchising may charge its then-current training fee. As of the date of this Agreement, the training fee is \$150 per person.

4.7 Third Party Vendors. If CB Franchising requires Franchisee to use a designated third-party vendor, CB Franchising has the right (but not the obligation) to collect payment on behalf of the vendor and remit the payment to the vendor. If CB Franchising does so, it may impose a reasonable markup or charge for administering the payment program.

4.8 Non-Compliance Fee. CB Franchising may charge Franchisee \$500 for any instance of non-compliance with the System Standards or this Agreement (other than Franchisee’s non-payment of a fee owed to CB Franchising) which Franchisee fails to cure after 30 days’ notice. Thereafter, CB Franchising may charge Franchisee \$250 per week until Franchisee ceases such non-compliance. This fee is a reasonable estimate of CB Franchising’s internal cost of personnel time attributable to addressing the non-compliance, and it is not a penalty or estimate of all damages arising from Franchisee’s breach. The non-compliance fee is in addition to all of CB Franchising’s other rights and remedies (including default and termination under Section 14.2).

4.9 Reimbursement. CB Franchising may (but is never obligated to) pay on Franchisee’s behalf any amount that Franchisee owes to a supplier or other third party. If CB Franchising does so or intends to do so, Franchisee shall pay such amount plus a 10% administrative charge to CB Franchising within 15 days after invoice by CB Franchising accompanied by reasonable documentation.

4.10 Payment Terms.

(a) Method of Payment. Franchisee shall pay the Royalty Fee, Marketing Fund Contribution, and any other amounts owed to CB Franchising by pre-authorized bank draft or in such other manner as CB Franchising may require. Franchisee shall comply with CB Franchising's payment instructions.

(b) Calculation of Fees. Franchisee shall report monthly Gross Sales to CB Franchising by the 5th day of the following month. If Franchisee fails to report monthly Gross Sales, then CB Franchising may withdraw estimated Royalty Fees and Marketing Fund Contributions equal to 125% of the last Gross Sales reported to CB Franchising, and the parties will true-up the actual fees after Franchisee reports Gross Sales. Franchisee acknowledges that CB Franchising has the right to remotely access Franchisee's point-of-sale system to calculate Gross Sales.

(c) Late Fees and Interest. If Franchisee does not make a payment on time, Franchisee shall pay a \$100 "late fee" plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law).

(d) Insufficient Funds. CB Franchising may charge \$30 for any payment returned for insufficient funds (or, if such amount exceeds the maximum allowed by law, then the fee allowed by law).

(e) Costs of Collection. Franchisee shall repay any costs incurred by CB Franchising (including reasonable attorney fees) in attempting to collect payments owed by Franchisee.

(f) Application. CB Franchising may apply any payment received from Franchisee to any obligation and in any order as CB Franchising may determine, regardless of any designation by Franchisee.

(g) Obligations Independent; No Set-Off. The obligations of Franchisee to pay to CB Franchising any fees or amounts described in this Agreement are not dependent on CB Franchising's performance and are independent covenants by Franchisee. Franchisee shall make all such payments without offset or deduction.

ARTICLE 5. ASSISTANCE

5.1 Manual. CB Franchising shall make its Manual available to Franchisee.

5.2 Assistance in Hiring Employees. CB Franchising shall provide its suggested staffing levels to Franchisee. CB Franchising shall provide suggested guidelines for hiring employees. All hiring decisions and conditions of employment are Franchisee's sole responsibility.

5.3 Assistance in Training Employees. CB Franchising shall, to the extent it deems appropriate, provide programs for Franchisee to conduct training of new employees.

5.4 Pre-Opening Assistance.

(a) Selecting Location. CB Franchising shall provide its criteria for Chocolate Bash locations to Franchisee. CB Franchising will review and advise Franchisee regarding potential locations submitted by Franchisee.

(b) Pre-Opening Plans, Specifications, and Vendors. Within a reasonable period of time after the Effective Date, CB Franchising shall provide Franchisee with (i) CB Franchising's sample set of standard building plans and specifications and/or standard recommended floor plans; (ii) the applicable System Standards, (iii) other specifications as CB Franchising deems appropriate (which may include specifications regarding inventory, supplies, materials, and other matters), and (iv) CB Franchising's lists of Approved Vendors and/or Required Vendors.

(c) Pre-Opening Training. CB Franchising shall make available its standard pre-opening training to the Principal Executive and up to 2 other employees, at CB Franchising's headquarters and/or at a Chocolate Bash business designated by CB Franchising. CB Franchising shall not charge any fee for this training. Franchisee is responsible for its own travel, lodging, meal, and other out-of-pocket expenses. CB Franchising reserves the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the program.

(d) Market Introduction Plan. CB Franchising shall advise Franchisee regarding the planning and execution of Franchisee's market introduction plan.

(e) On-Site Opening Assistance. CB Franchising shall have a representative support Franchisee's business opening with at least 3 days of onsite opening training and assistance.

5.5 Post-Opening Assistance.

(a) Advice, Consulting, and Support. If Franchisee requests, CB Franchising will provide advice to Franchisee (by telephone or electronic communication) regarding improving and developing Franchisee's business, and resolving operating problems Franchisee encounters, to the extent CB Franchising deems reasonable. If CB Franchising provides in-person support in response to Franchisee's request, CB Franchising may charge its then-current fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).

(b) Pricing. Upon request, CB Franchising will provide recommended prices for products and services offered by franchisees of the System.

(c) Procedures. CB Franchising will provide Franchisee with CB Franchising's recommended administrative, bookkeeping, accounting, and inventory control procedures. CB Franchising may make any such procedures part of required (and not merely recommended) System Standards.

(d) Marketing. CB Franchising shall manage the Marketing Fund.

(e) Internet. CB Franchising shall maintain a website for Chocolate Bash, which will include Franchisee's location (or territory) and telephone number.

ARTICLE 6. LOCATION, DEVELOPMENT, AND OPENING

6.1 Determining Location and Territory. If the Location and Territory are not stated on the Summary Page:

(i) Franchisee shall find a potential Location within the Development Area described on the Summary Page. Franchisee shall submit its proposed Location to CB Franchising for acceptance, with all related information CB Franchising may request. If CB Franchising does not accept the proposed Location in writing within 30 days, then it is deemed rejected.

(ii) When CB Franchising accepts the Location, it shall issue a Location Acceptance Letter in the form of Attachment 2 which states the Location and Territory. CB Franchising shall determine the Territory in its good faith discretion, substantially in accordance with Item 12 of the Franchise Disclosure Document.

(iii) **CB Franchising's advice regarding or acceptance of a site is not a representation or warranty that the Business will be successful, and CB Franchising has no liability to Franchisee with respect to the location of the Business.**

(iv) If Franchisee has not received a Location Acceptance Letter within 12 months of the Effective Date, CB Franchising shall have the right to terminate this Agreement

6.2 Lease. In connection with any lease between Franchisee and the landlord of the Location:

(i) if requested by CB Franchising, Franchisee must submit the proposed lease to CB Franchising for written approval, (ii) the term of the lease (including renewal terms) must be for a period of not less than the term of this Agreement, and (iii) Franchisee shall use commercially reasonable efforts to obtain the landlord's signature to a rider to the lease in the form required by CB Franchising.

6.3 Development. Franchisee shall construct (or remodel) and finish the Location in conformity with CB Franchising's System Standards. If required by CB Franchising, Franchisee shall engage the services of an architect licensed in the jurisdiction of the Location. Franchisee shall not begin any construction or remodeling work without first obtaining CB Franchising's approval of Franchisee's plans. CB Franchising may, but is not required to, inspect Franchisee's construction or remodeling progress at any reasonable time. Franchisee shall not rely upon any information provided or opinions expressed by CB Franchising or its representatives regarding any architectural, engineering, or legal matters (including without limitation the Americans With Disabilities Act) in the development and construction of the Business, and CB Franchising assumes no liability with respect thereto. CB Franchising's inspection and/or approval to open the Business is not a representation or a warranty that the Business has been constructed in accordance with any architectural, engineering, or legal standards.

6.4 New Franchisee Training. Franchisee's Principal Executive must complete CB Franchising's training program for new franchisees to CB Franchising's satisfaction at least four weeks before opening the Business.

6.5 Conditions to Opening. Franchisee shall notify CB Franchising at least 30 days before Franchisee intends to open the Business to the public. Before opening, Franchisee must satisfy all

of the following conditions: (1) Franchisee is in compliance with this Agreement, (2) Franchisee has obtained all applicable governmental permits and authorizations, (3) the Business conforms to all applicable System Standards, (4) CB Franchising has inspected and approved the Business, (5) Franchisee has hired sufficient employees, (6) Franchisee's officers and employees have completed all of CB Franchising's required pre-opening training; and (7) CB Franchising has given its written approval to open, which will not be unreasonably withheld.

6.6 Opening Date. Franchisee shall open the Business to the public within 6 months of receiving a Location Acceptance Letter. If Franchisee is unable to meet this deadline, CB Franchising shall have the right to terminate this Agreement.

ARTICLE 7. OPERATIONS

7.1 Compliance with Manual and System Standards. Franchisee shall at all times and at its own expense comply with all mandatory obligations contained in the Manual and with all other System Standards.

7.2 Compliance with Law. Franchisee and the Business shall comply with all laws and regulations. Franchisee and the Business shall obtain and keep in force all governmental permits and licenses necessary for the Business.

7.3 Products, Services, and Methods of Sale. Franchisee shall offer all products and services, and only those products and services, from time to time prescribed by CB Franchising in the Manual or otherwise in writing. Franchisee shall make sales only to retail customers, and only at the Location. Unless otherwise approved or required by CB Franchising, Franchisee shall not make sales by any other means, including without limitation by wholesale, by delivery, by mail order or over the internet, or at temporary or satellite locations. Franchisee shall provide all products and perform all services in a high-quality manner that meets or exceeds the customer's reasonable expectations and all applicable System Standards. Franchisee shall implement any guaranties, warranties, or similar commitments regarding products and/or services that CB Franchising may require.

7.4 Prices. Franchisee acknowledges that the System Standards determined by CB Franchising may include the minimum, maximum, and/or exact prices that franchisees may charge for products or services sold (except to the extent such authority is limited or prohibited by applicable law).

7.5 Personnel.

(a) Management. The Business must at all times be under the on-site supervision of the Principal Executive or a general manager who has completed CB Franchising's training program.

(b) Service. Franchisee shall cause its personnel to render competent and courteous service to all customers and members of the public.

(c) Appearance. Franchisee shall cause its personnel to comply with any dress attire, uniform, personal appearance and hygiene standards set forth in the Manual.

(d) **Qualifications.** CB Franchising may set minimum qualifications for categories of employees employed by Franchisee.

(e) **Sole Responsibility.** Franchisee is solely responsible for the terms and conditions of employment of all of its personnel, including recruiting, hiring, training, scheduling, supervising, compensation, and termination. Franchisee is solely responsible for all actions of its personnel. Franchisee and CB Franchising are not joint employers, and no employee of Franchisee will be an agent or employee of CB Franchising. Within seven days of CB Franchising's request, Franchisee and each of its employees will sign an acknowledgment form stating that Franchisee alone (and not CB Franchising) is the employee's sole employer. Franchisee will use its legal name on all documents with its employees and independent contractors, including, but not limited to, employment applications, time cards, pay checks, and employment and independent contractor agreements, and Franchisee will not use the Marks on any of these documents.

7.6 Post-Opening Training. CB Franchising may at any time require that the Principal Executive and/or any other employees complete training programs, in any format and in any location determined by CB Franchising. CB Franchising may charge a reasonable fee for any training programs. CB Franchising may require Franchisee to provide training programs to its employees. If a training program is held at a location which requires travel by the Principal Executive or any other employee, then Franchisee shall pay all travel, living and other expenses.

7.7 Software. Without limiting the generality of Section 7.1 or Section 8.1, Franchisee shall acquire and use all software and related systems required by CB Franchising. Franchisee shall enter into any subscription and support agreements that CB Franchising may require. Franchisee shall upgrade, update, or replace any software from time to time as CB Franchising may require. Franchisee shall protect the confidentiality and security of all software systems, and Franchisee shall abide by any System Standards related thereto. Franchisee shall give CB Franchising unlimited access to Franchisee's point of sale system and other software systems used in the Business, by any means designated by CB Franchising.

7.8 Customer Complaints. Franchisee shall use its best efforts to promptly resolve any customer complaints. CB Franchising may take any action it deems appropriate to resolve a customer complaint regarding the Business, and CB Franchising may require Franchisee to reimburse CB Franchising for any expenses.

7.9 Customer Evaluation and System Compliance Programs. Franchisee shall participate at its own expense in programs required from time to time by CB Franchising for obtaining customer evaluations and/or reviewing Franchisee's compliance with the System, which may include (but are not limited to) a customer feedback system, customer survey programs, and mystery shopping. CB Franchising shall share with Franchisee the results of these programs, as they pertain to the Business. Franchisee must meet or exceed any minimum score requirements set by CB Franchising for such programs.

7.10 Payment Systems. Franchisee shall accept payment from customers in any form or manner designated by CB Franchising (which may include, for example, cash, specific credit and/or debit cards, gift cards, electronic fund transfer systems, and mobile payment systems). Franchisee shall purchase or lease all equipment and enter into all business relationships necessary to accept

payments as required by CB Franchising. Franchisee must at all times comply with payment card industry data security standards (PCI-DSS).

7.11 Gift Cards, Loyalty Programs, and Incentive Programs. At its own expense, Franchisee shall sell or otherwise issue gift cards, certificates, or other pre-paid systems, and participate in any customer loyalty programs, membership/subscription programs, or customer incentive programs, designated by CB Franchising, in the manner specified by CB Franchising in the Manual or otherwise in writing. Franchisee shall honor all valid gift cards and other pre-paid systems, regardless of whether issued by Franchisee or another Chocolate Bash business. Franchisee shall comply with all procedures and specifications of CB Franchising related to gift cards, certificates, and other pre-paid systems, or related to customer loyalty, membership/subscription, or customer incentive programs.

7.12 Maintenance and Repair. Franchisee shall at all times keep the Business in a neat and clean condition, perform all appropriate maintenance, and keep all physical property in good repair. In addition, Franchisee shall promptly perform all work on the physical property of the Business as CB Franchising may prescribe from time to time, including but not limited to periodic interior and exterior painting; resurfacing of the parking lot; roof repairs; and replacement of obsolete or worn out signage, floor coverings, furnishings, equipment and décor. Franchisee acknowledges that the System Standards may include requirements for cleaning, maintenance, and repair.

7.13 Remodeling. In addition to Franchisee's obligations to comply with all System Standards in effect from time to time, CB Franchising may require Franchisee to undertake and complete a Remodel of the Location to CB Franchising's satisfaction. Franchisee must complete the Remodel in the time frame specified by CB Franchising. CB Franchising may require the Franchisee to submit plans for CB Franchising's reasonable approval prior to commencing a required Remodel. CB Franchising's right to require a Remodel is limited as follows: (i) the Remodel will not be required in the first two or last two years of the term (except that a Remodel may be required as a condition to renewal of the term or a Transfer), and (ii) a Remodel will not be required more than once every five years from the date on which Franchisee was required to complete the prior Remodel.

7.14 Meetings. The Principal Executive shall use reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls) that CB Franchising requires, including any national or regional brand conventions. Franchisee shall not permit the Principal Executive to fail to attend more than three consecutive required meetings.

7.15 Insurance.

(a) Franchisee shall obtain and maintain insurance policies in the types and amounts as specified by CB Franchising in the Manual. If not specified in the Manual, Franchisee shall maintain at least the following insurance coverage:

- (i) "Special" causes of loss coverage forms, including fire and extended coverage, crime, vandalism, and malicious mischief, on all property of the Business, for full repair and replacement value (subject to a reasonable deductible);

- (ii) Business interruption insurance covering at least 12 months of income;
- (iii) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit; and
- (iv) Workers Compensation coverage as required by state law.

(b) Franchisee’s policies (other than Workers Compensation) must (1) list CB Franchising and its affiliates as an additional insured, (2) include a waiver of subrogation in favor of CB Franchising and its affiliates, (3) be primary and non-contributing with any insurance carried by CB Franchising or its affiliates, and (4) stipulate that CB Franchising shall receive 30 days’ prior written notice of cancellation.

(c) Franchisee shall provide Certificates of Insurance evidencing the required coverage to CB Franchising prior to opening and upon annual renewal of the insurance coverage, as well as at any time upon request of CB Franchising.

7.16 Suppliers and Landlord. Franchisee shall pay all vendors and suppliers in a timely manner. If Franchisee leases the Location, Franchisee shall comply with its lease for the Location.

7.17 Public Relations. Franchisee shall not make any public statements (including giving interviews or issuing press releases) regarding Chocolate Bash, the Business, or any particular incident or occurrence related to the Business, without CB Franchising’s prior written approval, which will not be unreasonably withheld.

7.18 Association with Causes. Franchisee shall not in the name of the Business (i) donate money, products, or services to any charitable, political, religious, or other organization, or (ii) act in support of any such organization, without CB Franchising’s prior written approval, which will not be unreasonably withheld.

7.19 No Other Activity at the Location. Franchisee shall not engage in any activity at the Location other than operation of the Chocolate Bash Business.

7.20 No Other Businesses. If Franchisee is an entity, Franchisee shall not own or operate any other business except Chocolate Bash businesses.

7.21 No Third-Party Management. Franchisee shall not engage a third-party management company to manage or operate the Business without the prior written approval of CB Franchising, which will not be unreasonably withheld.

7.22 No Co-Branding. Franchisee shall not “co-brand” or associate any other business activity with the Chocolate Bash Business in a manner which is likely to cause the public to perceive it to be related to the Chocolate Bash Business.

7.23 Identification. Franchisee must identify itself as the independent owner of the Business in the manner prescribed by CB Franchising. Franchisee must display at the Business signage prescribed by CB Franchising identifying the Location as an independently owned franchise.

7.24 Business Practices. Franchisee, in all interactions with customers, employees, vendors, governmental authorities, and other third parties, shall be honest and fair. Franchisee shall comply with any code of ethics or statement of values from CB Franchising. Franchisee shall not take any action which may injure the goodwill associated with the Marks.

ARTICLE 8. SUPPLIERS AND VENDORS

8.1 Generally. Franchisee shall acquire all Inputs required by CB Franchising from time to time in accordance with System Standards. CB Franchising may require Franchisee to purchase or lease any Inputs from CB Franchising, CB Franchising's designee, Required Vendors, Approved Vendors, and/or under CB Franchising's specifications. CB Franchising may change any such requirement or change the status of any vendor. To make such requirement or change effective, CB Franchising shall issue the appropriate System Standards.

8.2 Alternate Vendor Approval. If CB Franchising requires Franchisee to purchase a particular Input only from an Approved Vendor or Required Vendor, and Franchisee desires to purchase the Input from another vendor, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by CB Franchising. CB Franchising may condition its approval on such criteria as CB Franchising deems appropriate, which may include evaluations of the vendor's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. CB Franchising will provide Franchisee with written notification of the approval or disapproval of any proposed new vendor within 30 days after receipt of Franchisee's request.

8.3 Alternate Input Approval. If CB Franchising requires Franchisee to purchase a particular Input, and Franchisee desires to purchase an alternate to the Input, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by CB Franchising. CB Franchising will provide Franchisee with written notification of the approval or disapproval of any proposed alternate Input within 30 days after receipt of Franchisee's request.

8.4 Purchasing. CB Franchising may negotiate prices and terms with vendors on behalf of the System. CB Franchising may receive rebates, payments or other consideration from vendors in connection with purchases by franchisees. CB Franchising may implement a centralized purchasing system. CB Franchising may establish a purchasing cooperative and require Franchisee to join and participate in the purchasing cooperative on such terms and conditions as CB Franchising may determine.

8.5 No Liability of Franchisor. CB Franchising shall not have any liability to Franchisee for any claim or loss related to any product provided or service performed by any Approved Vendor or Required Vendor, including without limitation defects, delays, or unavailability of products or services.

8.6 Product Recalls. If CB Franchising or any vendor, supplier, or manufacturer of an item used or sold in Franchisee's Business issues a recall of such item or otherwise notifies Franchisee

that such item is defective or dangerous, Franchisee shall immediately cease using or selling such item, and Franchisee shall at its own expense comply with all instructions from CB Franchising or the vendor, supplier, or manufacturer of such item with respect to such item, including without limitation the recall, repair, and/or replacement of such item.

ARTICLE 9. MARKETING

9.1 Approval and Implementation. Franchisee shall not conduct any marketing, advertising, or public relations activities (including in-store marketing materials, websites, online advertising, social media marketing or presence, and sponsorships) that have not been approved by CB Franchising. CB Franchising may (but is not obligated to) operate all “social media” accounts on behalf of the System, or it may permit franchisees to operate one or more accounts. Franchisee must comply with any System Standards regarding marketing, advertising, and public relations, include any social media policy that CB Franchising may prescribe. Franchisee shall implement any marketing plans or campaigns determined by CB Franchising.

9.2 Use by CB Franchising. CB Franchising may use any marketing materials or campaigns developed by or on behalf of Franchisee, and Franchisee hereby grants an unlimited, royalty-free license to CB Franchising for such purpose.

9.3 Marketing Fund. CB Franchising may establish a Marketing Fund to promote the System on a local, regional, national, and/or international level. If CB Franchising has established a Marketing Fund:

(a) Separate Account. CB Franchising shall hold the Marketing Fund Contributions from all franchisees in one or more bank accounts separate from CB Franchising’s other accounts.

(b) Use. CB Franchising shall use the Marketing Fund only for marketing, advertising, and public relations materials, programs and campaigns (including at local, regional, national, and/or international level), and related overhead. The foregoing includes such activities and expenses as CB Franchising reasonably determines, and may include, without limitation: development and placement of advertising and promotions; sponsorships; contests and sweepstakes; development of décor, trade dress, Marks, and/or branding; development and maintenance of brand websites; social media; internet activities; e-commerce programs; search engine optimization; market research; public relations, media or agency costs; trade shows and other events; printing and mailing; and administrative and overhead expenses related to the Marketing Fund (including the compensation of CB Franchising’s employees working on marketing and for accounting, bookkeeping, reporting, legal and other expenses related to the Marketing Fund).

(c) Discretion. Franchisee agrees that expenditures from the Marketing Fund need not be proportionate to contributions made by Franchisee or provide any direct or indirect benefit to Franchisee. The Marketing Fund will be spent at CB Franchising’s sole discretion, and CB Franchising has no fiduciary duty with regard to the Marketing Fund.

(d) Contribution by Other Outlets. CB Franchising is not obligated to (i) have all other Chocolate Bash businesses (whether owned by other franchisees or by CB Franchising or its

affiliates) contribute to the Marketing Fund, or (ii) have other Chocolate Bash businesses that do contribute to the Marketing Fund contribute the same amount or at the same rate as Franchisee.

(e) Surplus or Deficit. CB Franchising may accumulate funds in the Marketing Fund and carry the balance over to subsequent years. If the Marketing Fund operates at a deficit or requires additional funds at any time, CB Franchising may loan such funds to the Marketing Fund on reasonable terms.

(f) Financial Statement. CB Franchising will prepare an unaudited annual financial statement of the Marketing Fund within 120 days of the close of CB Franchising's fiscal year and will provide the financial statement to Franchisee upon request.

9.4 Marketing Cooperatives. CB Franchising may establish market advertising and promotional cooperative funds ("Market Cooperative") in any geographical areas. If a Market Cooperative for the geographic area encompassing the Location has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Market Cooperative. If a Market Cooperative for the geographic area encompassing the Location is established during the term of this Agreement, Franchisee shall become a member of such Market Cooperative within 30 days. CB Franchising shall not require Franchisee to be a member of more than one Market Cooperative. If CB Franchising establishes a Market Cooperative:

(a) Governance. Each Market Cooperative will be organized and governed in a form and manner, and shall commence operations on a date, determined by CB Franchising. CB Franchising may require the Market Cooperative to adopt bylaws or regulations prepared by CB Franchising. Unless otherwise specified by CB Franchising, the activities carried on by each Market Cooperative shall be decided by a majority vote of its members. CB Franchising will be entitled to attend and participate in any meeting of a Market Cooperative. Any Chocolate Bash business owned by CB Franchising in the Market Cooperative shall have the same voting rights as those owned by its franchisees. Each Business owner will be entitled to cast one vote for each Business owned, provided, however, that a franchisee shall not be entitled to vote if it is in default under its franchise agreement. If the members of a Market Cooperative are unable or fail to determine the manner in which Market Cooperative monies will be spent, CB Franchising may assume this decision-making authority after 10 days' notice to the members of the Market Cooperative.

(b) Purpose. Each Market Cooperative shall be devoted exclusively to administering regional advertising and marketing programs and developing (subject to CB Franchising's approval) standardized promotional materials for use by the members in local advertising and promotion.

(c) Approval. No advertising or promotional plans or materials may be used by a Market Cooperative or furnished to its members without the prior approval of CB Franchising pursuant to Section 9.1. CB Franchising may designate the national or regional advertising agencies used by the Market Cooperative.

(d) Funding. The majority vote of the Market Cooperative will determine the dues to be paid by members of the Market Cooperative, including Franchisee, but not less than 1% of Gross Sales.

(e) Enforcement. Only CB Franchising will have the right to enforce the obligations of franchisees who are members of a Market Cooperative to contribute to the Market Cooperative.

(f) Termination. CB Franchising may terminate any Market Cooperative. Any funds left in a Market Cooperative upon termination will be transferred to the Marketing Fund.

9.5 Required Spending. Franchisee shall spend at least 4% of Gross Sales each month on marketing the Business. Upon request of CB Franchising, Franchisee shall furnish proof of its compliance with this Section. CB Franchising has the sole discretion to determine what activities constitute “marketing” under this Section. CB Franchising may, in its discretion, determine that if Franchisee contributes to a Market Cooperative, the amount of the contribution will be counted towards Franchisee’s required spending under this Section.

9.6 Market Introduction Plan. Franchisee must develop a market introduction plan and obtain CB Franchising’s approval of the market introduction plan at least 30 days before the projected opening date of the Business.

ARTICLE 10. RECORDS AND REPORTS

10.1 Systems. Franchisee shall use such customer data management, sales data management, administrative, bookkeeping, accounting, and inventory control procedures and systems as CB Franchising may specify in the Manual or otherwise in writing.

10.2 Reports.

(a) Financial Reports. Franchisee shall provide such periodic financial reports as CB Franchising may require in the Manual or otherwise in writing, including:

- (i) a monthly profit and loss statement and balance sheet for the Business within 30 days after the end of each calendar month;
- (ii) an annual financial statement (including profit and loss statement, cash flow statement, and balance sheet) for the Business within 90 days after the end of CB Franchising’s fiscal year; and
- (iii) any information CB Franchising requests in order to prepare a financial performance representation for CB Franchising’s franchise disclosure document.

(b) Legal Actions and Investigations. Franchisee shall promptly notify CB Franchising of any Action or threatened Action by any customer, governmental authority, or other third party against Franchisee or the Business, or otherwise involving the Franchisee or the Business. Franchisee shall provide such documents and information related to any such Action as CB Franchising may request.

(c) Government Inspections. Franchisee shall give CB Franchising copies of all inspection reports, warnings, certificates, and ratings issued by any governmental entity with respect to the Business, within three days of Franchisee's receipt thereof.

(d) Other Information. Franchisee shall submit to CB Franchising such other financial statements, reports, records, copies of contracts, documents related to litigation, tax returns, copies of governmental permits, and other documents and information related to the Business as specified in the Manual or that CB Franchising may reasonably request.

10.3 Initial Investment Report. Within 120 days after opening for business, Franchisee shall submit to CB Franchising a report detailing Franchisee's investment costs to develop and open the Business, with costs allocated to the categories described in Item 7 of CB Franchising's Franchise Disclosure Document and with such other information as CB Franchising may request.

10.4 Business Records. Franchisee shall keep complete and accurate books and records reflecting all expenditures and receipts of the Business, with supporting documents (including, but not limited to, payroll records, payroll tax returns, register receipts, production reports, sales invoices, bank statements, deposit receipts, cancelled checks and paid invoices) for at least three years. Franchisee shall keep such other business records as CB Franchising may specify in the Manual or otherwise in writing.

10.5 Records Audit. CB Franchising may examine and audit all books and records related to the Business, and supporting documentation, at any reasonable time. CB Franchising may conduct the audit at the Location and/or require Franchisee to deliver copies of books, records and supporting documentation to a location designated by CB Franchising. Franchisee shall also reimburse CB Franchising for all costs and expenses of the examination or audit if (i) CB Franchising conducted the audit because Franchisee failed to submit required reports or was otherwise not in compliance with the System, or (ii) the audit reveals that Franchisee understated Gross Sales by 3% or more for any 4-week period.

ARTICLE 11. FRANCHISOR RIGHTS

11.1 Manual; Modification. The Manual, and any part of the Manual, may be in any form or media determined by CB Franchising. CB Franchising may supplement, revise, or modify the Manual, and CB Franchising may change, add or delete System Standards at any time in its discretion. CB Franchising may inform Franchisee thereof by any method that CB Franchising deems appropriate (which need not qualify as "notice" under Section 18.9). In the event of any dispute as to the contents of the Manual, CB Franchising's master copy will control.

11.2 Inspections. CB Franchising may enter the premises of the Business from time to time during normal business hours and conduct an inspection. Franchisee shall cooperate with CB Franchising's inspectors. The inspection may include, but is not limited to, observing operations, conducting a physical inventory, evaluating physical conditions, monitoring sales activity, speaking with employees and customers, and removing samples of products, supplies and materials. CB Franchising may videotape and/or take photographs of the inspection and the Business. Without limiting CB Franchising's other rights under this Agreement, Franchisee will, as soon as reasonably practical, correct any deficiencies noted during an inspection. If CB

Franchising conducts an inspection because of a governmental report, customer complaint or other customer feedback, or a default or non-compliance with any System Standard by Franchisee (including following up a previous failed inspection), then CB Franchising may charge all out-of-pocket expenses plus its then-current inspection fee to Franchisee.

11.3 CB Franchising's Right to Cure. If Franchisee breaches or defaults under any provision of this Agreement, CB Franchising may (but has no obligation to) take any action to cure the default on behalf of Franchisee, without any liability to Franchisee. Franchisee shall reimburse CB Franchising for its costs and expenses (including the allocation of any internal costs) for such action, plus 10% as an administrative fee.

11.4 Right to Discontinue Supplies Upon Default. While Franchisee is in default or breach of this Agreement, CB Franchising may (i) require that Franchisee pay cash on delivery for products or services supplied by CB Franchising, (ii) stop selling or providing any products and services to Franchisee, and/or (iii) request any third-party vendors to not sell or provide products or services to Franchisee. No such action by CB Franchising shall be a breach or constructive termination of this Agreement, change in competitive circumstances or similarly characterized, and Franchisee shall not be relieved of any obligations under this Agreement because of any such action. Such rights of CB Franchising are in addition to any other right or remedy available to CB Franchising.

11.5 Business Data. All customer data and other non-public data generated by the Business is Confidential Information and is exclusively owned by CB Franchising. CB Franchising hereby licenses such data back to Franchisee without charge solely for Franchisee's use in connection with the Business for the term of this Agreement.

11.6 Innovations. Franchisee shall disclose to CB Franchising all ideas, plans, improvements, concepts, methods and techniques relating to the Business (collectively, "Innovations") conceived or developed by Franchisee, its employees, agents or contractors. CB Franchising will automatically own all Innovations, and it will have the right to use and incorporate any Innovations into the System, without any compensation to Franchisee. Franchisee shall execute any documents reasonably requested by CB Franchising to document CB Franchising's ownership of Innovations.

11.7 Communication Systems. If CB Franchising provides email accounts and/or other communication systems to Franchisee, then Franchisee acknowledges that it has no expectation of privacy in the assigned email accounts and other communications systems, and Franchisee authorizes CB Franchising to access such communications.

11.8 Delegation. CB Franchising may delegate any duty or obligation of CB Franchising under this Agreement to an affiliate or to a third party.

11.9 System Variations. CB Franchising may vary or waive any System Standard for any one or more Chocolate Bash franchises due to the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices, applicable laws or regulations, or any other condition relevant to the performance of a franchise or group of franchises. Franchisee is not entitled to the same variation or waiver.

11.10 Temporary Public Safety Closure. If CB Franchising discovers or becomes aware of any aspect of the Business which, in CB Franchising's opinion, constitutes an imminent danger to the

health or safety of any person, then immediately upon CB Franchising's order, Franchisee must temporarily cease operations of the Business and remedy the dangerous condition. CB Franchising shall have no liability to Franchisee or any other person for action or failure to act with respect to a dangerous condition.

ARTICLE 12. MARKS

12.1 Authorized Marks. Franchisee shall use no trademarks, service marks or logos in connection with the Business other than the Marks. Franchisee shall use all Marks specified by CB Franchising, and only in the manner as CB Franchising may require. Franchisee has no rights in the Marks other than the right to use them in the operation of the Business in compliance with this Agreement. All use of the Marks by Franchisee and any goodwill associated with the Marks, including any goodwill arising due to Franchisee's operation of the Business, will inure to the exclusive benefit of CB Franchising.

12.2 Change of Marks. CB Franchising may add, modify, or discontinue any Marks to be used under the System. Within a reasonable time after CB Franchising makes any such change, Franchisee must comply with the change, at Franchisee's expense.

12.3 Infringement.

(a) Defense of Franchisee. If Franchisee has used the Marks in accordance with this Agreement, then (i) CB Franchising shall defend Franchisee (at CB Franchising's expense) against any Action by a third-party alleging infringement by Franchisee's use of a Mark, and (ii) CB Franchising will indemnify Franchisee for expenses and damages if the Action is resolved unfavorably to Franchisee.

(b) Infringement by Third Party. Franchisee shall promptly notify CB Franchising if Franchisee becomes aware of any possible infringement of a Mark by a third party. CB Franchising may, in its sole discretion, commence or join any claim against the infringing party.

(c) Control. CB Franchising shall have the exclusive right to control any prosecution or defense of any Action related to possible infringement of or by the Marks.

ARTICLE 13. COVENANTS

13.1 Confidential Information. With respect to all Confidential Information, Franchisee shall (a) adhere to all procedures prescribed by CB Franchising for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized in writing by CB Franchising, (d) exercise the highest degree of diligence and effort to maintain the confidentiality of all such information during and after the term of this Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Franchisee acknowledges that all Confidential Information is owned by CB Franchising (except for Confidential Information which CB Franchising licenses from another person or entity). This Section will survive the termination or expiration of this Agreement indefinitely.

13.2 Covenants Not to Compete.

(a) Restriction – In Term. During the term of this Agreement, neither Franchisee, any Owner, nor any spouse of an Owner (the “Restricted Parties”) shall directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor.

(b) Restriction – Post Term. For two years after this Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer), no Restricted Party shall directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor within five miles of Franchisee’s Territory or the territory of any other Chocolate Bash business operating on the date of termination or transfer, as applicable.

(c) Interpretation. The parties agree that each of the foregoing covenants is independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court, then the parties intend that the court modify such restriction to the extent reasonably necessary to protect the legitimate business interests of CB Franchising. Franchisee agrees that the existence of any claim it may have against CB Franchising shall not constitute a defense to the enforcement by CB Franchising of the covenants of this Section. If a Restricted Party fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

13.3 Employee Recruitment. During the term of this Agreement and for one year after termination, transfer, or expiration of this Agreement, Franchisee shall not knowingly employ or seek to employ or engage as an independent contractor any person then employed by CB Franchising or its affiliates.

13.4 General Manager and Key Employees. If requested by CB Franchising, Franchisee will cause its general manager and other key employees to sign CB Franchising’s then-current form of confidentiality and non-compete agreement (unless prohibited by applicable law).

ARTICLE 14. DEFAULT AND TERMINATION

14.1 Termination by Franchisee. Franchisee may terminate this Agreement only if CB Franchising violates a material provision of this Agreement and fails to cure or to make substantial progress toward curing the violation within 30 days after receiving written notice from Franchisee detailing the alleged default. Termination by Franchisee is effective 10 days after CB Franchising receives written notice of termination.

14.2 Termination by CB Franchising.

(a) Subject to 10-Day Cure Period. CB Franchising may terminate this Agreement if Franchisee does not make any payment to CB Franchising when due, or if Franchisee does not have sufficient funds in its account when CB Franchising attempts an electronic funds withdrawal, and Franchisee fails to cure such non-payment within 10 days after CB Franchising gives notice to Franchisee of such breach.

(b) Subject to 30-Day Cure Period. If Franchisee breaches this Agreement in any manner not described in subsection (a) or (c), and Franchisee fails to cure such breach to CB Franchising's satisfaction within 30 days after CB Franchising gives notice to Franchisee of such breach, then CB Franchising may terminate this Agreement.

(c) Without Cure Period. CB Franchising may terminate this Agreement by giving notice to Franchisee, without opportunity to cure, if any of the following occur:

- (i) Franchisee misrepresented or omitted material facts when applying to be a franchisee, or breaches any representation in this Agreement;
- (ii) Franchisee knowingly submits any false report or knowingly provides any other false information to CB Franchising;
- (iii) a receiver or trustee for the Business or all or substantially all of Franchisee's property is appointed by any court, or Franchisee makes a general assignment for the benefit of Franchisee's creditors or Franchisee makes a written statement to the effect that Franchisee is unable to pay its debts as they become due, or a levy or execution is made against the Business, or an attachment or lien remains on the Business for 30 days unless the attachment or lien is being duly contested in good faith by Franchisee, or a petition in bankruptcy is filed by Franchisee, or such a petition is filed against or consented to by Franchisee and the petition is not dismissed within 45 days, or Franchisee is adjudicated as bankrupt;
- (iv) Franchisee fails to select a suitable location as stated in Section 6.1 or fails to open for business as stated in Section 6.6;
- (v) Franchisee loses possession of the Location;
- (vi) Franchisee or any Owner commits a material violation of Section 7.2 (compliance with laws) or Section 13.1 (confidentiality), violates Section 13.2 (non-compete) or Article 15 (transfer), or commits any other violation of this Agreement which by its nature cannot be cured;
- (vii) Franchisee abandons or ceases operation of the Business for more than five consecutive days;
- (viii) Franchisee or any Owner slanders or libels CB Franchising or any of its employees, directors, or officers;
- (ix) Franchisee refuses to cooperate with or permit any audit or inspection by CB Franchising or its agents or contractors, or otherwise fails to comply with Section 10.5 or Section 11.2;
- (x) the Business is operated in a manner which, in CB Franchising's reasonable judgment, constitutes a significant danger to the health or safety of any person, and Franchisee fails to cure such danger within 48 hours after becoming aware of the danger (due to notice from CB Franchising or otherwise);

- (xi) Franchisee has received two or more notices of default and Franchisee commits another breach of this Agreement, all in the same 12-month period;
- (xii) CB Franchising (or any affiliate) terminates any other agreement with Franchisee (or any affiliate) due to the breach of such other agreement by Franchisee (or its affiliate) (provided that termination of a Multi-Unit Development Agreement with Franchisee or its affiliate shall not give CB Franchising the right to terminate this Agreement); or
- (xiii) Franchisee or any Owner is accused by any governmental authority or third party of any act that in CB Franchising's opinion is reasonably likely to materially and unfavorably affect the Chocolate Bash brand, or is charged with, pleads guilty to, or is convicted of a felony.

14.3 Effect of Termination. Upon termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to non-competition, confidentiality, indemnity, and dispute resolution, will remain in effect, and Franchisee must immediately:

- (i) pay all amounts owed to CB Franchising based on the operation of the Business through the effective date of termination or expiration;
- (ii) return to CB Franchising all copies of the Manual, Confidential Information and any and all other materials provided by CB Franchising to Franchisee or created by a third party for Franchisee relating to the operation of the Business, and all items containing any Marks, copyrights, and other proprietary items; and delete all Confidential Information and proprietary materials from electronic devices;
- (iii) notify the telephone, internet, email, electronic network, directory, and listing entities of the termination or expiration of Franchisee's right to use any numbers, addresses, domain names, locators, directories and listings associated with any of the Marks, and authorize their transfer to CB Franchising or any new franchisee as may be directed by CB Franchising, and Franchisee hereby irrevocably appoints CB Franchising, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or appropriate to accomplish the foregoing; and
- (iv) cease doing business under any of the Marks.

14.4 Remove Identification. Within 30 days after termination or expiration, Franchisee shall at its own expense "de-identify" the Location so that it no longer contains the Marks, signage, or any trade dress of a Chocolate Bash business, to the reasonable satisfaction of CB Franchising. Franchisee shall comply with any reasonable instructions and procedures of CB Franchising for de-identification. If Franchisee fails to do so within 30 days after this Agreement expires or is terminated, CB Franchising may enter the Location to remove the Marks and de-identify the Location. In this event, CB Franchising will not be charged with trespass nor be accountable or required to pay for any assets removed or altered, or for any damage caused by CB Franchising.

14.5 Liquidated Damages. If CB Franchising terminates this Agreement based upon Franchisee's default (or if Franchisee purports to terminate this Agreement except as permitted under Section 14.1), then within 10 days thereafter Franchisee shall pay to CB Franchising a lump sum (as liquidated damages and not as a penalty) calculated as follows: (x) the average Royalty Fees and Marketing Fund Contributions that Franchisee owed to CB Franchising under this Agreement for the [52-week] period preceding the effective date of termination; multiplied by (y) the lesser of (1) [104] or (2) the number of weeks remaining in the then-current term of this Agreement. If Franchisee had not operated the Business for at least 52 weeks, then (x) will equal the average Royalty Fees and Marketing Fund Contributions that Franchisee owed to CB Franchising during the period that Franchisee operated the Business. Franchisee acknowledges that a precise calculation of the full extent of CB Franchising's damages under these circumstances is difficult to determine and the method of calculation of such damages as set forth in this Section is reasonable. Franchisee's payment to CB Franchising under this Section will be in lieu of any direct monetary damages that CB Franchising may incur as a result of CB Franchising's loss of Royalty Fees and Marketing Fund Contributions that would have been owed to CB Franchising after the date of termination; however, such payment shall be in addition to all damages and other amounts arising under Section 14.3 and Section 14.4, CB Franchising's right to injunctive relief for enforcement of Article 13, and any attorneys' fees and other costs and expenses to which CB Franchising is entitled under this Agreement. Except as provided in this Section, Franchisee's payment of this lump sum shall be in addition to any other right or remedy that CB Franchising may have under this Agreement or otherwise.

14.6 Purchase Option. When this Agreement expires or is terminated, CB Franchising will have the right (but not the obligation) to purchase any or all of the assets related to the Business, and/or to require Franchisee to assign its lease or sublease to CB Franchising. To exercise this option, CB Franchising must notify Franchisee no later than 30 days after this Agreement expires or is terminated. The purchase price for all assets that CB Franchising elects to purchase will be the lower of (i) the book value of such assets as declared on Franchisee's last filed tax returns or (ii) the fair market value of the assets. If the parties cannot agree on fair market value within 30 days after the exercise notice, the fair market value will be determined by an independent appraiser reasonably acceptable to both parties. The parties will equally share the cost of the appraisal. CB Franchising's purchase will be of assets only (free and clear of all liens), and the purchase will not include any liabilities of Franchisee. The purchase price for assets will not include any factor or increment for any trademark or other commercial symbol used in the business, the value of any intangible assets, or any goodwill or "going concern" value for the Business. CB Franchising may withdraw its exercise of the purchase option at any time before it pays for the assets. Franchisee will sign a bill of sale for the purchased assets and any other transfer documents reasonably requested by CB Franchising. If CB Franchising exercises the purchase option, CB Franchising may deduct from the purchase price: (a) all amounts due from Franchisee; (b) Franchisee's portion of the cost of any appraisal conducted hereunder; and (c) amounts paid or to be paid by CB Franchising to cure defaults under Franchisee's lease and/or amounts owed by Franchisee to third parties. If any of the assets are subject to a lien, CB Franchising may pay a portion of the purchase price directly to the lienholder to pay off such lien. CB Franchising may withhold 25% of the purchase price for 90 days to ensure that all of Franchisee's taxes and other liabilities are paid. CB Franchising may assign this purchase option to another party.

ARTICLE 15. TRANSFERS

15.1 By CB Franchising. CB Franchising may transfer or assign this Agreement, or any of its rights or obligations under this Agreement, to any person or entity, and CB Franchising may undergo a change in ownership and/or control, without the consent of Franchisee.

15.2 By Franchisee. Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that CB Franchising entered into this Agreement in reliance on Franchisee's business skill, financial capacity, personal character, experience, and business ability. Accordingly, Franchisee shall not conduct or undergo a Transfer without providing CB Franchising at least 60 days prior notice of the proposed Transfer, and without obtaining CB Franchising's consent. In granting any such consent, CB Franchising may impose conditions, including, without limitation, the following:

- (i) CB Franchising receives a transfer fee equal to \$2,000;
- (ii) the proposed assignee and its owners have completed CB Franchising's franchise application processes, meet CB Franchising's then-applicable standards for new franchisees, and have been approved by CB Franchising as franchisees;
- (iii) the proposed assignee is not a Competitor;
- (iv) the proposed assignee executes CB Franchising's then-current form of franchise agreement and any related documents, which form may contain materially different provisions than this Agreement;
- (v) all owners of the proposed assignee provide a guaranty in accordance with Section 2.5;
- (vi) Franchisee has paid all monetary obligations to CB Franchising and its affiliates, and to any lessor, vendor, supplier, or lender to the Business, and Franchisee is not otherwise in default or breach of this Agreement or of any other obligation owed to CB Franchising or its affiliates;
- (vii) the proposed assignee and its owners and employees undergo such training as CB Franchising may require;
- (viii) Franchisee, its Owners, and the transferee and its owners execute a general release of CB Franchising in a form satisfactory to CB Franchising; and
- (ix) the Business fully complies with all of CB Franchising's most recent System Standards.

15.3 Transfer for Convenience of Ownership. If Franchisee is an individual, Franchisee may Transfer this Agreement to a corporation or limited liability company formed for the convenience of ownership after at least 15 days' notice to CB Franchising, if, prior to the Transfer: (1) the transferee provides the information required by Section 2.3; (2) Franchisee provides copies of the entity's charter documents, by-laws (or operating agreement) and similar documents, if requested

by CB Franchising, (3) Franchisee owns all voting securities of the corporation or limited liability company, and (4) Franchisee provides a guaranty in accordance with Section 2.5.

15.4 Transfer upon Death or Incapacity. Upon the death or incapacity of Franchisee (or, if Franchisee is an entity, the person with the largest ownership interest in Franchisee), the executor, administrator, or personal representative of that person must Transfer the Business to a third party approved by CB Franchising within nine months after death or incapacity. Such transfer must comply with Section 15.2.

15.5 CB Franchising's Right of First Refusal. Before Franchisee (or any Owner) engages in a Transfer (except under Section 15.3 or to a spouse, sibling, or child of an Owner), CB Franchising will have a right of first refusal, as set forth in this Section. Franchisee (or its Owners) shall provide to CB Franchising a copy of the terms and conditions of any Transfer. For a period of 30 days from the date of CB Franchising's receipt of such copy, CB Franchising will have the right, exercisable by notice to Franchisee, to purchase the assets subject of the proposed Transfer for the same price and on the same terms and conditions (except that CB Franchising may substitute cash for any other form of payment). If CB Franchising does not exercise its right of first refusal, Franchisee may proceed with the Transfer, subject to the other terms and conditions of this Article.

15.6 No Sublicense. Franchisee has no right to sublicense the Marks or any of Franchisee's rights under this Agreement.

15.7 No Lien on Agreement. Franchisee shall not grant a security interest in this Agreement to any person or entity. If Franchisee grants an "all assets" security interest to any lender or other secured party, Franchisee shall cause the secured party to expressly exempt this Agreement from the security interest.

ARTICLE 16. INDEMNITY

16.1 Indemnity. Franchisee shall indemnify and defend (with counsel reasonably acceptable to CB Franchising) CB Franchising, its parent entities, subsidiaries and affiliates, and their respective owners, directors, officers, employees, agents, successors and assignees (collectively, "Indemnitees") against all Losses in any Action by or against CB Franchising and/or any Indemnatee directly or indirectly related to, or alleged to arise out of, the operation of the Business. Notwithstanding the foregoing, Franchisee shall not be obligated to indemnify an Indemnatee from Actions arising as a result of any Indemnatee's intentional misconduct or negligence. Any delay or failure by an Indemnatee to notify Franchisee of an Action shall not relieve Franchisee of its indemnity obligation except to the extent (if any) that such delay or failure materially prejudices Franchisee. Franchisee shall not settle an Action without the consent of the Indemnatee. This indemnity will continue in effect after this Agreement ends.

16.2 Assumption. An Indemnatee may elect to assume the defense of any Action subject to this indemnification, and control all aspects of defending the Action, including negotiations and settlement, at Franchisee's expense. Such an undertaking shall not diminish Franchisee's obligation to indemnify the Indemnitees.

ARTICLE 17. DISPUTE RESOLUTION

17.1 Mediation.

(a) Disputes Subject to Mediation. Except as expressly provided in subsection (c), any controversy or claim between the parties (including any controversy or claim arising out of or relating to this Agreement or its formation) shall first be submitted to mediation in accordance with its Commercial Mediation Rules.

(b) Location. The place of mediation shall be the city and state where CB Franchising's headquarters are located.

(c) Confidentiality. All documents, information, and results pertaining to any arbitration or lawsuit will be confidential, except as required by law or as required for CB Franchising to comply with laws and regulations applicable to the sale of franchises.

(d) Performance During Arbitration or Litigation. Unless this Agreement has been terminated, CB Franchising and Franchisee will comply with this Agreement and perform their respective obligations under this Agreement during the mediation or litigation process.

17.2 Damages. In any controversy or claim arising out of or relating to this Agreement, each party waives any right to punitive or other monetary damages not measured by the prevailing party's actual damages, except damages expressly authorized by federal statute and damages expressly authorized by this Agreement.

17.3 Waiver of Class Actions. The parties agree that any claims will be arbitrated, litigated, or otherwise resolved on an individual basis, and waive any right to act on a class-wide basis.

17.4 Time Limitation. Any legal action arising from or related to this Agreement must be instituted within two years from the date such party discovers the conduct or event that forms the basis of the arbitration or other legal action. The foregoing time limit does not apply to claims (i) by one party related to non-payment under this Agreement by the other party, (ii) for indemnity under Article 16, or (iii) related to unauthorized use of Confidential Information or the Marks.

17.5 Venue Other Than Mediation. For any legal proceeding the parties agree that any such legal proceeding will be brought in the United States District Court where CB Franchising's headquarters is then located. If there is no federal jurisdiction over the dispute, the parties agree that any such legal proceeding will be brought in the court of record of the state and county where CB Franchising's headquarters is then located. Each party consents to the jurisdiction of such courts and waives any objection that it, he or she may have to the laying of venue of any proceeding in any of these courts.

17.6 Legal Costs. In any legal proceeding related to this Agreement or any guaranty, the non-prevailing party shall pay the prevailing party's attorney fees, costs and other expenses of the legal proceeding. "Prevailing party" means the party, if any, which prevailed upon the central litigated issues and obtained substantial relief.

ARTICLE 18. MISCELLANEOUS

18.1 Relationship of the Parties. The parties are independent contractors, and neither is the agent, partner, joint venturer, or employee of the other. CB Franchising is not a fiduciary of Franchisee. CB Franchising does not control or have the right to control Franchisee or its Business. Any required specifications and standards in this Agreement and in the System, Standards exist to protect CB Franchising's interest in the System and the Marks, and the goodwill established in them, and not for the purpose of establishing any control, or duty to take control, over the Business. CB Franchising has no liability for Franchisee's obligations to any third party whatsoever.

18.2 No Third-Party Beneficiaries. This Agreement does not confer any rights or remedies upon any person or entity other than Franchisee, CB Franchising, and CB Franchising's affiliates.

18.3 Entire Agreement. This Agreement constitutes the entire agreement of the parties and supersedes all prior negotiations and representations. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made by CB Franchising in its franchise disclosure document.

18.4 Modification. No modification or amendment of this Agreement will be effective unless it is in writing and signed by both parties. This provision does not limit CB Franchising's rights to modify the Manual or System Standards.

18.5 Consent; Waiver. No consent under this Agreement, and no waiver of satisfaction of a condition or nonperformance of an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the consent or waiver. No waiver by a party of any right will affect the party's rights as to any subsequent exercise of that right or any other right. No delay, forbearance or omission by a party to exercise any right will constitute a waiver of such right.

18.6 Cumulative Remedies. Rights and remedies under this Agreement are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.

18.7 Severability. The parties intend that (i) if any provision of this Agreement is held by an arbitrator or court to be unenforceable, then that provision be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded, and (ii) if an unenforceable provision is modified or disregarded, then the rest of this Agreement will remain in effect as written.

18.8 Governing Law. The laws of the state of California (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any California law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 18.8.

18.9 Notices. Any notice will be effective under this Agreement only if made in writing and delivered as set forth in this Section to: (A) if to Franchisee, addressed to Franchisee at the notice address set forth in the Summary Page; and (B) if to CB Franchising, addressed to 5820 Casson Drive, Yorba Linda CA 92886. Any party may designate a new address for notices by giving notice

of the new address pursuant to this Section. Notices will be effective upon receipt (or first rejection) and must be: (1) delivered personally; (2) sent by registered or certified U.S. mail with return receipt requested; or (3) sent via overnight courier. Notwithstanding the foregoing, CB Franchising may amend the Manual, give binding notice of changes to System Standards, and deliver notices of default by electronic mail or other electronic communication.

18.10 Holdover. If Franchisee continues operating the Business after the expiration of the term without a renewal agreement or successor franchise agreement executed by the parties in accordance with Section 3.2, then at any time thereafter (regardless of any course of dealing by the parties), CB Franchising may by giving written notice to Franchisee (the “Holdover Notice”) either (i) terminate this Agreement effective immediately upon giving notice or effective on such other date as CB Franchising or (ii) bind Franchisee to a renewal term of [____] years, and deem Franchisee and its Owners to have made the general release of liability described in Section 3.2(vi).

18.11 Joint and Several Liability. If two or more people sign this Agreement as “Franchisee”, each will have joint and several liability.

18.12 No Offer and Acceptance. Delivery of a draft of this Agreement to Franchisee by CB Franchising does not constitute an offer. This Agreement shall not be effective unless and until it is executed by both Franchisee and CB Franchising.

Agreed to by:

FRANCHISOR: CHOCOLATE BASH FRANCHISING, LLC

Signature: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE: _____

Signature: _____

Name: _____

Title: _____

Date: _____

Attachment 1 to Franchise Agreement

OWNERSHIP INFORMATION

1. **Form of Ownership.** Franchisee is a (check one):

_____ *Sole Proprietorship*
_____ *Partnership*
_____ *Limited Liability Company*
_____ *Corporation*

State: _____

2. **Owners.** If Franchisee is a partnership, limited liability company or corporation:

Name	Shares or Percentage of Ownership

3. **Officers.** If Franchisee is a limited liability company or corporation:

Name	Title

Attachment 2 to Franchise Agreement

LOCATION ACCEPTANCE LETTER

To: _____

This Location Acceptance Letter is issued by Chocolate Bash Franchising, LLC for your Chocolate Bash franchise in accordance with Section 6.1 of the Franchise Agreement.

1. The Location of the Business is:

2. The Territory of the Business is:

CHOCOLATE BASH FRANCHISING, LLC

By: _____

Name: _____

Title: _____

Date: _____

Attachment 3 to Franchise Agreement

GUARANTY AND NON-COMPETE AGREEMENT

This Guaranty and Non-Compete Agreement (this “Guaranty”) is executed by the undersigned person(s) (each, a “Guarantor”) in favor of Chocolate Bash Franchising, LLC, a Wyoming limited liability company (“CB Franchising”).

Background Statement: _____ (“Franchisee”) desires to enter into a Franchise Agreement with CB Franchising for the franchise of a Chocolate Bash business (the “Franchise Agreement”; capitalized terms used but not defined in this Guaranty have the meanings given in the Franchise Agreement). Guarantor owns an equity interest in Franchisee. Guarantor is executing this Guaranty in order to induce CB Franchising to enter into the Franchise Agreement.

Guarantor agrees as follows:

1. Guaranty. Guarantor hereby unconditionally guarantees to CB Franchising and its successors and assigns that Franchisee shall pay and perform every undertaking, agreement and covenant set forth in the Franchise Agreement and further guarantees every other liability and obligation of Franchisee to CB Franchising, whether or not contained in the Franchise Agreement. Guarantor shall render any payment or performance required under the Franchise Agreement or any other agreement between Franchisee and CB Franchising upon demand from CB Franchising. Guarantor waives (a) acceptance and notice of acceptance by CB Franchising of this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations of Franchisee; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right Guarantor may have to require that an action be brought against Franchisee or any other person or entity as a condition of liability hereunder; (e) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guaranty by the undersigned; (f) any law which requires that CB Franchising make demand upon, assert claims against or collect from Franchisee or any other person or entity (including any other guarantor), foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any other person or entity (including any other guarantor) prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guaranty; and (g) any and all other notices and legal or equitable defenses to which Guarantor may be entitled.

2. Confidential Information. With respect to all Confidential Information Guarantor shall (a) adhere to all security procedures prescribed by CB Franchising for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized or approved in writing by CB Franchising, (d) exercise the highest degree of diligence and make every effort to maintain the confidentiality of all such information during and after the term of the Franchise Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Guarantor acknowledges that all Confidential Information is owned by CB Franchising or its affiliates (except for Confidential Information which CB Franchising licenses

from another person or entity). Guarantor acknowledges that all customer data generated or obtained by Guarantor is Confidential Information belonging to CB Franchising. This Section will survive the termination or expiration of the Franchise Agreement indefinitely.

3. Covenants Not to Compete.

(a) Restriction - In Term. During the term of the Franchise Agreement, Guarantor shall not directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor.

(b) Restriction – Post Term. For two years after the Franchise Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer by Guarantor), Guarantor shall not directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor located within five miles of Franchisee's Territory or the territory of any other Chocolate Bash business operating on the date of termination or transfer, as applicable.

(c) Interpretation. Guarantor agrees that each of the foregoing covenants is independent of any other covenant or provision of this Guaranty or the Franchise Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court, then the parties intend that the court modify such restriction to the extent reasonably necessary to protect the legitimate business interests of CB Franchising. Guarantor agrees that the existence of any claim it or Franchisee may have against CB Franchising shall not constitute a defense to the enforcement by CB Franchising of the covenants of this Section. If Guarantor fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

4. Employee Recruitment. During the term of the Franchise Agreement and for one year after termination, transfer, or expiration of the Franchise Agreement, Guarantor shall not knowingly employ or seek to employ or engage as an independent contractor any person then employed by CB Franchising or its affiliates.

5. Modification. Guarantor agrees that Guarantor's liability hereunder shall not be diminished, relieved or otherwise affected by (a) any amendment of the Franchise Agreement, (b) any extension of time, credit or other indulgence which CB Franchising may from time to time grant to Franchisee or to any other person or entity, or (c) the acceptance of any partial payment or performance or the compromise or release of any claims.

6. Governing Law; Dispute Resolution. This Guaranty shall be governed by and construed in accordance with the laws of the state of California (without giving effect to its principles of conflicts of law). The parties agree that any California law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 6. The provisions of Article 17 (Dispute Resolution) of the Franchise Agreement apply to and are incorporated into this Guaranty as if fully set forth herein. Guarantor shall pay to CB Franchising all costs incurred by CB Franchising (including reasonable attorney fees) in enforcing this Guaranty. If multiple Guarantors sign this Guaranty, each will have joint and several liability.

Agreed to by:

Name: _____
Address: _____

Date: _____

Name: _____
Address: _____

Date: _____

Name: _____
Address: _____

Date: _____

Attachment 4 to Franchise Agreement

RIDER TO LEASE AGREEMENT

Landlord: _____

Notice Address: _____

Telephone: _____

Tenant: _____

Leased Premises: _____

Franchisor: Chocolate Bash Franchising, LLC

Notice Address: 5820 Casson Drive, Yorba

Linda CA 92886

Telephone: 714-582-9166

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of a Chocolate Bash business (or any name authorized by Franchisor).

2. Notice of Default and Opportunity to Cure. Landlord shall provide Franchisor with copies of any written notice of default (“Default”) given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 10 days after the expiration of the period in which Tenant may cure the Default.

3. Termination of Lease. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant’s Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease. To exercise this option, Franchisor must notify Landlord within 15 days after Franchisor receives notice of the termination of the Lease.

4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease, then upon the written request of Franchisor, Tenant shall assign the Lease to Franchisor. Landlord hereby consents to the assignment of the Lease to Franchisor.

5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease. If Franchisor becomes the lessee of the Lease Premises, then Franchisor shall have the right to assign or sublease its lease to a franchisee of the Chocolate Bash brand. Any provision of the Lease which limits Tenant’s right to own or operate other Chocolate Bash outlets in proximity to the Leased Premises shall not apply to Franchisor.

6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant’s business.

7. Right to Enter. Upon the expiration or termination of the Franchise Agreement or the Lease, or the termination of Tenant's right of possession of the Leased Premises, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises to remove signs and other material bearing Franchisor's brand name, trademarks, and commercial symbols, provided that Franchisor will be liable to Landlord for any damage Franchisor or its designee causes by such removal.

8. No Liability. By executing this Rider, Franchisor does not assume any liability with respect to the Lease Premises or any obligation as Tenant under the Lease.

Executed by:

LANDLORD:

By: _____

Name: _____

Title: _____

Date: _____

TENANT:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

CHOCOLATE BASH FRANCHISING, LLC

By: _____

Name: _____

Title: _____

Date: _____

Attachment 5 to Franchise Agreement

FORM OF GENERAL RELEASE

[This is our current standard form of General Release. This document is not signed when you purchase a franchise. In circumstances such as a renewal of your franchise or as a condition of our approval of a sale of your franchise, we may require you to sign a general release.]

This General Release (“Release”) is executed by the undersigned (“Releasor”) in favor of Chocolate Bash Franchising, LLC, a Wyoming limited liability company (“CB Franchising”).

Background Statement: *[describe circumstances of Release]*

Releasor agrees as follows:

- 1. Release.** Releasor (on behalf of itself and its parents, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, managers, members, partners, agents, and employees (collectively, the “Releasing Parties”)) hereby releases CB Franchising, its affiliates, and their respective directors, officers, shareholders, employees, and agents (collectively, the “Released Parties”) from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature, known or unknown, which any Releasing Party now has or ever had against any Released Party based upon and/or arising out of events that occurred through the date hereof, including without limitation, anything arising out of the Franchise Agreement (collectively, “Claims”).
- 2. Covenant Not to Sue.** Releasor (on behalf of all Releasing Parties) covenants not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any Released Party with respect to any Claim.
- 3. Representations and Acknowledgments.** Releasor represents and warrants that: (i) Releasor is the sole owner of all Claims, and that no Releasing Party has assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim; (ii) Releasor has full power and authority to sign this Release; and (iii) this Release has been voluntarily and knowingly signed after Releasor has had the opportunity to consult with counsel of Releasor’s choice. Releasor acknowledges that the release in Section 1 is a complete defense to any Claim.
- 4. Miscellaneous.** If any of the provisions of this Release are held invalid for any reason, the remainder of this Release will not be affected and will remain in full force and effect. In the event of any dispute concerning this Release, the dispute resolution, governing law, and venue provisions of the Franchise Agreement shall apply. Releasor agrees to take any actions and sign any documents that CB Franchising reasonably requests to effectuate the purposes of this Release. This Release contains the entire agreement of the parties concerning the subject matter hereof. This Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Agreed to by:

Name: _____

Date: _____

Attachment 6 to Franchise Agreement

STATE ADDENDA TO THE FRANCHISE AGREEMENT

FOR THE STATE OF CALIFORNIA

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

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

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

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

- The California Franchise Relations Act provides rights to Franchisee concerning termination or non-renewal of the Franchise Agreement, which may supersede provisions in the Franchise Agreement, specifically Sections 3.2 and 14.2.
- Section 14.2 (c)(iii), which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).
- Section 13.2 contains a covenant not to compete that extends beyond the expiration or termination of the Agreement; this covenant may not be enforceable under California Law.
- Paragraph 1 of this Addendum contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

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

4. Each owner of the franchise s required to execute a personal guaranty. Doing do could jeopardize the marital assets of non-owner spouses domiciled in community property states such as California.

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

Chocolate Bash Franchising LLC

Franchisee:_____

By: _____

By: _____

Title:_____

Title: _____

EXHIBIT C**MULTI-UNIT DEVELOPMENT AGREEMENT**

This Multi-Unit Development Agreement (this “MUDA”) is made between Chocolate Bash Franchising, LLC, a Wyoming limited liability company (“CB Franchising”) and _____, a _____ (“Franchisee”) on the Effective Date.

Background Statement: On the same day as they execute this MUDA, CB Franchising and Franchisee have entered into a Franchise Agreement for the franchise of a Chocolate Bash business (the “Franchise Agreement”; capitalized terms used but not defined in this MUDA have the meanings given in the Franchise Agreement). CB Franchising and Franchisee desire that Franchisee develop multiple Chocolate Bash businesses.

1. Multi-Unit Commitment.

(a) Development Schedule; Fee. Franchisee shall develop and open Chocolate Bash businesses on the following schedule:

Store #	Deadline for Opening	Total # of Stores to be Open and Operating On Deadline	Initial Franchise Fee
1		1	\$_____
2		2	\$_____
3		3	\$_____
4		4	\$_____
5		5	\$_____
Total Initial Franchise Fee:			

(b) Payment. Upon execution of this MUDA, Franchisee shall pay the total Initial Franchise Fee to CB Franchising. The Initial Franchise Fee is non-refundable.

2. Form of Agreement. For Store #1, Franchisee and CB Franchising have executed the Franchise Agreement simultaneously with this MUDA. For each additional Chocolate Bash franchise, Franchisee shall execute CB Franchising’s then-current standard form of franchise agreement no later than three business days after Franchisee leases or acquires a location. This MUDA does not give Franchisee the right to construct, open, or operate a Chocolate Bash business, and Franchisee acknowledges that Franchisee may construct, open, and operate each Chocolate Bash business only pursuant to a separate franchise agreement executed pursuant to this MUDA for each such Chocolate Bash business.

3. Development Area. Franchisee shall locate each Chocolate Bash business it develops under this MUDA within the following area: _____
(the "Development Area"). Franchisee shall have exclusive rights to develop, open or operate Chocolate Bash businesses in the Development Area.

4. Default and Termination. CB Franchising may terminate this MUDA by giving notice to Franchisee, without opportunity to cure, if any of the following occur:

- (i) Franchisee fails to satisfy the development schedule; or
- (ii) CB Franchising has the right to terminate any franchise agreement between CB Franchising and Franchisee (or any affiliate thereof) due to Franchisee's default thereunder (whether or not CB Franchising actually terminates such franchise agreement).

5. Limitation of Liability. Franchisee's commitment to develop Chocolate Bash businesses is in the nature of an option only. If CB Franchising terminates this MUDA for Franchisee's default, Franchisee shall not be liable to CB Franchising for lost future revenues or profits from the unopened Chocolate Bash businesses. Franchisee may terminate this MUDA at any time.

6. Conditions. Franchisee's right to develop each Chocolate Bash franchise after the Store #1 is subject to the following:

- (i) Franchisee must possess sufficient financial and organizational capacity to develop, open, operate, and manage each additional Chocolate Bash business, in the reasonable judgment of CB Franchising, and
- (ii) Franchisee must be in full compliance with all brand requirements at its open Chocolate Bash businesses, and not in default under any Franchise Agreement or any other agreement with CB Franchising.

7. Dispute Resolution; Miscellaneous. The laws of the State of California (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any California law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 7. Franchisee shall not Transfer this MUDA without the prior written consent of CB Franchising, and any Transfer without CB Franchising's prior written consent shall be void. The provisions of Article 17 (Dispute Resolution) and Article 18 (Miscellaneous) of the Franchise Agreement apply to and are incorporated into this MUDA as if fully set forth herein.

Agreed to by:

FRANCHISOR:CHOCOLATE BASH FRANCHISING, LLC

Signature: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE: _____

Signature: _____

Name: _____

Title: _____

Date: _____

EXHIBIT D
FINANCIAL STATEMENT

CHOCOLATE BASH FRANCHISING LLC

Financial Statements For The Year Ended December 31, 2021

TOGETHER WITH INDEPENDENT ACCOUNTANT AUDIT REPORT

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Suite 120 - 189
Naperville, IL 60565
+1 (815) 348-2421
omar@napercpa.com

INDEPENDENT ACCOUNTANT AUDIT REPORT

To the Management of CHOCOLATE BASH FRANCHISING LLC

We have audited the accompanying financial statements of CHOCOLATE BASH FRANCHISING LLC (the "Company"), which comprise the Balance Sheet as of December 31, 2021, the related Profit & Loss Statement, the related Statement of Cashflows, and the related Statement of Shareholders' Equity for the year then ended.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CHOCOLATE BASH FRANCHISING LLC as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

A handwritten signature in blue ink that reads 'Omar Alnuaimi, CPA'.

Omar Alnuaimi, CPA

Naperville, IL
February 3, 2022



CHOCOLATE BASH FRANCHISING LLC
PROFIT & LOSS STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021

Revenue	
Franchise Fees	\$ 63,000
Royalties Income	21,085
Total Revenue	<u>84,085</u>
Cost of Sales	<u>-</u>
Gross Profit	84,085
 Operating Expense	
Legal & Professional Services	35,949
Advertising & Marketing Expense	6,382
Office Expense	2,945
Total Operating Expenses	45,276
 Net Income From Operations	38,808
 Other Income (Expense)	
Total Other Income (Expense)	<u>-</u>
 Net Income Before Provision for Income Tax	38,808
 Provision for Income Taxes	-
 Net Income (Loss)	<u><u>\$ 38,808</u></u>

See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.

CHOCOLATE BASH FRANCHISING LLC
BALANCE SHEET
AS OF DECEMBER 31, 2021

<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents		\$104,922
	TOTAL CURRENT ASSETS	104,922
NON-CURRENT ASSETS		
	TOTAL NON-CURRENT ASSETS	-
	TOTAL ASSETS	104,922
<u>LIABILITIES AND OWNER'S EQUITY</u>		
CURRENT LIABILITIES		
Deferred Revenue, current portion		24,750
	TOTAL CURRENT LIABILITIES	24,750
NON-CURRENT LIABILITIES		
Deferred Revenue		32,250
	TOTAL NON-CURRENT LIABILITIES	32,250
	TOTAL LIABILITIES	57,000
OWNER'S EQUITY		
Retained Earnings (Deficit)		9,114
Net Income (Loss)		38,808
	TOTAL SHAREHOLDERS' EQUITY	47,922
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$104,922

See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.

CHOCOLATE BASH FRANCHISING LLC
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

OPERATING ACTIVITIES

Net Income	\$ 38,808
Non-Cash Adjustments	
Increase in Deferred Revenue	22,000
Decrease in Due From Affiliate	1,250

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	62,058
--	--------------

INVESTING ACTIVITIES

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-
--	---------

FINANCING ACTIVITIES

Owner's Contribution (net)	17,940
----------------------------	--------

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	17,940
--	--------------

NET INCREASE (DECREASE) IN CASH	79,998
---------------------------------	--------

CASH AT BEGINNING OF PERIOD	24,924
-----------------------------	--------------

CASH AT END OF PERIOD	\$104,922
-----------------------	-----------------

See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.

CHOCOLATE BASH FRANCHISING LLC
STATEMENT OF SHAREHOLDERS' EQUITY
AS OF DECEMBER 31, 2021

	Opening Equity Balance	Yearly Changes	Total
Beginning Balance	\$ (8,826)	\$ -	\$ (8,826)
Net Income for the period ending December 31, 2021	-	38,808	38,808
Equity Contributions (Distributions)	-	17,940	17,940
Balance, December 31, 2021	\$ (8,826)	\$ 56,748	\$ 47,922

See Independent Accountant’s Audit Report and accompanying notes, which are an integral part of these financial statements.

CHOCOLATE BASH FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

CHOCOLATE BASH FRANCHISING LLC (the “Company”) was formed on February 19, 2019 as a Wyoming limited liability company for the purpose of offering franchise opportunities and support for entrepreneurs who want to own a franchisee location of Chocolate Bash, a fast casual provider of sweet crepes, waffles, and related desserts.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). As a result, the Company records revenue when earned and expenses when incurred. The Company has adopted the calendar year as its basis of reporting.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosures of contingent assets and liabilities and other items, as well as the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and any cash equivalents include all cash balances, and highly liquid investments with maturities of three months or less when purchased.

Fair Value of Financial Instruments

Financial Accounting Standards Board (“FASB”) guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).

CHOCOLATE BASH FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Fair Value of Financial Instruments (cont.)

- Level 3 - Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

As of December 31, 2021, the carrying amounts of the Company's financial assets and liabilities reported in the balance sheets approximate their fair value.

Revenue Recognition

Revenues are primarily derived from franchise fees (one-time and recurring monthly fees). In accordance with Accounting Standards Codification (ASC) Topic 606, Revenue will be recognized when persuasive evidence of an arrangement exists, delivery has occurred, or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectability is reasonable assured. The determination of whether fees and fixed or determinable and collection is reasonable assured involves the use of assumptions. Arrangement terms and customer information are evaluated to ensure that these criteria are met prior to recognition of revenue.

Specifically for franchisors, The Financial Accounting Standards Board (FASB) has issued an Accounting Standards Update (ASU) to ASC 606, Franchisors—'Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient' in 2021 which provides a new practical expedient that permits private company franchisors to account for preopening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the guidance. The Company has elected to adopt this new standard for 2021 and onward.

Income Taxes

The Company, with the consent of its shareholders, has elected to be an S-Corporation (for tax purposes). In lieu of corporate income taxes, the shareholder(s) of an S-Corporation is taxed based on its proportionate share of The Company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

Commitments and Contingencies

The Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business. The results of such proceedings cannot be predicted with certainty, but the Company does not anticipate that the final outcome, if any, arising out of any such matter will have a material adverse effect on its business, financial condition or results of operations. As of December 31, 2021, the Company has not reported any lawsuit or known plans of litigation by or against the Company.

CHOCOLATE BASH FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE C – EQUITY

The Company is 100% owned by its sole shareholder, Rasha Albasha.

NOTE D – CONCENTRATIONS OF RISK

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company places its cash and any cash equivalents with a limited number of high-quality financial institutions and do not exceed the amount of insurance provided on such deposits.

NOTE E – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 3, 2022, the date on which the financial statements were available to be issued. Management has determined that none of the events occurring after the date of the balance sheet through the date of Management's review substantially affect the amounts and disclosure of the accompanying financial statements.

CHOCOLATE BASH FRANCHISING LLC

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2020

DASH Business Solutions, LLC

13957 Exotica Lane Wellington, FL 33414 561.247.5303

CHOCOLATE BASH FRANCHING LLC

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DASH Business Solutions, LLC

Independent Auditor's Report

To the Members of
Chocolate Bash Franchising LLC

We have audited the accompanying financial statements of Chocolate Bash Franchising LLC, which comprise the balance sheet as of December 31, 2020, and the related statement of operations, members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chocolate Bash Franchising LLC, as of December 31, 2020, and the results of its operations and its cash flows for the year then ended, in accordance with the generally accepted accounting principles in the United States of America.

Basis for Opinion

The audit was conducted in accordance with generally accepted auditing standards (GAAS) of the United States of America while specifically adhering to the auditor's responsibility listed below. The auditor is required to be independent of the entity and meet other ethical responsibilities relevant to the audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Performing an audit in accordance with GAAS requires the auditor to exercise professional judgment and maintain professional skepticism throughout the audit. The GAAS standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by management, consideration of the entity's ability to continue as a going concern for a reasonable amount of time, as well as evaluating the overall presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

The auditor is required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters the auditor identified during the audit.

The objectives of the auditor are to i) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and ii) issue an auditor's report that includes the auditor's opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

DASH Business Solutions, LLC

DASH Business Solutions, LLC
Wellington, FL
March 29, 2021

CHOCOLATE BASH FRANCHISING LLC

Balance Sheet
December 31, 2020

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 24,924
Due From Affiliate	<u>1,250</u>
Total Current Assets	<u>26,174</u>
Other Assets	<u>-</u>
TOTAL ASSETS	<u><u>\$ 26,174</u></u>

LIABILITIES & EQUITY

Current Liabilities	
Deferred Revenue, current portion	\$ 2,333
Total Current Liabilities	<u>2,333</u>
Long-Term Liabilities	
Deferred Revenue	<u>32,667</u>
Total Long-Term Liabilities	<u>32,667</u>
Total Liabilities	<u>35,000</u>
Members' Equity	
Retained Earnings	<u>(8,826)</u>
Members' Equity	<u>(8,826)</u>
TOTAL LIABILITIES & EQUITY	<u><u>\$ 26,174</u></u>

See accompanying Notes to Financial Statements

CHOCOLATE BASH FRANCHISING LLC

Statement of Operations
For The Year Ended December 31, 2020

Revenues	
Franchise Fee Revenue	\$ -
Royalty Revenue	-
Total Revenue	<u>-</u>
Expenses	
Advertising and Marketing	6,985
Bank Charges and Merchant Fees	80
Commissions	8,750
Legal and Professional	8,126
Total Expenses	<u>23,941</u>
Operating Income (Loss)	<u>(23,941)</u>
Interest Income	<u>-</u>
Net Income (Loss)	<u><u>\$ (23,941)</u></u>

See accompanying Notes to Financial Statements

CHOCOLATE BASH FRANCHISING LLC

Statement of Changes in Members' Equity For The Year Ended December 31, 2020

Equity at January 1, 2020	\$ 15
Member Contributions (Distributions)	15,100
Net Income (Loss)	<u>(23,941)</u>
Equity at December 31, 2020	<u><u>\$ (8,826)</u></u>

See accompanying Notes to Financial Statements

CHOCOLATE BASH FRANCHISING LLC

Statement of Cash Flows
For The Year Ended December 31, 2020

Cash Flows From Operating Activities:	
Net Income (Loss)	\$ (23,941)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation & Amortization	-
Changes in Assets and Liabilities	
Decrease (Increase) in Current Assets	(1,250)
Increase (Decrease) in Current Liabilities	2,333
Increase (Decrease) in Deferred Revenue	32,667
Net Cash Provided by Operating Activities	<u>9,809</u>
Cash Flows From Investing Activities:	
Loans From Members	-
Net Cash Provided by Investing Activities	<u>-</u>
Cash Flows From Financing Activities:	
Member Contributions (Distributions)	15,100
Net Cash Provided by Investing Activities	<u>15,100</u>
Net Change in Cash	24,909
Cash - Beginning of Period	<u>15</u>
Cash - End of Period	<u><u>\$ 24,924</u></u>
SUPPLEMENTAL INFORMATION	
Interest Paid	\$ 162

See accompanying Notes to Financial Statements

CHOCOLATE BASH FRANCHISING LLC

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

Chocolate Bash Franchising LLC (the “Company”) was formed on February 19, 2019 as a Wyoming limited liability company for the purpose of offering franchise opportunities and support for entrepreneurs who want to own a franchisee location of Chocolate Bash, a fast casual provider of sweet crepes, waffles, and related desserts.

Basis of Accounting

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

Accounting Standards Codification

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online search system.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included with cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions. As of December 31, 2020, the Company had cash and cash equivalents of \$24,924.

Accounts Receivable

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalty fees, and other revenues. These receivables are carried at original invoice amount less an estimate made for doubtful receivables, based on a review of outstanding amounts. As of December 31, 2020, the Company had accounts receivable of \$0.

CHOCOLATE BASH FRANCHISING LLC

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)**Revenue Recognition*

The Financial Accounting Standards Board (“FASB”) issued codification Topic 606, Revenue from Contracts with Customers (ASC 606). Under ASC 606, the franchisor must determine if the pre-opening activities contain any distinct goods or services, known as performance obligations, and then allocate the initial franchise fees to those performance obligations using the stand-alone selling price of the goods or services. The Company has instituted ASC 606 by allocating the initial franchise fee monthly based on the fifteen-year contract term.

The Company’s revenues consist of fees from franchisees such as initial franchise fees, royalties, and other fees. The initial franchise fees are deferred as a liability and recognized each month for fifteen years beginning the first month subsequent to when the fee is collected. The royalty revenue and other fees are recognized when earned and are based on a percentage of gross sales of each individual franchise according to the franchise contract.

The Company is obligated to provide the franchisee with specific performances, including name and trademark use, as outlined in the franchise disclosure document, for a period of fifteen years. The initial franchise fee is not refundable, it is collected upon contract signing, and future allocations of the fees have no risk of impairment. When a franchisee terminates the contract prior to the fifteen-year period, the remainder of the initial franchise fee is recognized in the year of termination. The total franchise fees collected for the year ending December 31, 2020 were \$35,000, of which \$35,000 was deferred based on the month of remittance.

Income Taxes

The entity is structured as a limited liability company under the laws of the State of Wyoming, being taxed as a disregarded entity for federal and state income tax purposes and includes the income or loss of the Company in the income tax returns of the member. Therefore, there is no provision for federal and state income taxes. The Company follows the guidance under Accounting Standards Codification (“ASC”) Topic 740, Accounting for Uncertainty in Income Taxes.

The Company’s income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2020, the 2019 tax year was subject to examination based on the date of formation.

Financial Instruments

For certain of the Company’s financial instruments, including cash and cash equivalents, accounts receivable, long term notes receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

CHOCOLATE BASH FRANCHISING LLC

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers, which amended revenue recognition guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. ASU No. 2014-09 is effective for annual reporting in fiscal years that begin after December 15, 2019. The Company is in the process of evaluating the impact that this new guidance will have on its financial statements.

Concentration of Risk

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

Advertising Costs

The Company expenses advertising costs when the first advertising takes place. The advertising expense at December 31, 2020 was \$6,985.

Subsequent Events

Management has reviewed and evaluated subsequent events through March 29, 2021, the date on which the financial statements were available to be issued.

NOTE 2 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2020, the Company paid a commission fee to an affiliated company of \$8,750. There were no other related party transactions.

NOTE 3 - DUE FROM AFFILIATE

The Company has a current receivable consisting of amounts due from an affiliated company in the amount of \$1,250 at December 31, 2020. There is no formal note, no interest, and the balance has not been discounted. The amount is accumulated based on the loans and repayments to the affiliate throughout the year.

CHOCOLATE BASH FRANCHISING LLC

Notes to the Financial Statements

NOTE 4 - COMMITMENTS AND CONTINGENCIES

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company. The Company does not carry general liability or workers’ compensation coverage, nor is it self-insured.

NOTE 5 - FRANCHISE AGREEMENT

The terms of the Company’s franchise agreement will be as follows:

- A. The Company will grant the right to use the Company name, trademark and system in the franchisees franchise development business.
- B. The franchisee is obligated to pay a non-refundable initial franchise fee.
- C. The franchisee is obligated to pay a monthly royalty fee and other fees as outlined in the agreement.
- D. Other terms as outlined in the Franchise Disclosure Document.

NOTE 6 - DEFERRED REVENUE

As stated in Note 1, under ASC 606, franchisor may recognize franchise fee revenue when the franchisor has substantially performed all services required to earn the initial franchise fee, or if pre-opening activities contain any distinct goods or services that can be allocated from the initial franchise fee. Management has determined that revenue from the initial franchise fees should be recognized monthly over a fifteen-year period beginning in the subsequent month of the fee collection date. The amounts in deferred revenue on the balance sheet consist of the current portion of \$2,333, that will be recognized in the subsequent year, and the long-term portion of \$32,667, that will be recognized over the remaining contract period of each franchisee.



A. ANDREW GIANIODIS

CERTIFIED PUBLIC ACCOUNTANT

CHOCOLATE BASH FRANCHISING LLC

DECEMBER 31, 2019

FINANCIAL STATEMENTS

CHOCOLATE BASH FRANCHISING LLC



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A. ANDREW GIANIODIS

CERTIFIED PUBLIC ACCOUNTANT

February 25, 2020

INDEPENDENT AUDITORS' REPORT

Board of Directors and Members of
Chocolate Bash Franchising LLC:

REPORT ON FINANCIAL STATEMENTS

I have audited the accompanying balance sheet of Chocolate Bash Franchising LLC (a limited liability company) as of December 31, 2019 and the related statements of operations, changes in owner's equity and cash flows for the period February 1 through December 31, 2019. These financial statements are the responsibility of the Company's management.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with generally accepted auditing standards as accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, I express no such opinion.

-1-

An audit also includes evaluating appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chocolate Bash Franchising LLC (a limited liability company) as of December 31, 2019 and the related statements of operations, changes in owner's equity and cash flows for the period February 1 through December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in dark ink, appearing to read "A. Andrew Gianiodis CPA". The signature is fluid and cursive, with the "CPA" part written in a slightly different, more legible script.

A. Andrew Gianiodis

Certified Public Accountant

Chocolate Bash Franchising LLC

Balance Sheet
December 31, 2019

ASSETS

Current Assets	
Cash	\$ 15
Accounts Receivable	<u>4,230</u>
Total Current Assets	<u>4,245</u>
Other Assets	<u>-</u>
TOTAL ASSETS	<u>\$ 4,245</u>

LIABILITIES & EQUITY

Current Liabilities	
Due to Affiliates	<u>\$ -</u>
Total Liabilities	<u>-</u>
Members' Equity	<u>4,245</u>
TOTAL LIABILITIES & EQUITY	<u>\$ 4,245</u>

See accompanying notes

Chocolate Bash Franchising LLC

Statement of Operations

Period February 1, 2019 through December 31, 2019

Revenues	
Franchise fees	\$ -
Other revenue	-
Total revenue	<u>-</u>
Expenses	
Bank charges	80
Professional fees	<u>675</u>
Total expenses	<u>755</u>
Operating Loss	(755)
Income taxes	-
Interest income	<u>-</u>
Net Loss	<u>\$ (755)</u>

See accompanying notes

Chocolate Bash Franchising LLC

Statement of Changes in Member's Equity Period February 1, 2019 through December 31, 2019

	Total Equity
Equity at February 1, 2019	\$ -
Capital Contribution	5,000
Net Loss	<u>(755)</u>
Equity December 31, 2019	<u>\$ 4,245</u>

See accompanying notes

Chocolate Bash Franchising LLC
Statement of Cash Flows
Period February 1, 2019 through December 31, 2019

Cash flows from operating activities:

Net Loss	\$ <u>(755)</u>
----------	-----------------

Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation & amortization	-

Changes in assets and liabilities	
Current assets	(4,230)
Current liabilities	<u>-</u>

Net cash provided by operating activities	<u>(4,985)</u>
---	----------------

Cash flows from investing activities:

	<u>-</u>
Net cash provided by investing activities	<u>-</u>

Cash flows from financing activities:

Capital infusion	5,000
Owner draws	<u>-</u>
Net cash provided by investing activities	<u>5,000</u>

Net change in cash	15
--------------------	----

Cash - beginning of period	<u>-</u>
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Cash - end of period	<u><u>\$ 15</u></u>
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Supplemental Disclosures	
Interest Paid	-
Income Taxes Paid	-

See accompanying notes

CHOCOLATE BASH FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF BUSINESS

The Company was incorporated under the laws of the State of Wyoming for the purpose of offering franchise opportunities to entrepreneurs who want to own their own Chocolate Bash operation, as a franchise.

BASIS OF PRESENTATION

The financial statements are presented on the accrual basis of accounting.

REVENUE RECOGNITION

Initial franchise fees will be recorded as income when the company provides substantially all the initial services agreed upon in the franchise agreement or when the franchise has commenced operations, whichever comes first. If the fee is received over a period of time and the Company has no reasonable basis for estimating the collectability of the fee, the Company will use the installment method of recognition of the initial fee as revenue.

Monthly royalty fees will be recognized when paid by the franchisee.

COMPANY INCOME TAXES

The Company is an LLC; as such, the Company will not be responsible for income taxes on the company level. Instead, its taxable income will be included on the owner's personal tax returns.

NOTE 2 DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company estimates that the fair value of all financial instruments at December 31, 2019, as defined in FASB 107, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

CHOCOLATE BASH FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 3 COMMITMENTS AND CONTINGENCIES

The Company does not carry general liability or worker's compensation coverage, nor is it self-insured.

NOTE 4 FRANCHISE AGREEMENT

The terms of the Company's franchise agreement will be as follows:

- A. The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
- B. The franchisee is obligated to pay a non-refundable initial franchise fee.
- C. The franchisee is obligated to pay a monthly royalty fee. Certain other fees are also outlined in the agreement.

NOTE 5 SUBSEQUENT EVENTS

There were no subsequent events noted through February 25, 2020, the date that the financial statements were available to be issued.

EXHIBIT E

STATE ADDENDA TO DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department Of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

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

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF BUSINESS OVERSIGHT NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

1. The following paragraph is added to the end of Item 3 of the Disclosure Document:

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

2. The following paragraph is added to the end of Item 6 of the Disclosure Document:

With respect to the Late Fee described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

3. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

The Franchise Agreement requires franchisee to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

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

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

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

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

The Franchise Agreement requires binding arbitration. The arbitration will occur in Yorba Linda, California, with the costs being borne equally by Franchisor and Franchisee. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of California. This provision may not be enforceable under California law.

STATE EFFECTIVE DATES

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

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	April 25, 2022

STATE EFFECTIVE DATES

RECEIPT

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

If Chocolate Bash Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If Chocolate Bash Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (which are listed in Exhibit A).

The name, principal business address, and telephone number of each franchise seller offering the franchise is:

Name	Principal Business Address	Telephone Number
Rasha Albasha	5820 Casson Drive, Yorba Linda CA 92886	714-582-9166

Issuance Date: February 3, 2022

I received a disclosure document that included the following Exhibits:

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Multi-Unit Development Agreement
- D. Financial Statements
- E. State Addenda to Disclosure Document

Signature: _____

Print Name: _____

Date Received: _____

Keep This Copy For Your Record

STATE EFFECTIVE DATES

RECEIPT

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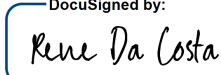
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- D. Financial Statements
- E. State Addenda to Disclosure Document

DocuSigned by:

 Signature: _____
 Print Name: Rene Da Costa
 Date Received: 9/19/2022

Return This Copy To Us

Chocolate Bash Franchising, LLC - 5820 Casson Drive, Yorba Linda CA 92886